

# CHAIRMAN'S STATEMENT

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 2000 prepared in accordance with accounting principles generally accepted in Hong Kong.

## RESULTS

For the year ended 31 December 2000, the Group's turnover and net profit for the year were HK\$341,496,000 (1999: HK\$481,958,000) and HK\$142,996,000 (1999: HK\$374,539,000) respectively. Earnings per share was HK34.26 cents (1999: HK89.18 cents)

## DIVIDEND

In view of the profit recorded by the Group for the year 2000, and considering the Group's future business development, the Board recommends the payment of a final dividend of HK15 cents (1999: HK35 cents), which amounts to HK\$61,920,000. Including the interim dividend of HK5 cents that was paid on 18 October 2000 (1999: nil), the total amount of dividend to be paid for the whole year is HK20 cents per share (1999: HK35 cents per share). This recommendation is subject to shareholders' approval at the Company's Annual General Meeting to be held on Tuesday, 22 May 2001. Upon approval, the payment of the final dividend shall be made on Friday, 22 June 2001 to shareholders recorded in the Company's Register of Members on 22 May 2001.

## BUSINESS REVIEW

During the period under review, economies of the Asia Pacific region including the PRC had shown recovery, which triggered investment and market demand in the telecommunications and broadcasting sectors. Simultaneously, the supply and demand for regional satellite transponders gradually balanced off with slightly improved market situation and keener competition.

The Group's three in-orbit satellites APSTAR I, APSTAR IA and APSTAR IIR satellites, together with the corresponding telemetry, tracking and control systems were well-rendered during the year. The average utilization rate of APSTAR I and APSTAR IA satellites was approximately 62.5%, and 100% for APSTAR IIR as of the end of 2000. In the future, followed by the commissioning of APSTAR V satellite and the continuous effort of our staff, the leasing rates of both APSTAR I and APSTAR IA satellites will increase accordingly.

## APSTAR V SATELLITE

APT Satellite Company Limited, a wholly-owned subsidiary of the Group, together with Space Systems/Loral, Inc., of the United States ("SS/L"), and China Great Wall Industry Corporation respectively signed the Procurement and the Launch Agreements of APSTAR V satellite on 8 January 2001, to confirm the commissioning of the satellite which will replace the APSTAR I as it would retire in the middle of 2004. APSTAR V satellite, a high power satellite based on a FS1300 model satellite manufactured by SS/L, will comprise 38 C-band and 16 Ku-band transponders and the expected mission life would be over 13 years. The satellite will be located at the geostationary orbital slot of 138

degree East, and the footprints of C-band transponders will cover substantially all of the Asian countries in the Asia Pacific region. They include: Pakistan, India, the PRC, Korea, Japan, Australia, New Zealand, South Pacific and Hawaii. The footprints of Ku-band transponders are spanning across the PRC (Beam One), East Asia and Australia (Beam Two). APSTAR V satellite is scheduled to launch on board the LM-3B launch vehicle at Xichang Satellite Launch Center in February 2003. The commercial operation of this satellite will take place in the first quarter of 2003 to provide the Asia Pacific region with high quality and reliable broadcasting and telecommunications services. APSTAR V satellite involves a total project cost of approximately US\$230 million (approximately HK\$1,794 million), which is expected to be funded by internal resources and bank loan of the Group.

### **SATELLITE CONTROL CENTRE PHASE II AND THE NEW DATA CENTRE**

In order to cope with the operations and control of APSTAR V satellite, the Group held the ground-breaking ceremony of the second phase of its Satellite Control Center on 9 January 2001 at the land located adjacent to its existing Satellite Control Center in Tai Po, Hong Kong. The total site area of Phase 2 is approximately 57,000 square feet and the total floor area exceeds 60,000 square feet. The site is specially designed for providing telemetry, tracking and command facilities (TT&C), as well as accommodating the three large satellite antennae for the newly commissioned high power satellite, APSTAR V. Furthermore, it will include a new data center for the telecommunications services. The total investment cost for the new Satellite Control Center amounts to approximately HK\$200 million, which will be financed by the Group's internal resources or bank loans. Construction will be completed by the end of 2001 and some parts of the Center will commence operation to generate profit.

### **SATELLITE TV BROADCASTING AND TELECOM SERVICES**

The Group is progressively re-formulating its business strategy and market position after being granted the Satellite Television Broadcasting Licence in July 1999. It expanded from mainly providing satellite transponder leasing to include satellite television broadcasting and telecommunications services.

In order to expand its telecommunications services business, APT Satellite Telecommunications Limited ("APT Telecom") was jointly established in June 2000 by the Group and SingaSat Private Limited, a wholly-owned subsidiary of Singapore Telecommunications Limited with respective shareholdings of 55% and 45%. APT Telecom was granted a satellite-based external Fixed Telecommunication Network Services ("FTNS") licence in Hong Kong in June last year. At the same time, APT Telecom was in principle granted a cable-based external FTNS licence and committed to invest in APCN2 and C2C submarine cable projects. The company had already started commercial

operation in the second half of last year and step-by-step providing customers with various kinds of external telecommunications services including VSAT, Internet Point-of-Present (POP) gateway, wholesale telecoms services, facility management and Internet infrastructures.

## **TELECOMMUNICATIONS INFRASTRUCTURE**

To continue with its business development, as well as in line with its new business strategy and positioning, the Group is committed to making every effort to improve itself by capitalising resources to build the telecommunications infrastructure projects that suit future development needs. Apart from the new APSTAR V satellite, the Group had also committed to invest approximately HK\$400 million in developing a Telepark through APT Telecom for providing comprehensive “one-stop” telecommunications solutions. The Telepark will be located adjacent to the Group’s Satellite Control Center, with a site area of 74,000 square feet, total floor area of 180,000 square feet including a data center of approximately 120,000 square feet. The Telepark is expected to begin commercial operation in the second half of 2002, providing customers with various kinds of advanced telecommunications services through satellites and cables, as well as linking the Asia Pacific region including the PRC, northern America and Europe to develop the Group’s telecommunications business and to generate new profit sources.

## **BUSINESS STRATEGY AND MARKET DEVELOPMENT**

The Group will focus on the development of new business strategy to cope with its marketing plans.

The global economy will be having adjustment due to the expected slowdown of the United States’s economy, and the consecutive interest rates cut starting from January this year, which will have influence on the recovery of the Asia Pacific region. The Group will follow closely the economic conditions and constantly review its corporate strategy and business plans to cope with external factors, especially the changing economic conditions to maintain the best development plans and momentum of the Group.

## **STABLE FINANCIAL CONDITION**

The Group’s financial structure is very strong with sufficient internal resources for the development of satellite and telecommunications projects in the future. At the end of 2000, the Group maintained a cash balance of approximately HK\$1.7 billion and its gearing ratio (Total liabilities/Total assets) decreased to 30%. The financial cost dropped by 52%, enhancing the operating efficiency of the Group.

## **CONCLUSION**

Followed by the expansion of its telecommunications, satellite television services and commissioning of the new satellite project, the Group will actively prepare itself for future corporate development as well as opening up new business opportunities which are satellite-based and of high growth potential. Meanwhile, the Group will adopt prudent principle following closely external economic conditions to develop appropriate strategy at the right time.

## **NOTE OF APPRECIATION**

On behalf of all shareholders and the Board, I would like to thank all of our customers for their support of the Group, and to express our sincere appreciation to staff members of the Group for their contribution during the year. In particular, we would like to thank Mr. He Ke Rang, who has resigned as the Group's President due to retirement, for his guidance and contribution to the development of the Group over the past nine years.

**Liu Ji Yuan**

*Chairman*

Zhuhai, PRC

7 April 2001