



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 2001, which had been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESULTS

For the financial year ended 31 December 2001, the Group's turnover and net profit for the year were HK\$374,158,000 (2000: HK\$341,496,000) and HK\$78,009,000 (2000: HK\$142,996,000) respectively. Basic earnings per share was HK18.90 cents (2000: HK34.26 cents).

DIVIDENDS

In view of the profit recorded by the Group for the financial year 2001 and the Group's future business developments, the Board recommends the payment of a final dividend of HK5 cents per share (2000: HK15 cents per share), which amounts to HK\$20,636,000. Whilst no interim dividend was paid for the year 2001 (2000: HK5 cents), the total amount of dividend to be paid for the whole year is HK5 cents per share (2000: HK20 cents per share). This recommendation is subject to shareholders' approval at the Company's Annual General Meeting to be held on Wednesday, 22 May 2002. Upon approval, the payment of the final dividend shall be made on Wednesday, 26 June 2002 to shareholders recorded in the Company's Register of Members on 22 May 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's three in-orbit satellites, together with their corresponding telemetry, tracking and control systems, have been operating well. The utilization rates of the APSTAR I, APSTAR IA and APSTAR IIR were 59.0%, 66.3% and 100% respectively, which were almost the same as the rates at the end of 2000.



Mr. Chen Zhaobin
*Executive Director
and President*

Business Environment

The downturn of worldwide economy during the second half of the year had hammered the broadcasting and telecommunication sectors in the Asia Pacific region. The demand for transponders in the region, including the PRC, had weakened. The market competition became more fierce compared with the first half of the year, thereby exerting a downward pressure on the rental rate of transponders.

APSTAR V

The supplier of APSTAR V (the replacement satellite for APSTAR I), Space System/Loral, Inc. ("SS/L"), has commenced the construction process of APSTAR V in full scale in July 2001. In mid of November 2001, SS/L received the approval for the construction of APSTAR V from the United States government. The Company will keep on monitoring the progress of the construction to ensure the delivery of APSTAR V as scheduled. The construction of the satellite has been running smoothly. It is scheduled to be launched in the third quarter of 2003.

Procurement Agreement for APSTAR VB

To ensure the timely replacement of APSTAR I in the second half of 2004, APT Satellite Company Limited ("APT"), a wholly-owned subsidiary of the Company, signed a procurement agreement for APSTAR VB with Alcatel Space Industries ("Alcatel") on 11 December 2001. APSTAR VB, a high power satellite modelled on a SB4000 satellite, will comprise 38 C-band and 12 Ku-band transponders. Alcatel is responsible for the design, construction, testing, delivery of the satellite. It will also provide a satellite control center, launch support services, in-orbit testing, on-site support for the early stages of the satellite's operation, training for satellite performance measurement and control operations as well as online support throughout the satellite's commission life.



From left: Mr. Victor Kwok, Vice President; Mr. Cui Xinzheng, Executive Director and Vice President; Mr. Leng Yi Shun, Vice President; Mr. Chen Zhaobin, Executive Director and President; Mr. Wu Shou Kang, Chief Engineer; Mr. Lo Kin Hang, Brian, Vice President and Company Secretary

The delivery of APSTAR VB is scheduled in July 2004. This satellite will serve as a backup to APSTAR V in the event of any delay in the delivery and launch of the latter. If APSTAR V is delivered on schedule and successfully launched into its designated orbital slot, it will replace APSTAR IA, which is due to expire at the end of 2006. The procurement of APSTAR V and APSTAR VB is pivotal to the future development of the Group's satellite broadcasting and telecommunications services.

Development of APSTAR VB

APT and Alcatel had held a "kick off" meeting at the end of January this year for detailed discussion on the rolling out preparations for APSTAR VB project. Project progress to date has been smooth. In March 2002, Alcatel informed APT that they had received unconditional approval from the French government for the delivery of the French-made satellite to the PRC for launching on board of the LM-3B launch vehicle.

Satellite TV Broadcasting Platform

In line with the change of corporate strategies last year and under its satellite TV broadcasting licence, the Company's wholly-owned subsidiary namely APT Satellite Glory Limited is establishing a satellite television broadcasting platform. As a result, five satellite TV channels have been set up. The Group has increased its investment in uplinks and downlinks, and satellite TV programme transmission and broadcasting facilities, amounting to US\$2.75 million. In this year, the Company's programme transmission capacity will increase to 18 channels, which will meet future demand for satellite TV services and will strengthen the capacity of the Company's satellite TV service platform. In March 2002, the approval was obtained to rename "APT Satellite Glory Limited" to "APT Satellite TV Development Limited" ("APT TV") so as to better reflect the future development of its satellite TV broadcasting business.

On 15 March 2002, APT TV signed a memorandum of understanding with Eurosport News, under which both parties agreed to initiate a joint venture based on their respective



strengths to provide satellite TV broadcasting services to China. This project is in line with the Group's overall strategy to further develop its satellite TV platform, and will bring forth revenue to the Group.

Satellite Control Centre Phase II

To prepare for the control and operation of APSTAR V and VB, and at the same time to provide satellite broadcasting and telecommunications services, the Company started the construction of its Satellite Control Centre Phase II last year. It was completed in February this year and commenced commercial operations immediately. The total floor area of the Satellite Control Centre Phase II is approximately 58,000 sq.ft., in which a data centre of 14,700 sq.ft. has started commercial operation and is generating revenue. At the same time, the Company is in the course of installing satellite TV broadcasting facilities in the centre for the development of its satellite TV broadcasting platform.

External Telecommunications Services

APT Satellite Telecommunications Limited ("APT Telecom"), the Company's jointly controlled entity, has been granted a cable-based and satellite-based external telecommunications network services licence. It is actively rolling out external telecommunications services. APT Telecom is now in full gear in its construction of an integrated telepark (the "Telepark") adjacent to the Group's satellite control centre. The Telepark is scheduled to operate by mid-2003, so as to further expand the Group's telecommunications business.

Corporate Strategy and Prospects

To maintain growth and expansion and to effectively face future challenge, the Group has decided to re-formulate its future development strategies after taking into consideration the consultant's advice. The new development strategies are as follows:

- (1) Based on its existing core business, the Group will expand its scope of business and particularly move towards the end users in an effort to increase its corporate value.



APT commissioned APSTAR V in January 2001 to boost the Group's high quality and reliable broadcasting and telecommunications services. APSTAR V is scheduled to launch in the third quarter of 2003.



APT has a very strong foothold in the China market. APT signed a satellite transponder lease agreement with China Central Television (CCTV) in August 2001.

The Group is now actively seeking opportunities for partnership based on the satellite network business.

- (2) The Group will make more effective use of its current broadcasting service licence to provide satellite TV broadcasting services and to establish its satellite TV broadcasting platform so as to raise the utilization of its transponders and make it a “hot-bird”.
- (3) The Group will engage in telecommunications services through APT Telecom. It will provide its customers with various kinds of advanced and reliable telecommunications services through satellite-based and cable-based external telecommunications services, including Internet backbone network, Internet point-of-present (POP) gateways, VSAT, broadband data services, multimedia services, facilities management and data centre.
- (4) Through the promotion of satellite TV broadcasting services and external telecommunications services, the Group will further regionalize its services, expand the Group’s customer base and raise its satellite utilization rate.
- (5) The Group will further study, analyse, and promote the consolidation of the satellite industry in the Asia Pacific region with a view to raise its asset value and market competitiveness.

After full preparation in the second half of last year, the Group has initially completed the re-alignment of its corporate development strategies to cope with future business needs, such as investment in the construction of the Telepark, setting up of Business Development Department for the promotion of new business, and the expansion of its broadcasting service platform facilities.

**Business prospects**

It is expected that the worldwide economy will not significantly rebound in the coming year. It is therefore foreseeable that the overall development of broadcasting and telecommunications businesses will remain stagnant, and market competition will be more intensive resulting in the compression of profit margin. The coming year will still be very challenging.

Development of APSTAR V and APSTAR VB

The Group will closely monitor the construction and delivery schedule of these two satellites to ensure that APSTAR I can be safely replaced. At the same time, close contact will be kept with the launching company and insurance company to ensure that adequate preparation will be made for the launch and insurance of APSTAR V.

Business development

Under its new corporate strategies and marketing positioning, the Group will consolidate its existing core business and will actively expand new satellite-related business. In addition, through the construction of its satellite broadcasting platform and its newly-established telecommunications business, the Group will strengthen its customer base and expand its market coverage to boost its revenue.

SOUND FINANCIAL CONDITION

The Group adopts a prudent financial policy to ensure that it can meet with the financial obligations for the repayment of indebtedness as well as the commitment in funding APSTAR V and APSTAR VB projects.

The Group's financial structure remains strong with sufficient internal resources and appropriate gearing, enabling it to cope with the future investment needs in respect of satellite and telecommunication projects. At the end of last year, the Group maintained a net cash balance of approximately HK\$1.62 billion (2000: HK\$1.70 billion) and its gearing ratio (total liabilities/total assets) dropped to 24.87% (2000: 28.42%) which decreased by



As APT always treasures and values our customer relations, customer meetings are periodically held for better communication. One of the customer meetings was held in Guilin in November 2001.



APT commissioned APSTAR VB in December 2001, which will be pivotal to the future development of the Group's satellite broadcasting and telecommunications services. APSTAR VB is scheduled for delivery in July 2004 serving as a backup to APSTAR V.

3.55% in comparing with the year 2000. The financial cost dove by 63.20% as compared with 2000. The total liabilities, as at 31 December 2001, was approximately HK\$816.06 million, among which about HK\$379.67 million of which bears interest at fixed rate and secured by a time deposit of an equivalent amount. As at 31 December 2001, the Group has not used any instruments for hedging purposes as most of its transactions are being settled in United States dollars.

Over 80% of the transponders lease in 2001 will continue in 2002 with the rest subject to renewal of the contract. The Company has leased 15 out 38 C-band transponders of APSTAR V to Singapore Telecommunications Limited. The rest of the C-band capacities will be substantially taken up by the existing substantial customers of APSTAR I who will be migrating to APSTAR V upon its commercial operation commencement.

In 2001, the Company had set up a wholly-owned subsidiary “亞訊通信技術開發 (深圳) 有限公司” (APT Communication Technology Development (Shenzhen) Co., Ltd.) in Shenzhen, at a total investment cost of HK\$7.10 million, for market development in China in particular the engagement in the technological development of telecommunication facilities, telecommunication network systems and computer software.

HUMAN RESOURCES

The Group remunerates its employees in accordance with their respective responsibilities and the current market trends. On 19 June 2001, the Company has first granted the share options under the share option scheme adopted at the Annual General Meeting on 22 May 2001 (the “Scheme 2001”) to its employees including executive directors. In compliance with the new requirements in respect of the share option schemes of the Rules Governing the Listing of Securities on the Stock Exchange Hong Kong Limited (the “Listing Rules”), which took effect on 1 September 2001, the Company proposes to adopt a new share option scheme (the “Scheme 2002”), which is subject to the shareholders' approval at the



In line with the development of the Group's new satellite projects, APT has completed the construction of Satellite Control Centre Phase II (with floor area approximately 58,000 sq.ft.) in Tai Po, Hong Kong in early 2002.

forthcoming annual general meeting. Although the share options granted on 19 June 2001 under the Scheme 2001 are still valid whilst no new option will be granted under the Scheme 2001 until its expiry. A circular containing the details and conditions of the adoption of the Scheme 2002 and a summary of the principal terms of the rules of the new share option scheme will be despatched to shareholders of the Company upon confirmation from The Stock Exchange of Hong Kong Limited.

CONCLUSION

The coming year will be a year of great challenge. The Group will try its best in keeping its existing business, while at the same time searching for development opportunities. Under the new corporate strategy, the Group will consolidate and develop its transponder business, and on the other hand expand new satellite broadcasting and telecommunication businesses, so as to maintain business growth and raise corporate value. Meanwhile, the Group will continue to adhere to prudent financial policies and keep a close watch on the external economic situation to enable it to timely re-align its business strategies correspondingly.

NOTE OF APPRECIATION

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

Liu Ji Yuan

Chairman

Thailand, 8 April 2002