

The directors take pleasure in submitting to the shareholders their annual report and the audited financial statements for the year ended 31st December, 2000.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 13 to the financial statements.

The turnover and contribution to operating profit of the Company and its subsidiaries is attributable to the provision of satellite transponder capacity.

Group results

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 31. The Group achieved a consolidated profit for the year of HK\$576,295,000 (1999: HK\$353,575,000).

Dividend

An interim dividend of HK\$0.06 per share (1999: HK\$0.06) was paid to the shareholders on 21st November, 2000 and the directors recommend the declaration of a final dividend of HK\$0.14 per share (1999: HK\$0.14) payable on 22nd May, 2001 to the shareholders on the register of members on 18th May, 2001.

Reserves

Movements during the year in the reserves of the Company and the Group are set out in note 21 to the financial statements.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 67.

Property, plant and equipment

During the year, the Group spent approximately HK\$477,030,000 in the construction of and additions to its satellite and tracking facilities.

Details of this and other movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

Share capital

Details of the share capital of the Company are set out in note 19 to the financial statements.

Purchase, sale or redemption of shares

During the year ended 31st December, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Major customers and suppliers

For the year ended 31st December, 2000, the total revenue from the Group's five largest customers represented 43% of the Group's total revenue, and the total revenue from the Group's largest customer represented 23% of the Group's total revenue. The total amount of purchases attributable to the Group's five largest suppliers was less than 30% of the total purchases.

For the year ended 31st December, 2000, none of the directors, their associates or, so far as the directors are aware, any shareholder of the Company which, to the knowledge of the directors, is interested in more than 5% of the issued share capital of the Company had any interest in any of the Group's five largest customers.

Directors

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

Chairman and Non-Executive Director:

Mr. Romain Bausch

Executive Directors:

Mr. Peter Jackson, Chief Executive Officer

Mr. William Wade, Deputy Chief Executive Officer

Non-Executive Directors:

Mr. Ding Yu Cheng

Mr. Yves Elsen

Mr. Ju Weimin

Mr. Jürgen Schulte

Mr. Li Tong Zhou

Mr. Vernon Smith (appointed on 15th June, 2000)

Mr. Dean Olmstead (resigned on 15th June, 2000)

Mr. Mi Zengxin, Deputy Chairman (appointed on 28th February, 2001)

Mr. Qin Xiao, Deputy Chairman (resigned on 28th February, 2001)

Independent Non-Executive Directors:

Mr. Edward Chen

Mr. Robert Fullerton

Mr. Robert Sze

Directors (continued)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Messrs. Romain Bausch, Ding Yu Cheng and Ju Weimin will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 101 of the Company's Bye-laws, Messrs. Mi Zengxin and Vernon Smith who were appointed as directors after the last Annual General Meeting will retire and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The biographical details of the current directors of the Company are set out on pages 19 and 20.

Directors' interests

As at 31st December, 2000, as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the following directors have the following interests in the share capital of the Company:

(i) Shares

Mr. Peter Jackson had a personal interest in 123,500 shares in the Company.

(ii) Share options

Mr. Peter Jackson had a personal interest in 485,000 options, of which 335,000 are exercisable from 26th November, 1999 to 25th November, 2006 and 150,000 exercisable from 1st October, 2002 to 30th September, 2009, to subscribe for shares in the Company at an exercise price of HK\$17.48 per share.

Mr. William Wade had a personal interest in 430,000 options, of which 316,000 are exercisable from 26th November, 1999 to 25th November, 2006 and 114,000 exercisable from 1st October, 2002 to 30th September, 2009, to subscribe for shares in the Company at an exercise price of HK\$17.48 per share.

Details of the Company's share option scheme are set out in note 20 to the financial statements.

Directors' interests (continued)

Other than as disclosed above, and as recorded in the register required to be maintained under Section 29 of the SDI Ordinance, none of the directors or their associates, had any interests in any shares of the Company or any of its associated corporations as defined in the SDI Ordinance and, save as disclosed above, none of the directors or their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the year.

Substantial shareholder

As at 31st December, 2000, the register required to be kept under Section 16(1) of the SDI Ordinance shows that the Company had been notified that the following company held an interest of 10% or more in the issued share capital of the Company:

Name	No. of shares	%
Bowenvale Limited	268,905,000	68.9

Notes:

- (1) The interest of Bowenvale Limited ("Bowenvale") in 268,905,000 shares in the Company is attributed to Able Star Associates Limited ("Able Star") and SES Finance S.A. ("SES Finance").
- (2) Able Star is a wholly-owned subsidiary of CITIC Asia Limited ("CITIC Asia"), which in turn is a wholly-owned subsidiary of CITIC International Holdings Limited ("CITIC International"), which is a wholly-owned subsidiary of China International Trust and Investment Corporation ("CITIC"). Able Star, CITIC Asia, CITIC International and CITIC are each taken to be interested in such shares under Sections 8(2) and (3) of the SDI Ordinance.
- (3) SES Finance is a wholly-owned subsidiary of Société Européenne des Satellites S.A. ("SES"). SES Finance and SES are each taken to be interested in such shares under Sections 8(2) and (3) of the SDI Ordinance.
- (4) CITIC controls 50.5% of the economic interest and 50% of voting rights of Bowenvale whilst SES controls 49.5% and 50%, respectively.

Arrangement to purchase shares or debentures

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of the Company's share option scheme, details of which are set out in note 20 to the financial statements.

Directors' interests in contracts of significance

No contract of significance, to which the Company or a subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

The Group has entered into an agreement to lease transponder capacity to CITIC Guoan Information Industry Company Limited, a subsidiary of China International Trust and Investment Corporation ("CITIC"). CITIC was a major shareholder of the Company throughout the year. The total amount of revenue recognised by the Group for the year under this agreement was approximately HK\$3,276,000.

During the year, the Group purchased certain assets from SES, a major shareholder of the Group throughout the year, for a total consideration of approximately HK\$15,210,000.

In the opinion of the independent non-executive directors of the Company, all the connected transactions were entered into in the ordinary course of business on normal commercial terms.

Practice note 19 of the listing rules

Pursuant to paragraph 3.7.1 of the Practice Note 19 of the Listing Rules, the Company discloses that the covenants relating to the loan facility of US\$250 million for a term of five years require (a) CITIC and SES between them to maintain beneficial ownership of more than 75% of the ordinary issued share capital of Bowenvale Limited, which is a substantial shareholder of the Company; and (b) Bowenvale to maintain beneficial ownership of at least 51% of the issued share capital of the Company.

Code of best practice

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has set up an Audit Committee that consists of five non-executive directors; three of them, including its Chairman, are independent non-executive directors.

Code of best practice (continued)

The Committee is responsible for considering the annual and interim financial statements of the Group and any other major financial statements prior to approval by the Board, and for reviewing standards of internal control and financial reporting. The Audit Committee has no executive powers. The terms of reference of the Audit Committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

Pre-emptive rights

No pre-emptive rights exist in Bermuda, being the jurisdiction in which the Company is incorporated.

Auditors

The financial statements have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Denis Lau

Company Secretary

Hong Kong, 6th March, 2001