

DIRECTORS' REPORT

The directors have pleasure in submitting to shareholders their annual report and the audited financial statements for the year ended 31st December, 2001.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 15 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, 2001 are set out in the consolidated income statement on page 32. The Group achieved a consolidated profit for the year of HK\$562,983,000 (2000: HK\$576,295,000).

Dividend

An interim dividend of HK\$0.06 per share (2000: HK\$0.06) was paid to the shareholders on 21st November, 2001 and the directors recommend the payment of a final dividend of HK\$0.14 per share (2000: HK\$0.14) on 22nd May, 2002 to the shareholders on the register of members on 17th May, 2002.

Reserves

Movements during the year in the reserves of the Company and the Group are set out in note 22 to the financial statements.

Property, plant and equipment

During the year, the Group spent approximately HK\$593,000,000 on the construction of and additions to 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 14 to the financial statements.

Share capital

Details of the share capital of the Company are set out in note 20 to the financial statements.

Purchase, sale or redemption of shares

During the year ended 31st December, 2001, 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, 2001, the total revenue from the Group's five largest customers represented 44% 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, 2001, 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

Deputy Chairman and Non-Executive Director:

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

Executive Directors:

Mr. Peter Jackson (Chief Executive Officer)

Mr. William Wade (Deputy Chief Executive Officer)

Non-Executive Directors:

Mr. Ding Yu Cheng

Mr. Ju Weimin

Mr. Jürgen Schulte

Mr. Li Tong Zhou

Mr. Vernon Smith

Mr. Robert Bednarek (appointed on 14th March, 2002)

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

Mr. Yves Elsen (resigned on 14th March, 2002)

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. Robert Fullerton, Jürgen Schulte and Robert Sze 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, Mr. Robert Bednarek who was appointed as a director after the last Annual General Meeting will retire and, being eligible, offers himself 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 20 and 21.

Directors' interests

As at 31st December, 2001, 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 163,500 shares in the Company.

Mr. Vernon Smith had a personal interest in 5,000 shares in the Company.

(ii) Share options

Details of the share options granted to the directors are set out in the section headed "Share Options" in the Directors' Report.

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.

Share options

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year.

Date of grant	Exercise period	Exercise price HK\$	Number of share options			At 31.12.2001
			1.1.2001	Cancelled/ At lapsed during the year	Exercised during the year	
(i) Directors						
Mr. Peter Jackson						
8th September, 1999	26th November, 1999 to 25th November, 2006	17.48	335,000	—	—	335,000
8th September, 1999	1st October, 2002 to 30th September, 2009	17.48	150,000	—	—	150,000
			485,000	—	—	485,000
Mr. William Wade						
8th September, 1999	26th November, 1999 to 25th November, 2006	17.48	316,000	—	—	316,000
8th September, 1999	1st October, 2002 to 30th September, 2009	17.48	114,000	—	—	114,000
			430,000	—	—	430,000
(ii) Employees						
8th September, 1999	26th November, 1999 to 25th November, 2006	17.48	1,067,500	—	—	1,067,500
8th September, 1999	1st October, 2002 to 30th September, 2009	17.48	1,599,000	(25,000)	—	1,574,000
			2,666,500	(25,000)	—	2,641,500

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant a resolution passed on 3rd June, 1996 and which will expire on 2nd June, 2006, the Board of Directors of the Company may grant options to any full time employees of the Company or any of its subsidiaries to subscribe for shares in the Company.

At 31st December, 2001, the number of shares in respect of which options had been granted under the Scheme was 3,556,500, representing 0.91% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

Share options (continued)

Minimal consideration is payable on the grant of an option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Substantial shareholder

As at 31st December, 2001, 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 SES GLOBAL S.A. ("SES GLOBAL"). SES Finance and SES GLOBAL 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 GLOBAL 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 21 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\$3,832,000.

Connected transactions (continued)

The independent non-executive directors confirm that the transaction was entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

Practice note 19 of the listing rules

Pursuant to paragraph 3.7.1 of 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 started from November 2000 require (a) CITIC and SES GLOBAL between them to maintain beneficial ownership of more than 75% of the ordinary issued share capital of Bowenvale, 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.

Pre-emptive rights

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

Post balance sheet event

Details of post balance sheet events are set out in note 31 to the financial statements.

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, 14th March, 2002