



# APT Satellite Holdings Limited

*(Incorporated in Bermuda with limited liability)*

## Interim Report 2000



## INTERIM REPORT 2000

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") herein announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2000.

### RESULTS

The market condition has gradually improved during the first six months of 2000. The Group's turnover and consolidated net profit attributable to shareholders amounted to HK\$163,095,000 (1999: HK\$265,244,000) and HK\$29,597,000 (1999: HK\$23,353,000) respectively. Earnings per share was HK7.05 cents (1999: HK5.56 cents), representing an increase of 26.8% over the same period in 1999.

### FINANCIAL SUMMARY

		For the six months ended 30th June,	
	Notes	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
TURNOVER		163,095	265,244
Cost of services		(130,188)	(195,395)
Other income		32,907	69,849
Interest income from bank deposit		1,825	3,169
Administrative expenses		37,858	2,380
Other operating expenses		(19,662)	(30,241)
Other operating expenses		(1,232)	(2,170)
PROFIT FROM OPERATIONS		51,696	42,987
Finance costs		(8,446)	(17,884)
PROFIT BEFORE TAX		43,250	25,103
Taxation	1	(13,660)	(1,750)
NET PROFIT BEFORE MINORITY INTERESTS		29,590	23,353
Minority Interests		7	-
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		29,597	23,353
Interim dividend		20,805	-
Earnings per share - Basic	2	7.05 cents	5.56 cents
Interim dividend per share		5 cents	Nil

Notes:

#### 1. Taxation

	For the six months ended 30th June	
	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,798	1,200
Taxation in other jurisdictions	11,862	50
Deferred taxation	-	500
	13,660	1,750

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit for the period. Taxation in other jurisdictions are calculated at their prevailing rates in the respective jurisdictions based on existing interpretations and practices.

Deferred taxation principally arises from the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

#### 2. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$29,597,000 (1999: HK\$23,353,000) on the 420,000,000 shares in issue during the period.

#### 3. Contingent liability

In the prior years, overseas withholding tax was not charged in respect of the Group's transponder lease income derived from the overseas lessees. From 1999, overseas withholding tax has been charged on certain transponder lease income of the Group and full provision for such withholding tax for the current year has been made in the financial statements. The Directors of the Company are discussing with the relevant tax authority on whether the transponder lease income of the Group earned before 1999 is subject to the new withholding tax rule. The Directors of the Company are of the opinion that the new tax rule should take effect from 1999 and, accordingly, that no provision for the withholding tax in respect of the previous years is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant transponder lease income earned in the previous years, not provided for in the financial statements amounted to approximately HK\$65,198,000.



## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5 cents per share for the six months ended 30th June, 2000 (1999: Nil) payable on 18th October, 2000, Wednesday to shareholders whose names appear on the register of members of the Company on 29th September, 2000, Friday.

## BUSINESS REVIEW AND PROSPECTS

### Transponder Leasing Business Improving

The economies in the Asia-Pacific region have shown signs of recovery during the first half of 2000, where the market achieved a balanced demand and supply condition for satellite transponders. The satellite transponder leasing business has also resumed to a rising trend.

The Group's three in-orbit satellites, APSTAR-I, APSTAR-IA and APSTAR-IIR enjoy satisfactory utilization rates. At present, the average utilization rate of APSTAR-I and APSTAR-IA is 67% whereas the utilization rate of APSTAR-IIR is 100%. In September 1999, 43 out of the 44 transponders of APSTAR-IIR were leased for the remaining life of the satellite to Loral Asia Pacific Satellite (HK) Limited, a wholly owned subsidiary of Loral Space & Communications Limited. The lease price, a total of US\$273 million, was payable in three installments, and the last installment of US\$181 million was settled on 27th March, 2000. It is encouraging that the utilization rate of APSTAR-I and APSTAR-IA will increase further in the second Half of 2000.

### APSTAR-V

As APSTAR-I is due to retire in mid 2004, the Group has proceeded with the tender of its replacement satellite APSTAR-V on 5th June, 2000 and the satellite is scheduled to launch towards the second half of 2002. APSTAR-V, which consists of over 40 C-band and Ku-band high power transponders, is designated to replace APSTAR-I and to provide communication and broadcasting transponder services. Taking the advantage of its superior orbital slot, APSTAR-V will focus on providing communication linkage to the United States for the expansion of the Group's client base.

### Telecommunications Services

As the telecommunications sector in Hong Kong has become more open, the Group has endeavored to re-assess its business strategy and positioning, in order to gradually expand its business from providing satellite transponders for lease to the inclusion of telecommunications network services.

After a series of discussion and preparation in the first half of 2000, APT Satellite Glory Limited, a wholly-owned subsidiary of the Group, had finally signed a joint venture agreement with SingaSat Private Limited, a wholly-owned subsidiary of Singapore Telecommunications Limited on 21st June, 2000. Pursuant to which, a 55:45 joint venture namely APT Satellite Telecommunications Limited ("APT Telecom") was formed to engage in the operation of telecommunications services. In June 2000, APT Telecom was granted a satellite-based external Fixed Telecommunication Network Services (FTNS) licence by the Office of the Telecommunications Authority of Hong Kong ("OFTA") for the provision of external telecommunications network services that include VSAT (Very Small Aperture Terminal) services, Internet point-of-presence (POP) gateway and wholesale telecommunication services, as well as facility management.

Apart from these, APT Telecom is prepared to make investment in a new submarine cable project named as APCN2, and is discussing with the relevant government departments of the Hong Kong SAR with regard to the cable-based external FTNS licence.

Meanwhile, APT Telecom will establish a tele-port at the Group's newly acquired site of 8,900 square metres in area adjacent to its satellite control centre in Taipo Industrial Estate. The tele-port, which will have gross floor area of approximately 17,258 square metres and is expected to complete within two years, will provide the various kind of aforesaid external telecommunications services and the facility management.

To implement the various telecommunications services, APT Telecom plans to invest approximately HK\$360 million in equity and/or shareholders' loan over the next three to four years. Upon the successful grant of the licence and confirmation on the development project, APT Telecom will provide customers with diversified and comprehensive telecommunications services. Based on the synergy arising from the shareholders of APT Telecom, it is expected that the operations could yield profitable returns.

### VSAT Business in the Mainland

The Group's VSAT business has achieved good progress in the PRC market for the past year. It has provided major enterprises, including the banking sector in China with VSAT video conference, video-phone system, data transmission and value-added services network.

### Satellite Television Uplink and Downlink Licence

In January 2000, the Group's Satellite Television Uplink and Downlink Licence was extended by the government of the Hong Kong SAR. According to the Licence, the Group is able to use the newly installed uplink platform and downlink system, together with certain encryption and digital compression technologies, to provide satellite television uplink and downlink services through the Group's APSTAR-I, APSTAR-IA and APSTAR-IIR satellites. At present, the service has commenced operation to provide customers with a more comprehensive service. It would also enable the Group to expand its operations coverage and to bring substantial increase in revenue.

### Up-coming Satellite Projects

Apart from the preparation for APSTAR-V in the fourth quarter of 2000, the Group will further submit a proposal to OFTA in relation to the provision of broadcasting satellite channels within Hong Kong. Meanwhile, the Group will continue to negotiate with the relevant authorities in China in the development of direct broadcasting satellites with an aim to serve the PRC market.



## Sound Financial Condition

With the funding support from APSTAR-IIR's lease price of US\$273 million, the Group will continue to develop satellite transponders businesses and telecommunications services, including VSAT, satellite television uplink and downlink services, Internet point-of-presence (POP) gateway, wholesale telecommunications services, as well as facilities management services. At the same time, the Group will develop new satellite projects in order to satisfy the future demand of the market.

As of 30th June, 2000, the Group held HK\$1.866 billion in cash and enjoyed a sound financial structure. Gearing ratio fell from 29% to 26%, as of 30th June, 2000. It has not only reduced financial expenditure to a significant extent, but it has also built a solid foundation for the Company's future development.

## CONCLUSION

As the utilization rates of its satellites have been improving, the Group will be benefited from the economic recovery in the Asia-Pacific region. As to business strategies, the Group has successfully expanded its business to include telecommunications services and satellite television uplink and downlink services, while it is also proactively expanding from its satellite network base to submarine cable in order to provide customers with high-quality and comprehensive "one-stop" service. The Group will continue to commit in the development of the existing satellite projects, as well as the exploration of better business opportunities.

## SUBSTANTIAL SHAREHOLDER

As at 30th June, 2000, according to the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the only shareholder with an interest of 10% or more of the issued share capital of the Company was as follows:

Shareholder	Number of shares held
APT Satellite International Company Limited	214,200,000

Except as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## DIRECTORS' & CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30th June, 2000, the interests of the Directors in the share capital of the Company as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Chief Executive	Nature of Interest	Number of shares held
Leng Yi Shun (Vice President of the Group)	Personal	500

Except as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance as recorded in the register required to be kept under Section 29 of the SDI Ordinance as at 30th June, 2000.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Except for the share option scheme of the Company, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No share options were granted pursuant to the existing share option scheme during the period and no share options were outstanding as at 30th June, 2000.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the interim report, except that the non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

Subsequent to 30th June, 2000, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 3,900,000 shares of HK\$0.10 each in the share capital of the Company, all of which were then cancelled, at an aggregate consideration of HK\$18.7 million. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on the repurchase amounting to HK\$18.3 million was charged against to share premium.

Particulars of the aforesaid repurchases were as follows:

Month	Number of shares	Price per share		Aggregate consideration HK\$m
		Highest (HK\$)	Lowest (HK\$)	
July 2000	1,400,000	4.900	4.675	6.6
August 2000	2,500,000	4.875	4.750	12.1
	<u>3,900,000</u>			<u>18.7</u>



## AUDIT COMMITTEE

The financial report of the Company for the six months ended 30th June, 2000 had been reviewed by the Company's audit committee in the meeting held on 23rd August, 2000.

## CLOSURE OF BOOKS

The register of members of the Company will be closed from 27th September, 2000 (Wednesday) to 29th September, 2000 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 26th September, 2000 (Tuesday).

## APPRECIATION

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

**Liu Ji Yuan**  
Chairman

Chengdu, PRC, 6th September, 2000

## SUPPLEMENTARY INFORMATION ON US GAAP RECONCILIATION

The effect on net income of significant differences between Hong Kong Generally Accepted Accounting Principles ("HK GAAP") and United States Generally Accepted Accounting Principles ("US GAAP") is as follows:

	Notes	For the six months ended 30th June,		
		2000 US\$'000	2000 HK\$'000	1999 HK\$'000
Net income as reported under HK GAAP		3,819	29,597	23,353
Adjustments:				
Recognition of revenue		(137)	(1,059)	3,018
Investment properties		-	-	(35)
Tax effect of reconciling items		22	169	(483)
Approximate net income as reported under US GAAP		<u>3,704</u>	<u>28,707</u>	<u>25,853</u>
Earnings per share under US GAAP	1	<u>US\$0.009</u>	<u>HK\$0.068</u>	<u>HK\$0.062</u>
Earnings per ADS under US GAAP	2	<u>US\$0.072</u>	<u>HK\$0.544</u>	<u>HK\$0.492</u>

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

	For the six months ended 30th June,		
	2000 US\$'000	2000 HK\$'000	1999 HK\$'000
Shareholders' equity as reported under HK GAAP	305,495	2,367,590	2,154,612
Adjustments:			
Recognition of revenue	1,000	7,749	28,964
Investment properties	58	447	461
Tax effect of reconciling items	(160)	(1,240)	(4,773)
Interim dividend declared	2,685	20,805	-
Shareholders' equity as reported under US GAAP	<u>309,078</u>	<u>2,395,351</u>	<u>2,179,264</u>

Notes:

- (1) The calculation of earnings per share is based on 420,000,000 shares in issue during the period.
- (2) 1 American depository share ("ADS") is equivalent to 8 ordinary shares of the Company.
- (3) For the convenience of the reader, amounts in HK\$ have been translated into US\$ at the rate of US\$1=HK\$7.75. No representation is made that the HK\$ amount could have been, or could be, converted into US\$ at that rate.

## For further information, please contact:

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**APT SATELLITE HOLDINGS LIMITED** (together with its subsidiaries known as the “Group”), is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Its wholly-owned subsidiary, APT Satellite Company Limited, was established since 1992. It primarily provides high quality satellite transponder and telecommunication services for international and Asia-Pacific broadcasting and telecommunication sectors and has achieved remarkable performance.

The Principal Shareholders of the Group are renowned China and South East Asia corporations. They hold a majority of the issued shares of APT Satellite Holdings Limited. The relations between the Group and its Principal Shareholders enable the Group to establish strong competitive advantages in both international and Asia-Pacific markets including China.

The Group is managed by a team of experts in the satellite-related industries. They have about 20 to 30 years’ experience in the development, launch, telemetry and control, and telecommunication of satellites. The Group currently operates three in-orbit satellites, APSTAR-I, APSTAR-IA and APSTAR-IIR, through its own satellite control centre located in Tai Po, Hong Kong. The Group expanded into VSAT business in 1999 and successfully obtained the Satellite Television Uplink and Downlink Licence from the Government of Hong Kong Special Administrative Region on 6 July 1999 for the provision of Satellite television uplink and downlink services.

On 19 June 2000, APT Satellite Telecommunications Limited, a joint venture owned by the Group and SingaSat Pte Ltd, was granted a satellite-based external Fixed Telecommunication Network Services licence for the provision of external telecommunication services including Wholesale Telecom Services, VSAT services and Internet point-of-presence (POP) Gateway, and Facility Management.

A Teleport of approximately 17,258 square metres floor area will be established on a new site of 8,900 square metres adjacent to the existing Group’s Satellite Control Centre in two years.

## The Superior APSTAR Systems

Satellites	Model	Orbital Slots	Transponders		Footprint Coverage
			C-Band	Ku-Band	
APSTAR-I	Hughes HS-376	138 degree East	24	–	China, Japan, South-East Asia
APSTAR-IA	Hughes HS-376	134 degree East	24	–	China, Japan, South-East Asia & India
APSTAR-IIR	SS/Loral FS-1300	76.5 degree East	28	16	Europe, Asia, Africa Australia, about 75% of World’s population

## Future Satellites Plans

The Group intends to participate in the direct broadcasting satellite service in the region and is also planning to launch a high-powered satellite to satisfy the transponders demand by the end of 2002.

*Note:* The Principal Shareholders of the Group are: (a) China Telecommunications Broadcast Satellite Corporation; (b) China Aerospace Science & Technology Corporation (China Aerospace Corporation); (c) CASIL Satellite Holdings Limited.; (d) SingaSat Pte. Ltd., a wholly-owned subsidiary of Singapore Telecommunications Limited; and (e) Kwang Hua Development and Investment Limited, a Hong Kong corporation jointly owned by the Ruentex Group and China Development Corporation.