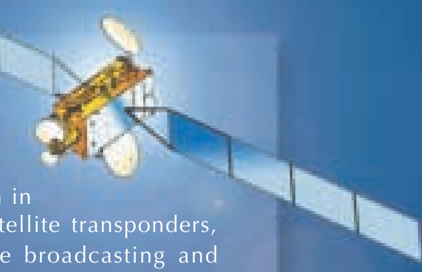
APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2004

CONTENTS

COMPANY PROFILE



APT SATELLITE HOLDINGS LIMITED ("APT Group") is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Having started its operation in 1992, APT Group mainly provides high quality services in satellite transponders, satellite communication and satellite TV broadcasting to the broadcasting and telecommunication sectors in Asia, Europe and the United States, and achieves remarkable results. APT Group currently operates five in-orbit geostationary satellites namely APSTAR I, APSTAR IA, APSTAR IIR, APSTAR V and APSTAR VI through its own satellite control centre in Tai Po, Hong Kong. APT Group has successfully launched two high power satellites, APSTAR V and APSTAR VI, in June 2004 and April 2005 respectively as replacement satellites of APSTAR I and APSTAR IA respectively. In the meantime, APT Group has finished building its satellite TV broadcasting platform for the provision of "one-stop" satellite TV broadcasting services, providing the best quality and reliable satellite TV uplink and broadcasting services to the customers. In addition, strengthened by APSTAR V and ARSTAR VI, and "one-stop" services in broadcasting and telecommunications, APT Group would accommodate the needs of our customers and reinforce APT Group's competitive advantages.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-VI	Alcatel SB-4100 C1	134˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR-V	SS/L FS-1300	138˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8 8	China (including Hong Kong, Macau and Taiwan) China and India
APSTAR-IIR	SS/L FS-1300	76.5˚E	28	Europe, Asia, Africa, Australia, about 75% of World's population	16	China (including Hong Kong, Macau and Taiwan) and Korea
APSTAR-IA	Boeing BSS-376	TBD	24	China, Japan, Southeast Asia, and India	–	–
APSTAR-I	Boeing BSS-376	142˚E	24	China, Japan, Southeast Asia	–	–


APT

DIRECTORS

Executive directors

Chen Zhaobin *(President)*
Tong Xudong *(Vice President)*

Non-executive directors

Liu Ji Yuan *(Chairman)*
Zhang Hainan *(Deputy Chairman)*
Lim Toon
Wu Zhen Mu
Yin Yen-liang
Lim Wee Seng
Tseng Ta-mon
(alternate director to Yin Yen-liang)
Kwok Kah Wai Victor
(alternate director to Lim Toon and Lim Wee Seng)

Independent non-executive directors

Yuen Pak Yiu, Philip
Huan Guocang
Lui King Man

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Chen Zhaobin
Lo Kin Hang, Brian

MEMBERS OF AUDIT COMMITTEE

Yuen Pak Yiu, Philip *(Chairman)*
Huan Guocang
Lui King Man

MEMBERS OF NOMINATION COMMITTEE

Yuen Pak Yiu, Philip *(Chairman)*
Tong Xudong
Huan Guocang
Lui King Man

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man *(Chairman)*
Tong Xudong
Yuen Pak Yiu, Philip
Huan Guocang

QUALIFIED ACCOUNTANT

Lau Mei Bik

AUDITORS

KPMG

PRINCIPAL BANKERS

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

LEGAL ADVISORS

Richards Butler
Preston Gates & Ellis LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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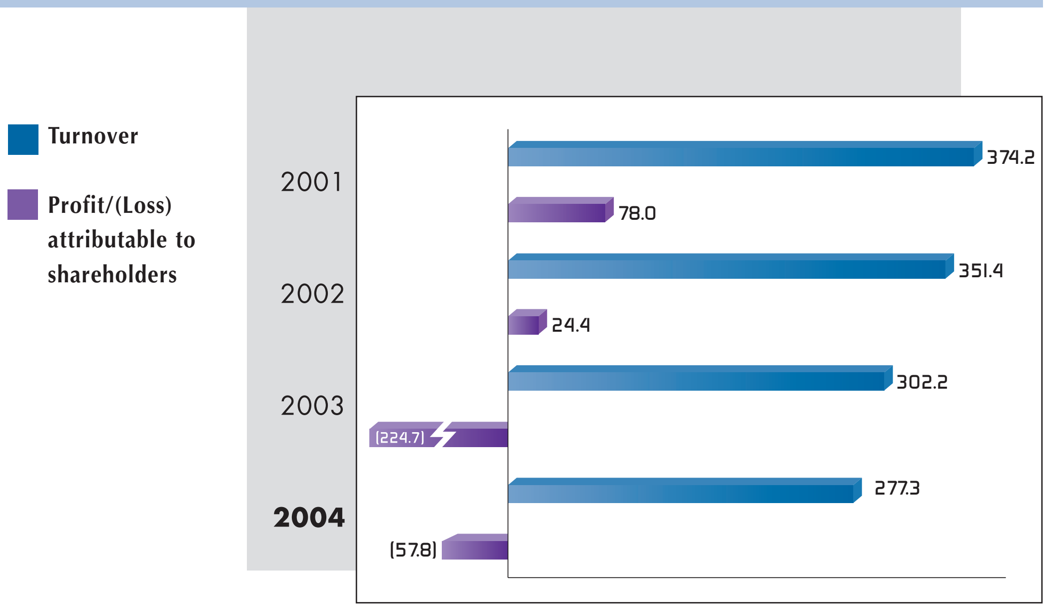
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong
Tel: (852) 2600 2100
Fax: (852) 2522 0419
Stock code: 1045 (in Hong Kong)
ATS (in New York)
Web-site: www.apstar.com
e-mail: aptmk@apstar.com *(Marketing)*
investors@apstar.com *(Investor Relations)*

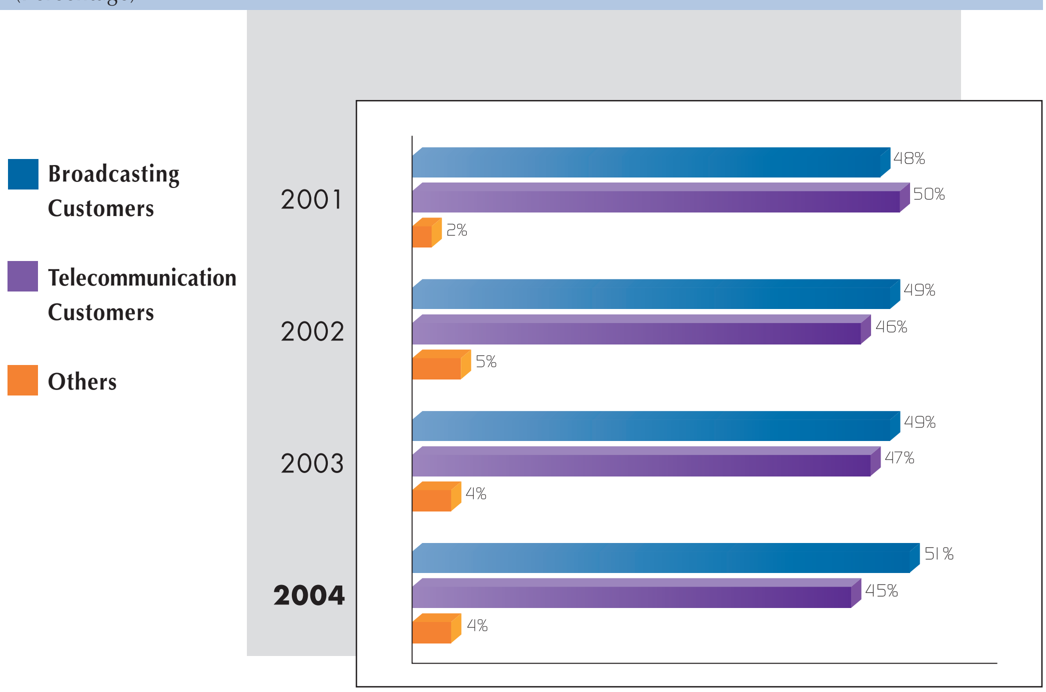
TURNOVER & PROFIT / (LOSS)

(HK$ Million)



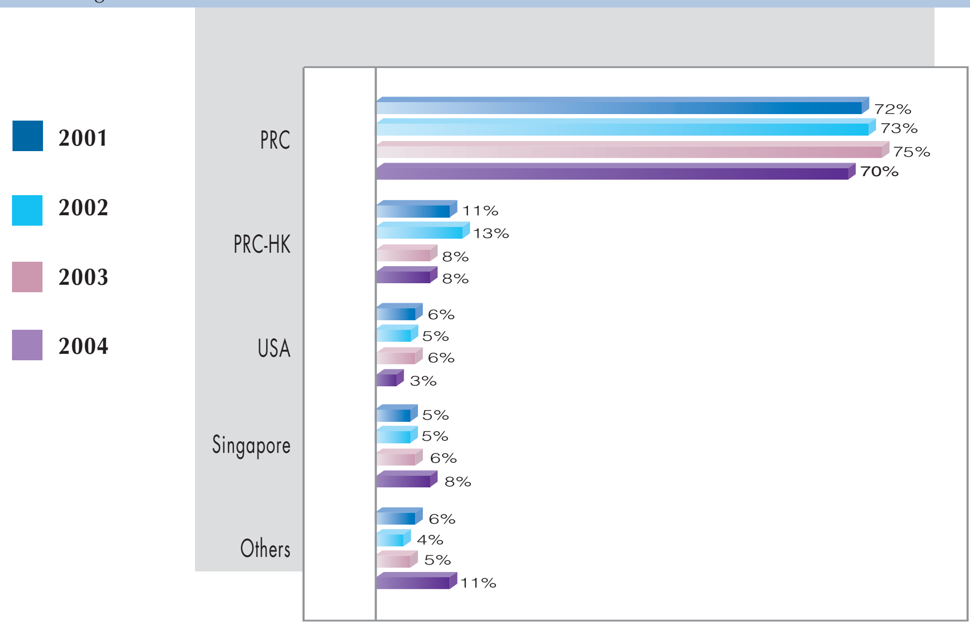
TURNOVER BREAKDOWN BY BUSINESS

(Percentage)



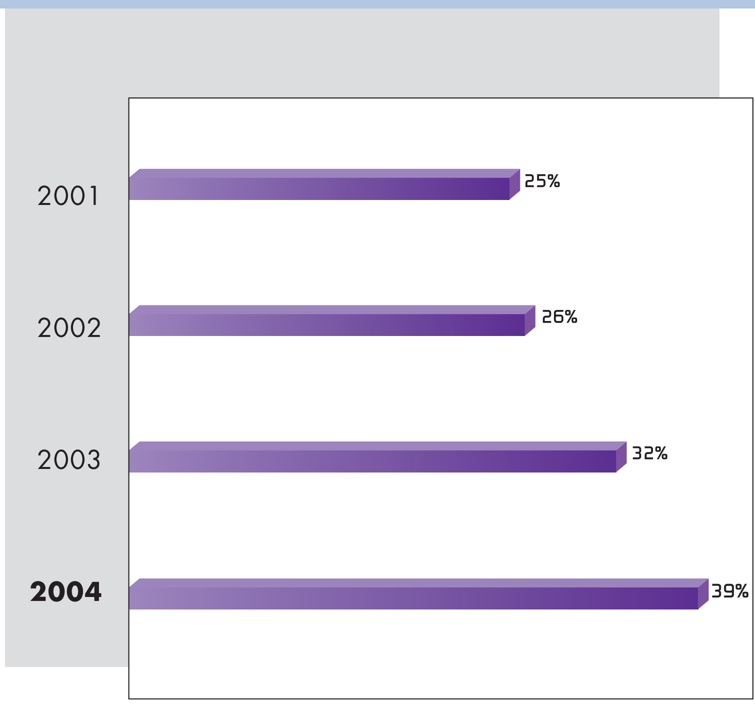
TURNOVER BREAKDOWN BY REGION

(Percentage)



TOTAL LIABILITIES TO TOTAL ASSETS RATIO

(Percentage)



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 2004, which had been prepared in accordance with the accounting principles generally accepted in Hong Kong.

RESULTS

For the financial year ended 31 December 2004, the Group's turnover and consolidated loss attributable to shareholders amounted to HK$277,260,000 (2003: HK$302,241,000) and HK$57,757,000 (2003: HK$224,718,000) respectively. Basic loss per share was HK13.98 cents (2003: HK54.43 cents).

DIVIDENDS

In view of the needs of future business development, the Board does not recommend any payment of final dividend for the financial year ended 31 December 2004 (2003: Nil).

BUSINESS REVIEW

The Group's three in-orbit satellites, namely APSTAR V, APSTAR IA and APSTAR IIR, together with their corresponding telemetry, tracking and control systems, have been operating under normal condition. Though the global economy especially the economy of the Asia Pacific had been improving and favorable, the transponder markets in Asia Pacific region including the Mainland China remained highly competitive. There was no sign of significant improvement in trading environment in transponder markets in the region because of the supply over demand situation and the growth of demands were still very slow. The transitional stages of APSTAR I and APSTAR IA had further worsen the utilisation rates of the satellites. As of 31 December 2004, the utilisation rates of APSTAR V, IA, and IIR were at 50.27%, 59.50%, and 100% respectively.

Mr. Chen Zhaobin
Executive Director and President

APSTAR V

APSTAR V, which is the fourth in-orbit satellite of the Group, was launched on board of a Sea Launch Zenit-3SL launch vehicle on 29 June 2004 (Hong Kong time). The satellite had successfully completed all in-orbit testing and commenced commercial operation on 13 August 2004 at its geostationary orbital slot at 138 degree east. The customer migration process that moved customers from APSTAR I to APSTAR V was completed in customer satisfaction. Apart from the original APSTAR I customers, APSTAR V has attracted new customers and usages such as CableTV. The transaction of six C-band transponders between the Group and Singapore Telecommunications Limited had successfully been completed in September 2004.

APSTAR V is a high power satellite, supplied by Space System/Loral Inc. with 38 C-band and 16 Ku-band with an estimated operation mission life of 15.3 year. The satellite C-band transponders cover Asia, Australia, New Zealand, the Pacific Islands and Hawaii whereas Ku-band transponders cover Mainland China, India, Taiwan, Hong Kong and Korea. It will host cable programming, direct-to-home broadcasting, Internet and VSAT services within Asia while providing an inter-connection to the United States. The commencement of APSTAR V would enhance the competitiveness of the Group in transponder services market by providing the most superior satellite communication and broadcasting services and global connectivity to customers for years to come.

APSTAR V satellite was launched from the Odyssey Launch Platform aboard a Sea Launch Zenit-3SL launch Vehicle on 29 June 2004 at 11:59 a.m. Hong Kong time.

Subsequent to the commencement of APSTAR V, APSTAR I was re-located to other orbital slot and has been operating in inclined orbital mode. APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Group entered into an utilisation agreement on 22 October 2004 under which APT HK will provide the transponders services to National Astronomical Observatories of the Chinese Academy of Sciences for the remaining life of APSTAR I. The utilisation fees and annual management fees will contribute to the profits of the Company.

APSTAR VI

The construction of APSTAR VI has been completed. The Interface Review between the satellite and launch vehicle and the Launch Site Review were completed in November 2004. As an important part of the preparation, both APT HK and Alcatel Space have completed the Telemetry, Tracking & Control System (the "TT&C System") installation and rehearsal in December 2004. On 28 February 2005, Alcatel Space, the supplier of APSTAR VI presented the satellite for Shipment Readiness Review (SRR) following which, the satellite has been delivered to the launch site at Xichang where it will be launched around 12 April 2005 by the launch vehicle, LM-3B, provided by the launch service provider, China Great Wall Industry Inc. ("CGWIC"). The satellite, which is a high power satellite with 38 C-band and 12 Ku-band transponders, is a replacement satellite for APSTAR IA.

On 29 June 2004, APT Satellite Group hosted a APSTAR V Launch Broadcast reception at APT Satellite Control Center in Tai Po to witness the launch of APSTAR V together with our customers.

In the very unlikely event of catastrophic launch failure of APSTAR VI, the Group will recognise a capital loss of approximately HK$390,000,000 (US$50,000,000) due to insufficient insurance coverage. Nevertheless, the claimed payment under the catastrophic launch failure (which will be approximately HK$1,365,000,000 (US$175,000,000) in the case of total loss), will be sufficient to fully repay the outstanding principal of the term loan and the balance of the claimed payment of approximately HK$460,200,000 (US$59,000,000) which together with a new bank loan and internal generated funds, is considered sufficient to finance APSTAR VIB project. There can be no assurance that financing from a new bank loan will be available at all or that, if available, will be obtained at a favorable term. The Directors also believe the market value of APSTAR VIB is similar to that of APSTAR VI. In the event of the occurrence of launch risk of APSTAR VI, the Group will appoint an independent professional valuer to value APSTAR VIB.

APSTAR VIB

In view of the risk of the launch of APSTAR VI, it is necessary for the Group to have a contingency plan safeguarding the replacement arrangement of APSTAR IA and to secure a launching slot for the smooth transponder services provided by the Group. On 10 November 2004, APT HK entered into an option agreement with CGWIC pursuant to which APT HK will be granted a right to require CGWIC to provide for the design, construction, delivery and launch of APSTAR VIB to a designated orbital slot. The details of the discloseable transaction can be referred to the announcement made by the Company on 12 November 2004.

The up-linking Ceremony conducted jointly by Hong Kong Cable Television Limited and APT Satellite Holdings Limited at APT Group's headquarter in Tai Po.

Satellite TV Broadcasting Platform

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Group has successfully established a satellite TV uplink and broadcasting services platform (the "Broadcasting Platform") for broadcasting services under the Satellite TV Uplink and Downlink Licence of Hong Kong Special Administrative Region. As at 31 December 2004, the Broadcasting Platform uplinks and broadcasts up to 34 satellite TV channels for CETV, SunTV, CableTV, Phoenix, Celestial Movies etc.

Subsequent to the disastrous event of tsunami in December 2004, the Company had made use of its transponder capacities and uplink and broadcasting services to provide free of charge support to our customers who involved in voluntary events.

Satellite-based Telecommunications Services

APT Telecom Services Limited, a wholly-owned subsidiary of the Group holds the Fixed Carrier Licence of Hong Kong and continues to provide satellite-based external telecommunications services such as VSAT and wholesales voice services.

BUSINESS PROSPECTS

The year 2005 will still be a challenging year. It is forecast that the broadcasting and telecommunication businesses will continue to grow slowly. However, the market competition will still be fierce due to supply over demand. The successful launch of APSTAR V and APSTAR VI will significantly strengthen the competitive edges of the Company and the performance of the Company will soon be improved.

APT Satellite Group and the customers visited Alcatel Space in France in December 2004 to have an update on APSTAR VI progress.

Development of APSTAR V and APSTAR VI

The initial in-orbit operation of APSTAR V has been smooth. The Group will continue to strengthen its marketing and sales for market competition.

The Group will closely monitor the final launch preparation of APSTAR VI ensuring that it will be launched successfully as planned. The Group has taken the launch and initial in-orbit insurance for the launch of APSTAR VI so as to control the risk of the launch. More details can be referred to the Company's announcement made on 15 March 2005. After the successful launch of APSTAR VI, the Company will transfer all the existing customers of APSTAR IA to APSTAR VI smoothly.

Corporate Governance

In an effort to further improve the corporate governance of the Group and comply with the relevant rules and regulations, the Company has substantially adopted the Code of Corporate Governance Practices as required by the rules (the "Listing Rules") governing the listing of securities on the Stock Exchange of Hong Kong Limited. Accordingly, the Company has revised the Terms of Reference of Audit Committee and has established the Nomination Committee and the Remuneration Committee. The Group has set up the Internal Audit team who directly report to Audit Committee. The Group has also set up the Internal Control Committee and Compliance Committee for the strengthening of internal control and compliance.

CONCLUSION

Over the coming twelve months, the market competition will still be very keen. The year 2005 will still be a big challenge to the Company. However, following the gradual improvement of the economy of Asia Pacific region and the commencement of both APSTAR V and APSTAR VI, the Company will leverage its additional transponder capacities in market competition to improve its operation performance and develop new satellite broadcasting and telecommunication businesses for new business growth. The Group will continue to keep up high standard of corporate governance especially in internal control system and compliance.

NOTE OF APPRECIATION

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

Liu Ji Yuan
Chairman

Xichang, China, 11 April 2005

BUSINESS REVIEW

Details of the business review are contained in the chairman's statement on page 5.

BUSINESS PROSPECTS

Details of the business prospects are contained in the chairman's statement on page 9.

FINANCIAL REVIEW

The Group recorded a loss attributable to shareholders of HK$57,757,000 for the year ended 31 December 2004, a decrease of HK$166,961,000 as compared to the loss for the year ended 31 December 2003, mainly as a result of decrease of the impairment losses recognised in respect of property, plant and equipment.

Turnover for 2004 was HK$277,260,000, a decrease of HK$24,981,000, as compared to 2003. The decrease of turnover in 2004 was due to intense market competition forcing the transponder pricing down, eroding the Group's profit margins and leading to a further drop in revenues. The commencement of operations of APSTAR V and APSTAR VI will enhance the competitive position of the Group.

Capital Expenditure, Liquidity, Financial Resources and Gearing Ratio

The Group's principal use of capital during the year was the capital expenditure related to the construction, launch service and launch insurance of APSTAR V and APSTAR VI which had been funded by internally generated cash and bank loan. The capital expenditure incurred in 2004 amounted to HK$430,740,000.

On 16 December 2002, the Group entered into an agreement with banks for a secured term loan facility of US$240 million which was amended by a Deed of Amendment and Restatement on 27 October 2004 (the "Bank Loan"). Accordingly, the unutilised portion for the facilities with respect to APSTAR V and the backup satellite were cancelled due to the availability period of drawing under the facility with respect to APSTAR V having expired at the end of 2003. The aggregate Bank Loan facility was reduced to US$165 million, the repayment date of the first installment under facility with respect of APSTAR V was extended to six months after the successful launch and in orbit testing of APSTAR V, and certain financial covenants were amended. The aggregate amount drawn under the Bank Loan as at 31 December 2004 was HK$975,780,000 (US$125,100,000). In addition, the Group has undrawn committed bank facilities of HK$311,220,000 (US$39,900,000). As at 31 December 2004, the Group complied with all the financial covenants over the past twelve-month period. Due to the delay in the launch of APSTAR VI, the Group obtained a confirmation letter from the banks in March 2005. Pursuant to the confirmation letter, the availability period of drawing under the facility with respect to APSTAR VI was extended to 30 June 2005. The Group is currently negotiating with the banks to amend the related terms of Bank Loan for the purpose of reflecting the agreed terms in the confirmation letter.

As at 31 December 2004, the Group has approximately HK$673,763,000 (2003: HK$546,864,000) free cash and HK$21,140,000 (2003: HK$111,863,000) pledged deposit. Together with cash flow generated from operations and the remaining available balance of the Bank Loan, the Group could cope with the needs to invest in future satellite and telecommunications projects for further business development.

As at 31 December 2004, the Group's total liabilities were HK$1,430,023,000, an increase of HK$383,399,000 as compared to 31 December 2003, which was mainly due to the borrowing of HK$273,780,000 (US$35,100,000) from the Bank Loan and an increase of deferred income of HK$233,499,000. As a result, the gearing ratio (total liabilities/total assets) has risen to 39%, representing a 7% increase as compared to 2003.

Capital Structure

The Group continues to maintain a prudent treasury policy and manage currency and interest risks on a conservative basis. During the year, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in United States dollars. Interest under Bank Loan was computed at the London Inter-Bank Offering Rate plus a margin. The Group would consider the fluctuation risk of the floating interest rate and would take appropriate measure in due course to hedge against interest rate fluctuation.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 31 December 2004. For the year 2003, APT Telecom completed its reorganisation, whereby the non-cable based assets and telecommunications service business, as well as the related telecommunications licence were transferred to the Group. For the year 2004, APT Telecom is engaged in property leasing and related facilities management services. As at 31 December 2004, APT Telecom still incurred a loss and the Group's share of loss of jointly controlled entities was HK$509,000, a decrease of share of loss of HK$64,324,000 as compared to 2003. The decrease was due to APT Telecom has recognised an impairment loss in respect of property, plant and equipment of HK$89,018,000 for the year 2003 while no impairment loss was recognised for the year 2004.

Segment Information

The turnover of the Group, which is analysed by business segments and geographical location of customers, is disclosed in note 10 to the financial statements.

Charges on Group Assets

The Bank Loan is secured by the assignment of the construction, launch service and related equipment contracts relating to APSTAR V and APSTAR VI and their related insurance claims proceeds, and the assignment of all their present and future agreements of transponder capacity and termination payments under construction, launch service and related equipment contracts. Any insurance claim proceeds must be deposited in a designated account and withdrawal of any amount from this designated account shall follow the terms of Bank Loan.

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK$4,887,000 (2003: HK$5,004,000) and bank deposits of approximately HK$390,000 (2003: HK$390,000).

Capital Commitments

On 10 November 2004, the Group had entered an agreement with a contractor pursuant to which the Group is granted a right to require the contractor to provide for the design, construction, delivery and launch of a new satellite, APSTAR VIB and the total option price is HK$59,904,000. If the option is exercised, the total consideration for the procurement and launch of APSTAR VIB is HK$936,780,000 and the option price will be applied towards the total consideration. At the balance sheet date, the option paid of HK$38,454,000 is included as prepayment for construction of a satellite in the balance sheet, and the remaining balance of HK$21,450,000 is included in the outstanding capital commitment. APSTAR VIB is served as a part of the contingent plan for the launch of APSTAR VI.

As at 31 December 2004, the Group has the outstanding capital commitments of HK$626,599,000 (2003: HK$1,095,763,000), of which HK$286,048,000 was contracted but not provided for in the Group's financial statements and the balance of HK$340,551,000 was authorised by the Board but not yet contracted, mainly in respect of the procurement and launch of APSTAR VI and an option fee for the design, construction, delivery and launch of a new satellite APSTAR VIB.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 24 to the financial statements.

HUMAN RESOURCES

As at 31 December 2004, the Group had 158 employees (2003: 157). With regard to the human resources policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Listing Rules. Share options granted in accordance with Scheme 2001 shall however remain valid until its expiry. No share options were granted under Scheme 2002.

The Group emphasises the training of its technical personnel. During 2004, to prepare for the control and operation of APSTAR V and APSTAR VI, and at the same time to provide satellite broadcasting and telecommunications service, the Group organised a series of course and on job training programs for new employees and existing staff. The Company is also sending relevant staff members to receive training in digital TV broadcasting services at various vendors' facilities in the United States and France.

EXECUTIVE DIRECTORS

Mr. CHEN Zhaobin, aged 49, was appointed as the Executive Director and President of the Company in February 2001. He is responsible for the overall management of the Company. Mr. Chen is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Skywork Corporation, APT Telecom Services Limited, Ying Fai Realty (China) Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited and APT Satellite Link Limited, subsidiaries of the Company. He is also the Chairman of the board of directors of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Chen is also the Director of APT International. 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. TONG Xudong, aged 41, was appointed as the Executive Director and Vice President of the Company in March and April 2004, respectively. Mr. Tong was also appointed as the member of the Nomination Committee and the Remuneration Committee of the Company on 11 April 2005. Mr. Tong is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited, APT Satellite Link Limited, APT Communication Technology Development (Shenzhen) Company Limited, CTIA Vsat Network Limited and Beijing Asia Pacific East Communication Network Limited ("BAPECN Limited"), subsidiaries of the Company. He is also the chairman of BAPECN Limited. He is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Tong, graduated from Nanjing Aeronautic Institute in 1985 and obtained a master degree from Beijing Institute of Space Mechanics and Electricity, Chinese Academy of Space Technology in 1988. Immediately after his graduation, he served for the Beijing Institute of Space Mechanics and Electricity. In 1993, he further pursued his studies in Samara University of Aeronautics and Astronautics, Russia. From May 1995 to June 2000, he served as the Vice-Director of Beijing Institute of Space Mechanics and Electricity and was appointed as professor in 1998. From June 2000 to December 2003, he was the Director of the same Institute. In 2003, he was appointed as the Vice-President of Chinese Academy of Space Technology. Mr. Tong is a standing committee member of Chinese Society of Space Research and Chairman of the Committee of Recovery and Reentry, Chinese Society of Astronautics.

Mr. CUI Xinzheng, aged 51, was appointed as the Executive Director and Vice President of the Company in February 2001. He is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited, Skywork Corporation, Haslett Investments Limited, APT Telecom Services Limited and APT Communication Technology Development (Shenzhen) Company Limited ("APT Shenzhen"), subsidiaries of the Company. He is also the chairman and the general manager of APT Shenzhen. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. He had served as the Director of General Office, Deputy Director of ChinaSat; the Deputy Director of Research Division of Beijing Micro-Electronics Technology Institute. He graduated from Graduate School of Chinese of Social Sciences Academy. He has 30-year experience in economics management and has much experience of the operation of satellite telecommunication. Mr. Cui resigned as Executive Director of the Company on 8 September 2004 but remains as the Vice President of the Company.

Mr. HE Dongfeng, aged 39, was appointed as the Executive Director and Vice President of the Company in July 2002. He graduated with double Bachelor Degrees in Engineering from Jilin University of Technology. He then graduated with a Master Degree in Engineering from Beijing Institute of Technology. He is now studying in Beijing Normal University for Phd degree in Economics. He has served for the China Aerospace Corporation (presently known as China Aerospace Science & Technology Corporation) since 1989. He was appointed as Deputy Section Head, Section Head, Branch Factory Head, Deputy General Manager & General Manager of Capital Aerospace Machinery Corporation. In January 2002, he was appointed as the Vice President of China Academy of Launch Vehicle Technology. He resigned as Executive Director and Vice President of the Company on 29 March 2004 and 5 April 2004, respectively.

NON-EXECUTIVE DIRECTORS

Mr. LIU Ji Yuan, aged 71, was appointed as the Chairman of the Company in June 1998. Mr. Liu is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. 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, and Honorary Chairman of China Aerospace Industrial and Entrepreneurial Management Association.

Mr. ZHANG Hainan, aged 60, was appointed as the Non-executive Director and Deputy Chairman of the Company in March 2004. Mr. Zhang is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Zhang graduated from the Northwestern Polytechnical University in 1968 and was accredited as a senior engineer. Since 1984, he has been deputy director of Factory Number 782 and 762, the Ministry of Electronics Industry of China; deputy head and head of the Bureau of Electronics Industry, Shanxi Province; deputy head and head of Shanxi Economic and Trade Commission; and assistant to the governor of the Shanxi Province government, among others. In 2001, he was transferred to China Satellite Communications Corporation, the holding company of one of the shareholders of APT Satellite International Company Limited, as deputy general manager and general manager. Mr. Zhang has many years' experience in government and corporate management.

Mr. LIM Toon, aged 62, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as the Non-Executive Director of the Company in October 1996. Mr. Lim is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Lim is also the Director of APT Satellite International Company Limited. 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, the holding company of one of the shareholders of APT Satellite International Company Limited, since April 1999 and has worked for Singapore Telecom since 1970, serving in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He was appointed Executive Vice President of Network Services in April 1989 and Executive Vice President of International Services in April 1994. He was awarded the Efficiency Medal in 1978 and the Public Administration Medal (Gold) in 1991 by the Singapore government. He is presently a Director of a number of overseas companies.

Mr. WU Zhen Mu, aged 59, was appointed as the Non-Executive Director of the Company in June 1998. Mr. Wu is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Wu is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. 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.

Dr. YIN Yen-liang, aged 54, was appointed as the Non-Executive Director of the Company in January 2003. Dr. Yin is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Dr. Yin is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the PhD Degree in Business Administration from National Chengchi University in 1987. He has been President of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited, since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd., Executive Director of Bank SinoPac, Director of Acer Incorporate, Chairman of Aetna SinoPac Credit Card Company Limited.

Mr. LIM Wee Seng, aged 51, was appointed as the Non-Executive Director of the Company on 20 December 2004. Mr. Lim had been an Alternate Director to Mr. Lim Toon and Mr. Tay Chek Khoon, the non-executive directors of the Company, from September to December in 2004. He also had been an Alternate Director to Mr. Lim Shyong, the non-executive director of the Company, from September 2003 to September 2004. Mr. Lim is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the Director of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Lim is also the Director of APT International. Mr. Lim graduated from the University of Singapore with a First Class Honours Degree in Bachelor of Engineering (Electrical and Electronics) in 1979 and subsequently obtained a Master of Science (Electrical Engineering) Degree in 1985. He has been with Singapore Telecommunications Limited ("SingTel"), the holding company of one of the shareholders of APT International, since 1979 and has held management positions in various areas including engineering, radio services, network, carrier wholesale business and strategic investment. From 1998 to 2000, he was the Managing Director of SingTel's subsidiary company in UK, responsible for the setting up and running of SingTel's voice and data business in Europe. He was also a member of the Singapore ST-1 satellite planning team in 1991 to 1993. Mr. Lim is currently Director of Strategic Investment in SingTel and is responsible for mergers, acquisitions and monitoring of SingTel's joint venture companies.

Mr. TSENG Ta-mon, aged 47, was appointed as an Alternate Director to Dr. Yin Yen-liang, the non-executive director of the Company, on 8 September 2004. He had been the Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the director of APT Satellite International Company Limited, a substantial shareholder of the Company. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited, since 1992.

Mr. KWOK Kah Wai Victor, aged 49, was appointed as an Alternate Director to Mr. Lim Toon and Mr. Lim Wee Seng, Non-Executive Directors of the Company, on 20 December 2004. Mr. Kwok had been the Vice President of the Company from March 2001 to June 2004 responsible for Marketing and Sales division of the Company. Mr. Kwok is also the Alternate Director to Mr. Lim Toon and Mr. Lim Wee Seng, directors of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. He is also the the Alternate Director to Mr. Lim Toon and Mr. Lim Wee Seng, directors of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Kwok is also the Alternate Director to Mr. Lim Toon and Mr. Lim Wee Seng, directors of APT Satellite International Company Limited. Prior to joining the Company, Mr. Kwok was the Managing Director of Global Services Development in SingTel, the holding company of one of the shareholders of APT Satellite International Company Limited. 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 is currently the Senior Director of the Regional Satellite Business Group of SingTel. 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. ZHOU Ze He, aged 63, was appointed as the Deputy 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). He resigned as the Non-Executive Director and Deputy Chairman of the Company on 29 March 2004.

Mr. LIM Shyong, aged 54, was appointed as the Non-Executive Director of the Company in 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. Lim resigned as the Non-Executive Director of the Company on 8 September 2004.

Mr. WONG Hung Khim, aged 66, was appointed a Director of APT Satellite Company Limited in February 1993 and was appointed as the Non-Executive Director of the Company in October 1996. 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. Wong resigned as Non-Executive Director of the Company on 8 September 2004.

Mr. WU Hongju, aged 43, was appointed as the Non-Executive Director of the Company in November 2002. After graduation with the major in radio technology from Beijing Polytechnic University in 1984, he started his career in R&D in No. 502 Research Institute of the then Ministry of Aerospace Industry of China. From 1991 onward, he held such posts as Office Assistant of the Aerospace Foreign Trade Coordination Team of the former Ministry of Aviation & Aerospace of China, Assistant of General Planning & Development Bureau of the former China Aerospace Corporation, Vice President of China APMT Company, Vice President of Singapore APMT Company, Division Director of Investment Management Division of Business Investment Bureau of China Aerospace Science & Technology Corporation, and Vice President of Beijing Aerospace Satellite Application Company. He has acquired abundant experience in business trading, capital management and radio technology through his career. Mr. Wu resigned as the Non-Executive Director of the Company on 8 September 2004.

Mr. WU Jinfeng, aged 44, was appointed as the Non-Executive 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. Wu resigned as Non-Executive Director of the Company on 8 September 2004.

Mr. TAY Chek Khoon, aged 54, was appointed as the Non-Executive Director of the Company in 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. Tay resigned as the Non-Executive Director of the Company on 20 December 2004.

Mr. CHEN Chi-chuan, aged 47, was appointed as an Alternate Director to Dr. Yin Yen-liang, the non-executive director of the Company, in January 2003. Mr. Chen graduated with an MBA Degree from National Taiwan University in 1982. Having been in the securities investment sector for a long time, he had been Deputy Director of Yong Foong Yu Paper Manufacturing Co., Ltd. and Deputy General Manager of Kwang Hua Securities Investment & Trust Co., Ltd. At present, Mr. Chen is the Managing Director of China Development Financial Holdings Corporation and China Development Industrial Bank. Mr. Chen resigned as the Alternate Director to Dr. Yin Yen-liang, the non-executive director of the Company, on 8 September 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YUEN Pak Yiu, Philip, aged 69, was appointed as an Independent Non-executive Director of the Company in October 1996. Mr. Yuen was also appointed as the Chairman of the Nomination Committee of the Company and as the member of the Remuneration Committee of the Company on 11 April 2005. Mr. Yuen is also the Chairman of the Audit Committee of the Company. 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.

Dr. HUAN Guocang, aged 55, was appointed as an Independent Non-executive Director of the Company in August 2002. Dr. Huan was also appointed as the member of the Nomination Committee and the Remuneration Committee of the Company on 11 April 2005. Dr. Huan is also a member of the Audit Committee of the Company. He is the Head of Investment Banking, Asia Pacific of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Before joining HSBC, he was Managing Director and Co-Head of Investment Banking, Asia Pacific of Salomon Smith Barney. Dr. Huan has more than 15 years of investment banking experience and has held senior positions at the Brookings Institution, the Atlantic Council of the U.S., J.P. Morgan & Co., BZW Asia Limited, and Columbia University. Dr. Huan holds a Ph.D. degree in International Political Economy from Princeton University, Master of Arts in International Relations from Columbia University and Master of Arts in International Economics from the University of Denver.

Dr. LUI King Man, aged 50, was appointed as an Independent Non-Executive Director of the Company on 18 August 2004. Dr. Lui was also appointed as the Chairman of the Remuneration Committee of the Company and the member of the Nomination Committee of the Company on 11 April 2005. Dr. Lui is also a member of the Audit Committee of the Company. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K.M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Society Of Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 23 years experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organizations.

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 the Securities and Futures Ordinance are set out in the Directors' Report.

SENIOR MANAGEMENT

Dr. LO Kin Hang, Brian, aged 48, has been the Vice President of the Group since April 2002 and Company Secretary (since October 1996) of the Company. Dr. Lo joined the Company in September 1996 and had been the Assistant to the President from December 1997 to April 2002. Dr. Lo is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited and Ying Fai Realty (China) Limited, subsidiaries of the Company. He is also the Chief Executive Officer of APT Satellite Telecommunications Limited, a jointly controlled entity between a wholly-owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. 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 and a Doctorate Degree in Business Administration in University of Hull, 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. Dr. Lo has about 18 years of experience in corporate and project management.

Mr. CHEN Xun, aged 34, has been the Assistant President of the Company since July 2004. He joined the Company in 2000 and had worked as the Director of Engineering and Technical Operations Department and the Deputy Chief Engineer of the Group. Mr. Chen graduated from the Department of Computer and Telecommunications of Chongqing Institute of Post & Telecommunications. He had been working for China Telecommunications Broadcast Satellite Corporation from 1992 to 1999 before joining the Group.

Mr. YANG Qing, aged 41, has been the Assistant President of the Company since July 2004. He joined the Company in 2000. He had worked as the Deputy Director of the Engineering and Technical Operations Department of the Group. Mr. Yang graduated from the Department of Flight Vehicle Engineering of Beijing Institute of Technology in June 1985. During the period from July 1985 to December 1999, he had been working for CALT (China Academy of Launch Vehicle Technology) and was designated as Senior Engineer and the Deputy Director of systems designer of LM-2C launch vehicle by CALT before joining the Group.

The directors ("Directors") of the Company present their 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 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and satellite-based telecommunications services and other related services.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 10 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 2004 are set out in the consolidated income statement on page 40 and the accompanying notes to the financial statements.

The Directors do not recommend any payment of final dividend for the year ended 31 December 2004.

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 89.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2004 are set out in note 11 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2004 are set out in note 13 to the financial statements.

JOINTLY CONTROLLED ENTITIES

Details of the Group's interest in jointly controlled entities are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movement of the share capital are set out in note 20 to the financial statements. During the year, no share was issued.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 44.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 22 to the financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in note 16 to the financial statements.

DIRECTORS

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

Executive directors

Chen Zhaobin *(President)*	
Tong Xudong *(Vice President)*	*(appointed as executive director and vice president on 29 March 2004 and 20 April 2004, respectively)*
Cui Xinzheng *(Vice President)*	*(resigned as executive director on 8 September 2004 but remains the vice president)*
He Dongfeng *(Vice President)*	*(resigned as executive director and vice president on 29 March 2004 and 5 April 2004, respectively)*

Non-executive directors

Liu Ji Yuan *(Chairman)*	
Zhang Hainan *(Deputy Chairman)*	*(appointed on 29 March 2004)*
Lim Toon	
Wu Zhen Mu	
Yin Yen-liang	
Lim Wee Seng	*(appointed as non-executive director on 20 December 2004 and resigned as alternate director to Lim Toon and Tay Chek Khoon on 20 December 2004; ceased as alternate director to Lim Shyong on 8 September 2004 and appointed as alternate director to Lim Toon and Tay Chek Khoon on 8 September 2004)*
Tseng Ta-mon	*(appointed as alternate director to Yin Yen-liang on 8 September 2004 and resigned as non-executive director on 8 September 2004)*
Kwok Kah Wai Victor	(appointed as alternate director to Lim Toon and Lim Wee Seng on 20 December 2004)
Zhou Ze He *(Deputy Chairman)*	*(resigned on 29 March 2004)*
Lim Shyong	*(resigned on 8 September 2004)*
Wong Hung Khim	*(resigned on 8 September 2004)*
Wu Hongju	*(resigned on 8 September 2004)*
Wu Jinfeng	*(resigned on 8 September 2004)*
Tay Chek Khoon	*(resigned on 20 December 2004)*
Chen Chi-chuan	*(resigned as alternate director to Yin Yen-liang on 8 September 2004)*

Independent non-executive directors

Yuen Pak Yiu, Philip	
Huan Guocang	
Lui King Man	*(appointed on 18 August 2004)*

In accordance with Article 86(2) and Article 87 of the Company's Bye-Laws, Messrs. Lim Toon, Lim Wee Seng, Lui King Man, Yin Yen-liang 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 of the Company continue in office.

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.

DIRECTOR'S SERVICE CONTRACT

In accordance with the rules ("Listing Rules") governing the listing of securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") on or before 31 January 2004, the particulars of exempt directors' service contracts entered into between the Company or any of its subsidiaries under rule 13.69 of the Listing Rules are as follows:

(a) Mr. Chen Zhaobin (Executive Director and President) and Mr. Cui Xinzheng (Executive Director and Vice President) entered into service contracts with the Company for an initial term of three years, commencing on 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; and the one between the Company and Mr. Cui Xinzheng was terminated on 8 September 2004 upon his resignation as Executive Director of the Company; and

(b) Mr. He Dongfeng (Executive Director and Vice President) entered into a service contract with the Company for an initial term of three years, commencing on 13 August 2002 and continuing thereafter until terminated by either party giving to the other not less than six months' notice and the service contract was terminated on 5 April 2004.

Thereafter, Mr. Tong Xudong (Executive Director and Vice President) entered into a service contract with the Company for an initial term of three years, commencing on 20 April 2004 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).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received all its Independent Non-Executive Directors' annual confirmations as regards independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Directors, they are considered to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2004, the interests of each Director and the chief executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

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

(1) The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

Save as disclosed above, as at 31 December 2004, none of the Directors or the chief executive of the Company had or was interested, or were deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies respectively.

SHARE OPTION SCHEMES

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

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

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

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

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised 8,450,000, (2003: 9,670,000) which represents 2.05% (2003: 2.34%) of the issued shares of the Company for the time being and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000). As at the date of report, the total number of shares of the Company in issue was 413,265,000 (2003: 413,265,000).

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

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

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

	Options granted on 19 June 2001 and remain outstanding as at 1 January 2004	Options cancelled during the year	Options exercised during the year	Options outstanding as at 31 December 2004
Name of director and chief executive				
Chen Zhaobin *(Executive Director and President)*	2,200,000	–	–	2,200,000
Cui Xinzheng *(Vice President)*	1,200,000	–	–	1,200,000
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	800,000	–	–	800,000
	4,200,000	–	–	4,200,000
Employees in aggregate:				
Employees under employment contracts	9,670,000	1,220,000	–	8,450,000

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

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

As at 31 December 2004, the following 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 telecommunication and video broadcasting services
	Singapore Telecom Hong Kong Limited INS Holdings Pte Ltd	Investment holding and provision of telecommunications services
	SingTel Services Australia Pty Limited SingTel (Philippines), Inc. Singapore Telecom Taiwan Limited	Provision of customer services for telecommunications related activities
	Singapore Telecom Japan Co Ltd Singapore Telecom Korea Limited	Provision of telecommunications services and all related activities
	Bharti Tele-Ventures Limited	Provision of cellular, fixed line, national long distance and international telecommunication services
	Singapore Telecom USA, Inc.	Provision of telecommunication services and engineering and marketing services for telecommunications networks in USA
	New Century Infocomm Tech Co. Ltd.	Provision of fixed line telecommunication services
Lim Wee Seng	C2C Pte Ltd	Operation and provision of telecommunications facilities and services utilising a network of submarine cable systems and associated terrestrial capacity
Kwok Kah Wai Victor	GB21 (Hong Kong) Limited	Provision of telecommunication services and products

SUBSTANTIAL SHAREHOLDER

As at 31 December 2004, according to the register of interests in shares and short positions kept by the Company under section 336 of the SFO, the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	*Note*	**Number of shares interested**	**% of issued share capital**
APT Satellite International Company Limited		214,200,000	51.83
China Aerospace Science & Technology Corporation	1	37,200,000	9.00
China Aerospace International Holdings Limited	1	31,200,000	7.55
Sinolike Investments Limited	1	31,200,000	7.55
Temasek Holdings (Private) Limited	2	22,800,000	5.52
Singapore Telecommunications Limited	2	22,800,000	5.52
Singasat Private Limited	2	22,800,000	5.52

Note:

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

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

Save as disclosed above, as at 31 December 2004, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

Messrs. Chen Zhaobin, Tong Xudong, Liu Ji Yuan, Zhang Hainan, Lim Toon, Yin Yen-liang, Wu Zhen Mu, Lim Wee Seng, Tseng Ta-mon (alternate director to Yin Yen-liang) and Kwok Kah Wai Victor (alternate director to Lim Toon and Lim Wee Seng), 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 5% or more of the Company's issued share capital at 31 December 2004.

MAJOR CUSTOMERS AND SUPPLIERS

In 2004, the largest customer accounted for 13% (2003: 13%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 40% (2003: 39%) 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.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions also constituted related party transaction in accordance with the Hong Kong accounting principles, details are set out in note 28 to the financial statements.

During the year ended 31 December 2004, the Group had the following continuing connected transactions, details of which are set out below:

As announced on 2 December 2004, for the purposes of governing the continuing connected transactions (the "Continuing Connected Transactions") and ensuring the compliance with Chapter 14A of the Listing Rules, on 1 December 2004 two Master Agreements were entered into between the Company and Singapore Telecommunications Limited ("SingTel") in relation to the provision of satellite transponder and any other satellite related services by the Group to SingTel and Singapore Telecom Hong Kong Limited (an associate of SingTel), or vice versa ("Transponder Transactions"); and between the Company and C2C Pte Limited (an associate of SingTel) in relation to the provision of telecommunications related services by the Group to C2C Pte Limited and its subsidiary, or vice versa ("Telecom Transactions"). The duration of the Master Agreements shall remain in force until 31 December 2006.

SingTel was a connected person because it was the holding company of Singasat Private Limited ("SingaSat"), which was a substantial shareholder of APT Satellite Telecommunications Limited, which is owned as to 55% indirectly by the Company and 45% by SingaSat. The entering into the Transponder Transactions, the Telecom Transactions and the Master Agreements constituted connected transactions.

As approved by the independent shareholders of the Company on 30 December 2004, for the three years ending 31 December 2004, 31 December 2005 and 31 December 2006, the annual aggregate value of the Transponder Transactions will not exceed HK$15 million, HK$18 million and HK$32 million, respectively, and in the case of Telecom Transactions, their annual aggregate value will not exceed HK$2 million, HK$9 million and HK$11 million, respectively.

During the year ended 31 December 2004, the annual aggregate values were as follows:

(i)	Transponder Transactions	HK$14,490,000
(ii)	Telecom Transactions	HK$238,000

The Independent Non-Executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that:

(i) the annual aggregate values of the Transponder Transactions and the Telecom Transactions for the year ended 31 December 2004 did not exceed HK$15 million and HK$2 million, respectively;

(ii) the Continuing Connected Transactions have been and will continue to be entered into the usual and ordinary course of business of the Group;

(iii) the Continuing Connected Transactions have been and will continue to be conducted either (1) on normal commercial terms; or (2) if there is no available comparison, on terms no less favorable to the Group than terms available from independent third parties; and

(iv) the Continuing Connected Transactions have been and will continue to be entered into in accordance with the Master Agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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.

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 Listing Rules in force for accounting periods commencing before 1 January 2005 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.

CORPORATE GOVERNANCE

To comply with the new requirements in respect of corporate governance under the Code on Corporate Governance Practices of the Appendix 14 of the Listing Rules, on 11 April 2005 the Company has established the Remuneration Committee and the Nomination Committee, and has revised the existing Terms of Reference of the Audit Committee.

Messrs. Tong Xudong, Yuen Pak Yiu, Philip, Huan Guocang and Lui King Man were appointed as the members of the Remuneration Committee and of the Nomination Committee. Mr. Yuen Pak Yiu, Philip, and Dr. Lui King Man, the independent non-executive directors of the Company, were appointed as the Chairman of the Nomination Committee and the Remuneration Committee, respectively.

Written Terms of Reference (also known as Charter) of these Committees are contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance" and they are also available on request with the Company's Investor Relations.

In addition to the Code of Ethics for the Directors and Officers of the Company aiming to promote honest and ethical business conduct, the Company has also formally adopted the Model Code for Securities Transactions by Directors of the Appendix 10 of the Listing Rules in respect of the Directors' dealings in the Company's securities.

Given the Company is also listed on the New York Stock Exchange, Inc. (the "NYSE") as a foreign issuer, pursuant to NYSE's requirement, a discussion on the significant differences in corporate governance being practiced by the Company in Hong Kong as compared with those practices applicable to U.S. domestic issuers listed on the NYSE is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance".

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

KPMG have been appointed as auditors of the Company since 2003 upon the resignation of Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Chen Zhaobin
Director

Tong Xudong
Director

Xichang, China, 11 April 2005

KPMG

Auditors' report to the shareholders of
APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 40 to 88 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 11 April 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 $'000
Turnover	2 & 10	**277,260**	302,241
Cost of services		**(244,755)**	(280,319)
		32,505	21,922
Other operating income	3	**9,332**	33,039
Gain on partial disposal of an associate		**–**	12
Administrative expenses		**(78,680)**	(74,892)
Surplus/(deficit) arising on revaluation of investment property	12	**78**	(70)
Impairment loss recognised in respect of property, plant and equipment	11(a)	**(1,800)**	(129,098)
Loss from operations		**(38,565)**	(149,087)
Finance costs	4(a)	**(4,117)**	–
Share of results of jointly controlled entities		**(509)**	(64,833)
Loss from ordinary activities before taxation	4	**(43,191)**	(213,920)
Income tax	5(a)	**(16,625)**	(11,721)
Loss from ordinary activities after taxation		**(59,816)**	(225,641)
Minority interests		**2,059**	923
Loss attributable to shareholders	8	**(57,757)**	(224,718)
Loss per share	9		
– Basic		**(13.98 cents)**	(54.43 cents)
– Diluted		**(13.98 cents)**	(54.43 cents)

The notes on pages 47 to 88 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 $'000
Non-current assets			
Property, plant and equipment	11(a)	**2,696,275**	2,445,360
Investment property	12	**2,340**	2,262
Interest in jointly controlled entities	14	**78,140**	82,781
Prepayment for construction of a satellite	25(ii)	**38,454**	–
Club memberships		**5,537**	5,537
Deposits, prepayment and deferred expenses		**28,044**	440
Deferred tax assets	19(b)	**10,134**	9,416
		2,858,924	2,545,796
Current assets			
Trade receivables	15	**45,753**	68,364
Deposits, prepayments and other receivables		**24,752**	32,662
Amount due from a jointly controlled entity	14	**2,700**	–
Amount due from immediate holding company		**–**	20
Pledged bank deposits	23	**21,140**	111,863
Cash and cash equivalents		**673,763**	546,864
		768,108	759,773
Current liabilities			
Payables and accrued charges		**45,139**	50,237
Rentals received in advance		**30,652**	20,961
Loan from a minority shareholder		**7,488**	–
Current taxation	19(a)	**84,768**	188,231
Secured bank borrowings due within one year	16	**66,339**	17,550
		234,386	276,979
Net current assets		**533,722**	482,794
Total assets less current liabilities carried forward		**3,392,646**	3,028,590

At 31 December 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 $'000
Total assets less current liabilities brought forward		**3,392,646**	3,028,590
Non-current liabilities			
Secured bank borrowings due after one year	16	**909,441**	684,450
Loan from a minority shareholder		**–**	7,488
Deposits received	17	**12,607**	37,960
Deferred income	18	**261,380**	27,881
Deferred tax liabilities	19(b)	**12,209**	11,866
		1,195,637	769,645
Minority interests		**3,856**	5,915
Net assets		**2,193,153**	2,253,030
Capital and reserves			
Share capital	20	**41,327**	41,327
Share premium		**1,285,466**	1,285,466
Contributed surplus	22	**511,000**	511,000
Revaluation reserve		**5,500**	7,700
Translation reserve		**(20)**	(100)
Other reserves	22	**102**	102
Accumulated profits	22	**349,778**	407,535
		2,193,153	2,253,030

Approved and authorised for issue by the Board of Directors on 11 April 2005.

Chen Zhaobin
DIRECTOR

Tong Xudong
DIRECTOR

The notes on pages 47 to 88 form part of these financial statements.

BALANCE SHEET

At 31 December 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 $'000
Non-current assets			
Property, plant and equipment	11(b)	**–**	–
Interest in subsidiaries	13	**1,907,650**	1,912,612
		1,907,650	1,912,612
Current assets			
Receivables and prepayments		**288**	138
Amount due from a subsidiary	13	**39,640**	42,900
Cash and cash equivalents		**7,799**	162
		47,727	43,200
Current liabilities			
Payables and accrued charges		**2,053**	1,886
Net current assets		**45,674**	41,314
		1,953,324	1,953,926
Capital and reserves			
Share capital	20	**41,327**	41,327
Share premium		**1,285,466**	1,285,466
Contributed surplus	22	**584,358**	584,358
Accumulated profits	22	**42,173**	42,775
		1,953,324	1,953,926

Approved and authorised for issue by the Board of Directors on 11 April 2005.

Chen Zhaobin
DIRECTOR

Tong Xudong
DIRECTOR

The notes on pages 47 to 88 form part of these financial statements.

For the year ended 31 December 2004
(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Revaluation reserve $'000	Translation reserve $'000	Other reserves $'000	Accumulated profits/ (losses) $'000	Total $'000
The Group								
Balance at 1 January 2003	41,254	1,283,520	511,000	–	182	94	632,261	2,468,311
Shares issued under the share option scheme	73	1,946	–	–	–	–	–	2,019
Exchange differences	–	–	–	–	(282)	–	–	(282)
Share of a jointly controlled entity's reserve	–	–	–	7,700	–	–	–	7,700
Transfer to other reserves	–	–	–	–	–	8	(8)	–
Net loss for the year	–	–	–	–	–	–	(224,718)	(224,718)
Balance at 1 January 2004	41,327	1,285,466	511,000	7,700	(100)	102	407,535	2,253,030
Exchange differences	–	–	–	–	80	–	–	80
Share of a jointly controlled entity's reserve	–	–	–	(2,200)	–	–	–	(2,200)
Net loss for the year	–	–	–	–	–	–	(57,757)	(57,757)
Balance at 31 December 2004	41,327	1,285,466	511,000	5,500	(20)	102	349,778	2,193,153
Attributable to jointly controlled entities								
At 31 December 2004	–	–	–	5,500	–	–	(80,370)	(74,870)
At 31 December 2003	–	–	–	7,700	–	–	(79,861)	(72,161)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Accumulated profits $'000	Total $'000
The Company					
Balance at 1 January 2003	41,254	1,283,520	584,358	41,639	1,950,771
Shares issued under the share option scheme	73	1,946	–	–	2,019
Net profit for the year	–	–	–	1,136	1,136
Balance at 1 January 2004	41,327	1,285,466	584,358	42,775	1,953,926
Net loss for the year	–	–	–	(602)	(602)
Balance at 31 December 2004	41,327	1,285,466	584,358	42,173	1,953,324

The notes on pages 47 to 88 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004
(Expressed in Hong Kong dollars)

	2004 $'000	2003 $'000
Operating activities		
Loss from ordinary activities before taxation	**(43,191)**	(213,920)
Adjustments for:		
Depreciation	**177,992**	236,322
Impairment losses recognised	**1,800**	129,098
Gain on partial disposal of an associate	**–**	(12)
Interest income	**(7,312)**	(7,111)
Loss on disposal of property, plant and equipment	**32**	–
Interest expenses	**3,671**	–
(Surplus)/deficit arising on revaluation of investment property	**(78)**	70
Share of results of jointly controlled entities	**509**	64,833
Provision for bad and doubtful receivables	**5,654**	8,402
Operating profit before changes in working capital	**139,077**	217,682
Decrease/(increase) in trade receivables	**16,957**	(47,055)
Increase in deposits, prepayment and deferred expenses	**(27,604)**	(87)
Decrease/(increase) in amount due from immediate holding company	**20**	(20)
Decrease/(increase) in deposits, prepayments and other receivables	**17,261**	(240)
Decrease in payables and accrued charges	**(8,939)**	(955)
Increase/(decrease) in rentals received in advance	**9,691**	(13,789)
Increase in amounts due from jointly controlled entities	**(768)**	(12,731)
Decrease in amount due from an associate	**–**	209
Increase/(decrease) in deferred income	**233,499**	(22,286)
Decrease in deposits received	**(25,353)**	(1,582)
Cash generated from operations	**353,841**	119,146
Hong Kong profits tax paid	**(108,135)**	(9,541)
Overseas tax paid	**(12,328)**	(18,313)
Net cash from operating activities	**233,378**	91,292

For the year ended 31 December 2004
(Expressed in Hong Kong dollars)

	2004 $'000	2003 $'000
Investing activities		
Payment for purchase of property, plant and equipment	**(423,572)**	(763,454)
Proceeds from partial disposal of an associate	**–**	12
Proceeds from disposal of property, plant and equipment	**1**	1
Advances/loans to jointly controlled entities	**–**	(40,920)
Interest received	**6,810**	9,279
Decrease in pledged bank deposits	**90,723**	205,823
Prepayment for construction of a satellite	**(38,454)**	–
Net cash used in investing activities	**(364,492)**	(589,259)
Financing activities		
Interest paid	**(15,847)**	(3,681)
New bank borrowings	**273,780**	538,200
Repayment of bank borrowings	**–**	(317,682)
Proceeds from shares issued under the share option scheme	**–**	2,019
Net cash from financing activities	**257,933**	218,856
Net increase/(decrease) in cash and cash equivalents	**126,819**	(279,111)
Cash and cash equivalents at 1 January	**546,864**	826,257
Effect of foreign exchange rates changes	**80**	(282)
Cash and cash equivalents at 31 December	**673,763**	546,864
Analysis of the balances of cash and cash equivalents:		
Deposits with banks and other financial institutions	**661,677**	539,916
Cash at bank and in hand	**12,086**	6,948
Cash and cash equivalents at the end of the year	**673,763**	546,864

The notes on pages 47 to 88 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (previously named the Hong Kong Society of Accountants), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties as explained in the accounting policies set out below.

(d) Subsidiaries and controlled enterprises

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and controlled enterprises (Continued)

All significant intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and jointly controlled entities (Continued)

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(f). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(f) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

– for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses recognised in the consolidated income statement (see note 1(j)); and

– for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

In respect of acquisitions of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

– for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

– for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment, and investment property

(i) Fixed assets are carried in the balance sheets on the following bases:

– property, plant, and equipment, other than construction in progress, are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)); and

– construction in progress is stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less impairment losses (see note 1(j)); and

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers.

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residue values, over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(o)(iv).

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) No depreciation is provided on construction in progress until such time as the relevant assets are completed and ready for their intended use.

(iii) Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over their estimated useful lives, to residual values, as follows:

Leasehold land	Over the lease term
Leasehold buildings	50 years
Leasehold improvements	Over the lease term
Furniture and equipment, motor vehicles, and computer equipment	5 years
Communication satellite equipment	5 to 15 years
Communication station	5 years
Communication satellites	9 to 16 years

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– investments in subsidiaries, associates and joint ventures (except for those accounted for at fair value under notes 1(d) & (e));

– intangible assets; and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the assets is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

(iii) The employees of the Group participate in retirement plans managed by respective local governments of the municipalities in which the Group operates in the People's Republic of China (the "PRC"). The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to the income statement when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(v) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iii) (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iii) (Continued)
Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Transponder utilisation income

Income from provision of satellite transponder capacity is recognised in the income statement in equal instalments over the accounting periods covered by the contract term, except where an alternative basis is more representative of the pattern of benefits to be derived from the satellite transponder capacity utilised.

(ii) Service income

Service income in respect of satellite control and provision of satellite-based telecommunications and related service is recognised when services are provided.

(iii) Interest income

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or the use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Translation of foreign currencies (Continued)

Exchange gains and losses are dealt with in the income statement, except those arising from the translation at closing rates of foreign currency assets hedged by foreign currency borrowings, and the gains and losses on those foreign currency borrowings (to the extent of exchange differences arising on the foreign currency assets), which are taken directly to reserves.

The functional currency of the Group's main operations is the United States dollar which is translated into Hong Kong dollar for reporting of the financial statements. The exchange rate of the United States dollar to the Hong Kong dollar has not materially fluctuated during the year.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 TURNOVER

The principal activities of the Group are engaged in the maintenance, operation, provision of satellite transponder capacity and satellite-based telecommunications services and other related services.

Turnover represents income received and receivable from provision of satellite transponder capacity, satellite-based telecommunications services and service income received and receivable in respect of satellite control and other related services. The amount of each category of revenue recognised in turnover during the year is as follow:

	2004 $'000	2003 $'000
Income from provision of satellite transponder capacity	**226,878**	274,652
Income from provision of satellite-based telecommunications services	**38,683**	16,403
Service income	**11,699**	11,186
	277,260	302,241

3 OTHER OPERATING INCOME

	2004 $'000	2003 $'000
Other operating income includes the following:		
Compensation income from a jointly controlled entity for early termination of services and facilities lease	**–**	13,500
Interest income	**7,312**	7,111
Rental income in respect of properties	**513**	452

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs

	2004 $'000	2003 $'000
Interest on bank borrowings wholly repayable within five years	**17,223**	6,553
Other borrowing costs	**3,598**	1,162
Less: Amount capitalised into construction in progress*	**(16,704)**	(7,715)
	4,117	–

* The borrowing costs have been capitalised at a rate of 2.27% to 2.41% per annum (2003: 1.97%).

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

(b) Staff costs

	2004 $'000	2003 $'000
Staff costs (including directors' emoluments)		
Pension contributions	**1,608**	1,370
Less: Forfeited contributions	**(29)**	(167)
Net pension contributions	**1,579**	1,203
Salaries, wages and other benefits	**40,258**	36,764
	41,837	37,967
Less: Capitalised into construction in progress	**(772)**	(1,326)
	41,065	36,641

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

(c) Other items

	2004 $'000	2003 $'000
Auditors' remuneration		
– current year	**680**	508
– under-provision of prior year	**280**	–
Depreciation	**177,992**	236,322
Exchange loss	**458**	–
Loss on disposal of property, plant and equipment	**32**	–
Operating lease charges: minimum lease payments		
– land and buildings	**1,010**	3,650
– satellite transponder capacity	**4,948**	3,228
Provision for bad and doubtful receivables	**5,654**	8,402

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2004 $'000	2003 $'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**–**	114,487
Current tax – Overseas		
Tax for the year	**17,000**	20,247
	17,000	134,734
Deferred tax		
Origination and reversal of temporary differences	**(375)**	(134,775)
Effect of increase in tax rate on deferred tax balance at 1 January	**–**	11,762
	(375)	(123,013)
	16,625	11,721

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

The provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profit for the year. Overseas tax includes the withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to the customers which are located outside Hong Kong.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2004 $'000	2003 $'000
Loss before tax	**(43,191)**	(213,920)
Notional tax on loss before tax, calculated at the rates applicable to losses in the countries concerned	**(8,331)**	(37,455)
Overseas withholding tax	**17,000**	20,237
Tax effect of non-deductible expenses	**40,756**	7,616
Tax effect of non-taxable revenue	**(27,852)**	(3,099)
Tax effect of unused tax losses not recognised	**2,656**	12,660
Tax effect of prior year's unrecognised tax losses utilised this year	**(7,604)**	–
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	**–**	11,762
Actual tax expenses	**16,625**	11,721

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004 $'000	2003 $'000
Fees to independent non-executive directors	**137**	100
Fees to non-executive directors	**437**	500
Remuneration to executive directors:		
Fees	**134**	150
Salaries and other emoluments	**6,789**	7,771
Retirement benefits contributions	**215**	248
	7,138	8,169
	7,712	8,769

Mr. Wu Hongju, a non-executive director, and Dr. Huan Guocang, an independent non-executive director, have waived their directors' fees for both years. Save as afore-mentioned, none of the directors have waived the rights to receive their remuneration.

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the Directors' report and note 21.

The remuneration of the Directors is within the following bands:

	Number of Directors 2004	2003
$Nil to $1,000,000	**19**	19
$1,500,001 to $2,000,000	**2**	–
$2,500,001 to $3,000,000	**–**	2
$3,000,001 to $3,500,000	**1**	1

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group included three directors (2003: three), details of whose remuneration are set out above. The emoluments of the remaining two (2003: two) highest paid individuals are as follows:

	The Group	
	2004	**2003**
	$'000	**$'000**
Salaries and other emoluments	**2,915**	3,000
Retirement benefits contributions	**181**	190
Compensation for the loss of office	**1,757**	–
	4,853	3,190

The emoluments of the two (2003: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2004	**2003**
$1,500,001 to $2,000,000	**1**	2
$3,000,001 to $3,500,000	**1**	–
	2	2

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of $602,000 (2003: profit of $1,136,000) which has been dealt with in the financial statements of the Company.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $57,757,000 (2003: $224,718,000) and the weighted average of 413,265,000 ordinary shares (2003: 412,892,000 shares) in issue during the year ended 31 December 2004.

(b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the years 2004 and 2003.

10 SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Inter-segment pricing is based on similar terms as those available to other external parties.

Business segments

The Group comprises two main business segments, namely provision of satellite transponder capacity and provision of satellite-based telecommunications services.

	Provision of satellite transponder capacity		Provision of satellite-based telecommunications services		Inter-segment elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	226,878	274,652	38,683	16,403	–	–	265,561	291,055
Inter-segment turnover	5,276	897	6	–	(5,282)	(897)	–	–
Total	232,154	275,549	38,689	16,403	(5,282)	(897)	265,561	291,055
Service income							11,699	11,186
							277,260	302,241
Segment result	16,690	(121,187)	(3,332)	(5,577)	(6)	–	13,352	(126,764)
Service income							11,699	11,186
Unallocated operating income and expenses							(63,616)	(33,509)
Loss from operations							(38,565)	(149,087)
Finance costs							(4,117)	–
Share of results of jointly controlled entities							(509)	(64,833)
Income tax							(16,625)	(11,721)
Minority interests							2,059	923
Loss attributable to shareholders							(57,757)	(224,718)

10 SEGMENTAL REPORTING (Continued)

Business segments (Continued)

	Provision of satellite transponder capacity		Provision of satellite-based telecommunications services		Inter-segment elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation for the year	**167,896**	228,961	**10,096**	7,361				
Impairment loss for the year	**-**	129,098	**1,800**	-				
Significant non-cash expenses (other than depreciation)	**2,883**	(4,792)	**2,771**	(3,610)				
Segment assets	**2,829,145**	2,533,571	**52,869**	52,497	**(52,284)**	(38,052)	**2,829,730**	2,548,016
Investment in jointly controlled entities	**80,330**	82,271	**510**	510			**80,840**	82,781
Unallocated assets							**716,462**	674,772
Total assets							**3,627,032**	3,305,569
Segment liabilities	**399,229**	288,661	**74,994**	60,597	**(52,284)**	(38,052)	**421,939**	311,206
Unallocated liabilities							**1,008,084**	735,418
Total liabilities							**1,430,023**	1,046,624
Capital expenditure incurred during the year	**417,553**	781,511	**13,187**	10,397				

Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue, segment assets and capital expenditure is based on the geographical location of customers.

10 SEGMENTAL REPORTING (Continued)

Geographical segments (Continued)

	Hong Kong 2004 $'000	Hong Kong 2003 $'000	Other regions in the PRC 2004 $'000	Other regions in the PRC 2003 $'000	Singapore 2004 $'000	Singapore 2003 $'000	USA 2004 $'000	USA 2003 $'000	Others 2004 $'000	Others 2003 $'000	Unallocated 2004 $'000	Unallocated 2003 $'000
Turnover from external customers	**21,287**	25,082	**195,155**	225,786	**23,339**	18,376	**8,375**	18,973	**29,104**	14,024	**-**	-
Segment assets	**1,666**	3,548	**55,492**	75,673	**2,226**	1,480	**-**	2,317	**4,677**	4,921	**3,562,971**	3,217,630
Capital expenditure incurred during the year	**-**	-	**2,253**	3,490	**-**	-	**-**	-	**-**	-	**428,487**	788,418

11 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication station $'000	Communication satellites $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2004	118,770	9,251	41,678	125,600	8,425	2,100,129	2,020,724	4,424,577
Additions	2,414	474	1,624	5,264	51	–	420,913	430,740
Disposals	–	(2,344)	(472)	(2)	–	–	–	(2,818)
Transfer	–	–	75	24	529	1,157,899	(1,158,527)	–
At 31 December 2004	121,184	7,381	42,905	130,886	9,005	3,258,028	1,283,110	4,852,499
Accumulated depreciation:								
At 1 January 2004	15,587	5,503	18,973	63,430	1,443	1,874,281	–	1,979,217
Charge for the year	2,444	676	8,167	13,893	1,565	151,247	–	177,992
Impairment loss	–	–	–	–	–	–	1,800	1,800
Written back on disposal	–	(2,344)	(440)	(1)	–	–	–	(2,785)
At 31 December 2004	18,031	3,835	26,700	77,322	3,008	2,025,528	1,800	2,156,224
Net book value:								
At 31 December 2004	103,153	3,546	16,205	53,564	5,997	1,232,500	1,281,310	2,696,275
At 31 December 2003	103,183	3,748	22,705	62,170	6,982	225,848	2,020,724	2,445,360

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

Satellite under finance leases

In August 2004, the in-orbit tests of APSTAR V with 54 transponders was completed and APSTAR V was put into service on 13 August 2004. Based on the arrangements entered into by the Group and the vendor, Loral Orion, Inc ("Loral Orion"), the Group assumed risks and rewards of 37 transponders ("APT Transponders") for the entire operational life of APSTAR V under finance leases, while the risks and rewards relating to the other 17 transponders remained with Loral Orion. As at 31 December 2004, the net book value of communication satellites held under finance leases in connection with APSTAR V amounted to $1,126,576,000 (2003: $nil).

Pursuant to the various amended agreements with Loral Orion, Loral Orion has an option to acquire the remaining operational life of 4 APT Transponders on the fourth year and 4 APT Transponders on the fifth year after completion of in-orbit tests of APSTAR V at a total consideration of $282,865,000. The transponders subject to this option had a net book value of $243,584,000 at 31 December 2004.

Impairment loss

During the year, the Group conducted a review of the Group's property, plant and equipment and determined that certain assets were impaired as the recoverable amount of these assets is estimated to be less than their carrying amount. Accordingly, an impairment loss of $1,800,000 in respect of construction in progress (2003: $129,098,000 in respect of communication satellites) has been recognised and charged to the income statement.

Change in estimate of useful life

During the year, the Group conducted a review of the remaining useful lives of the communication satellites and determined to extend the remaining useful life of APSTAR IA from 31 December 2004 to 30 June 2005 based on an assessment by the Group's engineer. The effect of this change in estimated remaining useful life of APSTAR IA has decreased the depreciation charge by $18,050,000 for the year. Other satellites have no change of the remaining useful lives.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicle $'000
(b) The Company	
Cost:	
At 1 January 2004 and 31 December 2004	411
Accumulated depreciation:	
At 1 January 2004 and 31 December 2004	411
Net book value:	
At 31 December 2003 and 31 December 2004	–

(c) The analysis of net book value of land and buildings held by the Group is as follows:

	Land and buildings 2004 $'000	Land and buildings 2003 $'000
Medium-term leases outside Hong Kong	**2,584**	2,651
Medium-term leases in Hong Kong	**100,569**	100,532
	103,153	103,183

12 INVESTMENT PROPERTY

The investment property was revalued at 31 December 2004 at $2,340,000 (2003: $2,262,000) by Chesterton Petty Limited, an independent professional property valuer, on an open market value basis by reference to net rental income allowing for reversionary income potential. The revaluation surplus of $78,000 (2003: revaluation deficit of $70,000) has been credited to the income statement to reverse the deficit previously charged to the income statement.

The investment property, which is situated in the PRC under a medium-term lease, is rented out under an operating lease and the rental income earned from the investment property during the year was $250,000 (2003: $245,000).

13 INTEREST IN SUBSIDIARIES

	The Company 2004 $'000	The Company 2003 $'000
Unlisted shares, at cost	**615,862**	615,862
Loans to subsidiaries	**1,201,712**	1,201,712
Amounts due from subsidiaries	**90,076**	95,038
	1,907,650	1,912,612

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

Amount due from a subsidiary under current assets is unsecured, interest-free and repayable on demand and arose in the ordinary course of business.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(d) and have been consolidated into the Group financial statements.

Name of Company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	-	Investment holding
Acme Star Investment Limited	Hong Kong	HK$2	100%	-	100%	Inactive
APT Satellite Company Limited	Hong Kong	Ordinary Class "A" HK$100; Non-voting Deferred Class "B" HK$542,500,000	100%	-	100%	Provision of satellite transponder capacity
APT Satellite Enterprise Limited	Cayman Islands	US$2	100%	-	100%	Provision of satellite transponder capacity

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES (Continued)

Name of Company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activities
APT Satellite Global Company Limited	Cayman Islands	US$2	100%	-	100%	Investment holding
APT Satellite Link Limited	Cayman Islands	US$2	100%	-	100%	Provision of satellite transponder capacity
APT Satellite Telewell Limited	Hong Kong	HK$2	100%	-	100%	Inactive
APT Satellite TV Development Limited	Hong Kong	HK$2	100%	-	100%	Provision of satellite television uplink and downlink services
APT Satellite Vision Limited	Hong Kong	HK$2	100%	-	100%	Satellite leasing
APT Telecom Services Limited	Hong Kong	HK$2	100%	-	100%	Provision of telecommunication services
Haslett Investments Limited	British Virgin Islands	US$1	100%	-	100%	Inactive
Skywork Corporation	British Virgin Islands	US$1	100%	-	100%	Investment holding
The 138 Leasing Partnership	Hong Kong	Partners capital HK$329,128,857	N/A	N/A	N/A	Inactive
Ying Fai Realty (China) Limited	Hong Kong/PRC	HK$20	100%	-	100%	Property holding
亞訊通信技術開發(深圳)有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	Wholly-owned foreign enterprises, PRC	Registered capital HK$5,000,000	100%	-	100%	Provision of satellite transponder capacity
CTIA VSAT Network Limited	Hong Kong	HK$5,000,000	60%	-	60%	Investment holding
北京亞太東方通信網絡有限公司 (Beijing Asia Pacific East Communication Network Limited)	Joint venture, PRC	Registered capital US$4,000,000	36%	-	60%	Provision of data transmission services

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

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

14 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2004	2003
	$'000	$'000
Share of net assets	**10,226**	12,935
Amounts due from jointly controlled entities	**67,914**	69,846
	78,140	82,781

Details of the jointly controlled entities of the Group as at 31 December 2004 are set out below:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	held by the Company	held by the subsidiary	Principal activity
APT Satellite Telecommunications Limited ("APT Telecom")	Incorporated	Hong Kong	HK$153,791,900	55%	–	55%	Property holding
北京中廣信達數據廣播技術有限公司 (Beijing Zhong Guang Xin Da Data Broadcast Technology Co. Limited) ("Zhong Guang Xin Da")	Joint venture, Incorporated	PRC	Registered capital RMB11,000,000	12.6%	–	35%	Provision of data transmission services

APT Telecom is considered as a jointly controlled entity as the Group and the other shareholder of APT Telecom both have the right to appoint an equal number of directors to the board of directors.

Zhong Guang Xin Da is considered as a jointly controlled entity as the Group and the other shareholder of Zhong Guang Xin Da exercise joint control over it pursuant to a shareholders' resolution.

The amounts due from jointly controlled entities are unsecured and interest-free. Except for amount of $13,500,000 (2003: $13,500,000), the amounts have no fixed repayment terms. The Group has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.

The amount of $13,500,000 is repayable in five annual instalments, with the first instalment of $2,700,000 payable in 2005 and is classified under current assets.

15 TRADE RECEIVABLES

	The Group	
	2004	2003
	$'000	$'000
Due from third parties	**25,290**	58,350
Due from a shareholder of the Company	**18,237**	7,496
Due from holding company and its subsidiaries of a shareholder of the Company	**2,226**	2,518
	45,753	68,364

The Group allows an average credit period of 10 days to its trade customers. The following is an ageing analysis of trade receivables (net of specific provisions for bad and doubtful debts) at the balance sheet date:

	The Group	
	2004	2003
	$'000	$'000
0 – 30 days	**22,167**	24,965
31 – 60 days	**4,106**	4,805
61 – 90 days	**4,278**	7,574
91 – 120 days	**765**	2,941
Over 121 days	**14,437**	28,079
	45,753	68,364

16 SECURED BANK BORROWINGS

	The Group	
	2004	**2003**
	$'000	**$'000**
Bank loans	**975,780**	702,000
Less: Amount due within one year included under current liabilities	**(66,339)**	(17,550)
Amount due after one year	**909,441**	684,450

At 31 December 2004, the bank borrowings are repayable as follows:

Within one year or on demand	**66,339**	17,550
After one year but within five years	**616,286**	310,635
After five years	**293,155**	373,815
	975,780	702,000

17 DEPOSITS RECEIVED

The amount represents deposits received in respect of provision of satellite transponder capacity.

18 DEFERRED INCOME

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

19 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2004 $'000	2003 $'000
Provision for Hong Kong Profits Tax for the year	**–**	114,487
Provisional Profits Tax paid	**–**	(6,352)
Overseas tax payable	**4,672**	1,938
	4,672	110,073
Balance of overseas tax provision relating to prior years	**79,997**	78,059
Balance of Profits Tax provision relating to prior years	**99**	99
	84,768	188,231

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Other temporary differences $'000	Losses $'000	Certain leasing arrangements $'000	Total $'000
At 1 January 2003	66,637	–	(51,115)	109,941	125,463
Charged/(credited) to consolidated income statement	(29,051)	(281)	16,260	(109,941)	(123,013)
At 31 December 2003	37,586	(281)	(34,855)	–	2,450
At 1 January 2004	37,586	(281)	(34,855)	–	2,450
Charged/(credited) to consolidated income statement	96,996	40	(97,411)	–	(375)
At 31 December 2004	134,582	(241)	(132,266)	–	2,075

19 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(i) The Group (Continued)

	The Group	
	2004	**2003**
	$'000	**$'000**
Net deferred tax assets recognised in the consolidated balance sheet	**(10,134)**	(9,416)
Net deferred tax liabilities recognised in the consolidated balance sheet	**12,209**	11,866
	2,075	2,450

(ii) The Company

The Company did not have any deferred tax assets/liabilities recognised in the balance sheet.

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $62,476,000 (2003: $89,480,000) and other deductible temporary differences of $22,709,000 (2003: $20,989,000) as the realisation of the assets was considered not probable. The tax losses do not expire under current tax legislation.

20 SHARE CAPITAL

	Number of shares	Issued and fully paid share capital
	'000	$'000
Ordinary shares of $0.10 each		
At 1 January 2003	412,535	41,254
Shares issued under the share option scheme	730	73
At 31 December 2003 and 31 December 2004	413,265	41,327

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

21 SHARE OPTIONS

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

The total number of shares which may be issued upon exercise of all options to be granted under Scheme 2001 and Scheme 2002 shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at the date of this report, 413,265,000 shares of the Company were in issue.

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

During the year, no options were granted under the Scheme 2002.

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

(Expressed in Hong Kong dollars)

21 SHARE OPTIONS (Continued)

Movements in share options

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

	2004 Number	2003 Number
At 1 January	**9,670,000**	13,410,000
Cancelled during the year	**(1,220,000)**	(3,010,000)
Exercised	**–**	(730,000)
At 31 December	**8,450,000**	9,670,000
Options vested at 31 December	**8,450,000**	9,670,000

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

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

22 CONTRIBUTED SURPLUS/OTHER RESERVES/ACCUMULATED PROFITS

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

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

22 CONTRIBUTED SURPLUS/OTHER RESERVES/ACCUMULATED PROFITS (Continued)

Other reserves represent the 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 2004, the Company's reserves available for distribution amounted to $626,531,000 (2003: $627,133,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

23 PLEDGE OF ASSETS

In December 2002, the Group entered into a US$240 million secured term loan facility (the "Loan Facility"), which is secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR V, APSTAR VI under construction and their related insurance claim proceeds, assignment of all present and future utilisation agreements of their transponders of satellites under construction, first fixed charge over certain bank accounts which will hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. In October 2004, the Group entered into a Deed of Amendment and Restatement to amend certain terms of the Loan Facility for the purpose of adjusting for the cancellation of the unutilised portion relating to APSTAR V satellite and APSTAR VI backup satellite. Accordingly, the maximum aggregate amount under Loan Facility was reduced to US$165 million and certain financial covenants were amended. At 31 December 2004, the assets under fixed charge are APSTAR V and APSTAR VI under construction with aggregate carrying value of approximately $2,398,169,000 (2003: $2,015,276,000) and bank deposit of approximately $20,750,000 (2003: $111,473,000).

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 $4,887,000 (2003: $5,004,000) and bank deposits of approximately $390,000 (2003: $390,000).

24 CONTINGENT LIABILITIES

(i) In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder utilisation income derived from the overseas customers. From 1999, overseas withholding tax has been charged on certain transponder utilisation income of the Group and full provision for such withholding tax for the years from 1999 onwards has been made in the financial statements. The Directors of the Company are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately $75,864,000.

24 CONTINGENT LIABILITIES (Continued)

(ii) The Company has given guarantees to banks in respect of the secured term loan facility granted to its subsidiary. The extent of such facility utilised by the subsidiary at 31 December 2004 amounted to $975,780,000 (2003: $702,000,000).

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

Having taken into consideration independent professional advice, the Company believes it has a reasonable likelihood of success in defending its position that the gain derived from the abovementioned transaction should be treated as non-taxable. Accordingly, no provision for additional taxation is required. In the event that the Company is unsuccessful in the capital gains claim, the estimated tax exposure is $56,000,000.

25 COMMITMENTS

(i) At 31 December 2004, the Group has the following outstanding capital commitments not provided for in the Group's financial statements, mainly in respect of the procurement and launch of a satellite APSTAR VI and an option fee for the design, construction, delivery and launch of a new satellite APSTAR VIB:

	The Group	
	2004	**2003**
	$'000	**$'000**
Contracted for	**286,048**	677,876
Authorised but not contracted for	**340,551**	417,887
	626,599	1,095,763

25 COMMITMENTS (Continued)

(i) (Continued)

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

	The Group	
	2004	2003
	$'000	$'000
Contracted but not provided for in the financial statements	**–**	20,896

(ii) At 31 December 2004, the Group had entered into an agreement with a contractor pursuant to which the Group is granted a right to require the contractor to provide for the design, construction, delivery and launch of a new satellite, APSTAR VIB and the total option price is $59,904,000. If the option is exercised, the total consideration for the procurement and launch of APSTAR VIB is $936,780,000 and the option price will be applied towards the total consideration. At the balance sheet date, the option paid of $38,454,000 is included as prepayment for construction of a satellite in the balance sheet, and the remaining balance of $21,450,000 is included in the outstanding capital commitment.

26 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(i) Land and buildings:

	The Group	
	2004	2003
	$'000	$'000
Within one year	**545**	1,229
After one year but within five years	**31**	507
	576	1,736

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for a period of one to three years and rentals are fixed for the whole lease term.

26 LEASING ARRANGEMENTS (Continued)

The Group as lessee (Continued)

(ii) Satellite transponder capacity:

	The Group	
	2004	**2003**
	$'000	**$'000**
Within one year	**3,464**	5,857
After one year but within five years	**–**	1,683
	3,464	7,540

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

The Group as lessor

Property rental income earned during the year was $513,000 (2003: $452,000). At the balance sheet date, certain properties with an aggregate carrying value of $8,120,000 (2003: $9,137,000) were held for rental purpose and the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $1,294,000 (2003: $236,000) and after one but within five years amounting to $209,000 (2003: $nil). Depreciation charged for the year in respect of these properties was $138,000 (2003: $160,000).

Service income earned relating to leasing of facilities equipment during the year was $1,374,000 (2003: $3,680,000). At the balance sheet date, the Group had contracted with customers for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $886,000 (2003: $1,183,000) and after one but within five years amounting to $375,000 (2003: $618,000).

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

27 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Under the scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

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

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

28 MATERIAL RELATED PARTY TRANSACTIONS

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

	2004 $'000	2003 $'000
Income from provision of satellite transponder capacity to certain shareholders and its subsidiary of the Company (note i)	**38,259**	35,921
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company and its subsidiaries of a shareholder of the Company (note i)	**24,163**	19,741
Income from provision of satellite transponder capacity to a jointly controlled entity (note i)	**–**	6,160
Management fee income from a jointly controlled entity (note ii)	**480**	1,121
Management fee income from an associate (note iii)	**–**	65
Facilities management services income from a jointly controlled entity (note iv)	**–**	3,386
Technical support services expenses to a shareholder of the Company (note v)	**–**	75
Management fee expenses to a holding company of a shareholder of the Company (note vi)	**1,135**	2,280
Payments of service fee in connection with the satellite project to a fellow subsidiary of a shareholder of the Company (note vii)	**151,895**	87,604
Compensation income from a jointly controlled entity in connection with the early termination of services and facilities lease (note viii)	**–**	13,500
Purchase of certain fixed assets from a jointly controlled entity (note ix)	**–**	6,800

Certain these transactions also constitute connected transactions under the Listing Rules. Further details of these transactions are disclosed under the paragraph "Continuing Connected Transactions" in the Directors' report.

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

	Prepayment		Interest in jointly controlled entities		Trade receivables		Deposits, prepayments and other receivables		Payables and accrued charges		Rentals received in advance and deferred income	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Jointly controlled entities	**–**	–	**70,614**	70,723	**–**	–	**–**	–	**–**	921	**–**	–
Certain shareholders and its subsidiary of the Company	**–**	–	**–**	–	**18,237**	7,496	**–**	3,120	**24**	3,750	**–**	3,524
Holding company and its subsidiaries of a shareholder of the Company (note (i))	**–**	–	**–**	–	**2,226**	2,518	**–**	–	**6**	31,910	**255,105**	2,907
A fellow subsidiary of a shareholder of the Company	**38,454**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

(c) In addition, at 31 December 2004, the Group had an outstanding commitment to pay launch service fees of APSTAR VI and option payment for the design, construction, delivery and launch of a satellite APSTAR VIB to a fellow subsidiary of a shareholder of the Company amounting to $116,805,000 (2003: $230,246,000) and $21,450,000 (2003: $nil) respectively.

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

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

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

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

(v) 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.

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

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

(viii) As a result of the reorganisation of a jointly controlled entity, the jointly controlled entity terminated the services and facilities lease agreement and the Group received a compensation for the early termination of the agreement. The Directors consider that the compensation is charged according to prices and conditions similar to those offered to other customers by the termination.

(ix) As a result of the reorganisation of a jointly controlled entity, certain fixed assets are purchased from the jointly controlled entity. The Directors consider that the purchase consideration is arrived after arm's length negotiation with reference to the valuation conducted by an independent valuation company.

29 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 December 2004 to be APT Satellite International Company Limited, which is incorporated in the British Virgin Islands.

FIVE YEARS FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 December				
	2000	2001	2002	2003	2004
	$'000	$'000	$'000	$'000	$'000
Turnover	341,496	374,158	351,425	302,241	**277,260**
Cost of services	(261,518)	(266,015)	(275,717)	(280,319)	**(244,755)**
	79,978	108,143	75,708	21,922	**32,505**
Other operating income	179,742	78,491	72,327	33,051	**9,332**
Administrative expenses	(65,540)	(71,922)	(69,886)	(74,892)	**(78,680)**
Other operating expenses and losses	–	(45)	(8,664)	(129,168)	**(1,722)**
Profit/(loss) from operations	194,180	114,667	69,485	(149,087)	**(38,565)**
Finance costs	(15,338)	(5,644)	–	–	**(4,117)**
Share of results of jointly controlled entities	(1,335)	(5,067)	(10,624)	(64,833)	**(509)**
Profit/(loss) before taxation	177,507	103,956	58,861	(213,920)	**(43,191)**
Income tax	(34,511)	(25,947)	(36,814)	(11,721)	**(16,625)**
Profit/(loss) for the year	142,996	78,009	22,047	(225,641)	**(59,816)**
Minority interests	–	–	2,388	923	**2,059**
Profit/(loss) attributable to shareholders	142,996	78,009	24,435	(224,718)	**(57,757)**

ASSETS AND LIABILITIES

	At 31 December				
	2000	2001	2002	2003	2004
	$'000	$'000	$'000	$'000	$'000
Total assets	3,421,151	3,280,698	3,339,369	3,305,569	**3,627,032**
Total liabilities	(972,411)	(816,061)	(864,220)	(1,046,624)	**(1,430,023)**
Minority interests	–	–	(6,838)	(5,915)	**(3,856)**
Net assets	2,448,740	2,464,637	2,468,311	2,253,030	**2,193,153**

The Group's accounting policies conform with generally accepted accounting principles in Hong Kong ("HK GAAP") which differ in certain material respects from those applicable generally accepted accounting principles in the United States of America ("US GAAP").

The information below has not been subjected to independent audit or review, and has not presented fully the disclosures in accordance with all applicable financial accounting standards under US GAAP. Full compliance with all applicable US GAAP disclosure requirements will be presented in Form 20-F to be filed with the United States – Securities and Exchange Commission.

The significant differences relate principally to the following items and the adjustments considered necessary to present the net loss and shareholders' equity in accordance with US GAAP are set out below.

(a) Investment properties revaluation and depreciation

Under HK GAAP, investment properties are stated at appraised values and are not depreciated. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve in the shareholders' equity. 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, investment properties are stated at cost and depreciated over the lease terms. Accordingly, the investment properties of the Group and its jointly controlled entity, which are stated at open market value, have been restated at historical cost less accumulated depreciation.

Depreciation has been based on the historical cost of the properties held by the Group and its jointly controlled entity and the useful lives of such properties range from 44 to 46 years. The gross historical cost of properties held by the Group and jointly controlled entity subject to depreciation under US GAAP which are not depreciated under HK GAAP at 31 December 2004 amounted to $3,821,000 (2003: $3,821,000) and $140,000,000 (2003: $140,000,000), respectively.

In the US GAAP reconciliation of net loss for the year, the adjustments represent the reversal of revaluation gain in respect of the Group's properties of $78,000 (2003: revaluation loss of $70,000), and the depreciation in respect of the properties held by the Group amounting $84,000 (2003: $83,000) and the Group's proportionate share of depreciation in respect of the property held by jointly controlled entity amounting $1,750,000 (2003: $875,000). In the US GAAP reconciliation of shareholders' equity at 31 December 2004, the adjustments represent the reversal of revaluation gain in respect of the investment properties of the Group of $78,000 (2003: revaluation loss of $70,000) and the Group's proportionate share of revaluation gain in respect of the property held by its jointly controlled entity $5,500,000 (2003: $7,700,000), and the additional accumulated depreciation charged on the Group's properties and proportionate share of the jointly controlled entity's properties under US GAAP amounting $1,288,000 (2003: $1,204,000) and $2,625,000 (2003: $875,000), respectively.

(b) Share options

Under HK GAAP, no compensation expense is recognised.

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

When the eligible employees have resigned and their share options are cancelled prior to vesting, adjustment is made to reverse any previous years' amortised compensation expenses of those employees' options under US GAAP.

In the US GAAP reconciliation of shareholders' equity at 31 December 2004, the adjustments represent compensation expenses of $11,284,000 (2003: $11,284,000) charged to retained earnings, exercise of share options of $73,000 (2003: $73,000) and $719,000 (2003: $719,000) charged to share capital and share premium, respectively and the share options outstanding included in shareholders' equity is $10,492,000 (2003: $10,492,000).

(c) Impairment of long-lived assets

The Group periodically reviews the carrying amount of the 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. Under HK GAAP, the estimated future cash flows are discounted at a discount rate when assessing the recoverable amount of the asset.

Under US GAAP, in accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", recoverability of the assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Given that the undiscounted cash flows expected to be generated by the asset exceed the carrying amount of the asset subject to impairment loss provision under HK GAAP, the asset is not considered impaired under US GAAP. Accordingly, the US GAAP adjustment represents the reversal of impairment loss attributable to the Group in respect of property, plant and equipment $1,080,000 (2003: $nil). The loss attributable to the minority interest is $720,000 (2003: $nil).

(Expressed in Hong Kong dollars)

The effect on net loss of significant differences between HK GAAP and US GAAP is as follows:

	Note	2004 $'000	2003 $'000
Net loss as reported under HK GAAP		**(57,757)**	(224,718)
Adjustments:			
Investment properties	(a)	**(1,912)**	(888)
Compensation expense of share options granted	(b)	**–**	344
Inpairment of long-lived assets	(c)	**1,080**	–
Approximate net loss as reported under US GAAP		**(58,589)**	(225,262)
Loss per share under US GAAP – basic and diluted		**(14.18 cents)**	(54.56 cents)

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

	Note	2004 $'000	2003 $'000
Shareholders' equity as reported under HK GAAP		**2,193,153**	2,253,030
Adjustments:			
Accumulated depreciation on investment properties	(a)	**(2,432)**	(520)
Revaluation reserve	(a)	**(5,500)**	(7,700)
Property, plant and equipment	(c)	**1,080**	–
Shareholders' equity as reported under US GAAP		**2,186,301**	2,244,810

NOTICE IS HEREBY GIVEN that an annual general meeting of APT Satellite Holdings Limited ("the Company") will be held at the Satellite Control Centre of the Company, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 26 May 2005 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 2004.

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

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

Special Business

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

"**THAT**

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

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

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

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

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

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

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

"**THAT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 25 April 2005

Notes:

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

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

(c) The Register of Members of the Company will be closed from Monday, 23 May 2005 to Thursday, 26 May 2005, both days inclusive, during which period no transfers of shares can be registered.

APT Satellite Holdings Limited

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