



The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance and operation of satellite telecommunication systems.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 34 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2001 are set out in the consolidated income statement on page 36 and the accompanying notes to the financial statements.

The directors recommend the payment of a final dividend of HK5 cents per share.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 72.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended 31 December 2001 are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2001 are set out in note 32 to the financial statements.

JOINTLY CONTROLLED ENTITY

Details of the Company's interest in jointly controlled entities are set out in note 16 to the financial statements.

SHARE CAPITAL

During the year, the Company repurchased a total of 80,000 of its own shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are set out in note 21 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in the statements of changes in equity on page 40.

BORROWINGS

Details of the Group's bank borrowings are set out in note 19 to the financial statements. No interest was capitalised by the Group during the year.

DIRECTORS

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

Executive directors

Chen Zhaobin (*President*) (*appointed on 10 February 2001*)

Cui Xinzheng (*Vice President*) (*appointed on 10 February 2001*)

Non-executive directors

Liu Ji Yuan (*Chairman*)

He Ke Rang (*Vice Chairman*) (*resigned as President and re-designated as non-executive director on 10 February 2001*)

Zhou Ze He (*Vice Chairman*)

Wong Hung Khim

Lim Toon

Hsu Chih Chang

Wu Zhen Mu

Lu Xiaochun

Wu Jinfeng (*appointed on 10 February 2001*)

Lim Shyong (*appointed on 21 March 2001*)

Tay Chek Khoon (*appointed on 21 March 2001*)

Yang Tze-kaing (*appointed on 21 March 2001*)

Loh Yim Kew (*resigned as a director and appointed as alternate director to Lim Shyong on 21 March 2001*)

Lim Bee Ling (*resigned as a director and appointed as alternate director to Tay Chek Khoon on 21 March 2001*)

Chen Ji Bin (*resigned on 10 February 2001*)

Lee Hsiang Wei (*resigned on 21 March 2001*)

Independent non-executive directors

Li Kwok Wing, Meocre

Yuen Pak Yiu, Philip

In accordance with Article 86(2) and Article 87 of the Company's bye-laws, Messrs. Zhou Ze He, Wong Hung Khim, Hsu Chih Chang, Wu Zhen Mu and Yuen Pak Yiu Philip will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining directors continue in office.



Mr. Chen Zhaobin and Mr. Cui Xinzheng have entered into service contracts with the Company for an initial term of three years, commencing 10 February 2001 and 1 February 2001 respectively and continuing thereafter until terminated by either party giving to the other not less than six months' notice.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 December 2001, Mr. Leng Yi Shun, Vice President of the Group, had personal interests in 500 shares of the Company.

Owing to the change of office on 8 April 2002, Mr. Lo Kin Hang, Brian, Vice President and Company Secretary of the Group, had declared his personal interests in 27,000 shares of the Company.

Save 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 or any of its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

SHARE OPTION SCHEMES

No options had been granted pursuant to the former share option scheme adopted on 3 December 1996 and which was later terminated at the annual general meeting of the Company on 22 May 2001. At the same annual general meeting a new share option scheme (the "Scheme 2001") was adopted.

At present, under the Scheme 2001 the Company could grant options for providing incentives to its full-time employees and executive directors of the Company for their contribution to the Group within the remaining life of the scheme for ten years until 21 May 2011.

On 19 June 2001, the Company granted a total of 14,650,000 share options for a nominal consideration of HK\$1 per grantee, details of which are set out below.

As at 31 December 2001, the total number of securities available for issue under the Scheme 2001 is, upon their exercise, not exceeding 10% of the shares of the Company in issue at any time (as at 31 December 2001, the shares of the Company in issue was 412,720,000 shares). The total number of outstanding options under the Scheme 2001 was 13,450,000 and together with the cancelled options 1,200,000 which approximately represents 3.55% of the issued share capital of the Company as at 31 December 2001.

In compliance with the new requirements in respect of the share option scheme of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which took effect on 1 September 2001, the Company has made a new proposal in relation to the adoption of a new share option scheme (the "Scheme 2002") to the shareholders and subject to their approval at the forthcoming annual general meeting, the Board of Directors will in future grant options under the Scheme 2002 instead of the Scheme 2001. Although the Scheme 2001 will remain effective and the options granted on 19 June 2001 are still valid whilst no new option will be granted under the Scheme 2001 until its expiry.

Under the Scheme 2001, the maximum entitlement of each eligible person shall be that the total number of shares issued or issuable under all options granted to such eligible person (including both exercised and outstanding options) upon such grant being made shall not exceed 25% of the total number of the shares of the Company (the "Shares") for the time being issued and issuable under the Scheme 2001. In addition, the subscription price was determined by the Board of Directors on a case-by-case basis and will not be less than the nominal value of the Shares nor at a discount of more than 20% below the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the five dealing days immediately preceding the date on which the invitation to apply for an option under the Scheme 2001 is resolved by the Board of Directors to be given.

The Scheme 2002, the details of which are contained in the circular to be dispatched to the shareholders of the Company, will be adopted in the forthcoming annual general meeting on 22 May 2002. Upon its approval, the Company, subject to the Board of Directors' discretion from time to time, grant share options to the eligible person in accordance with the Scheme 2002. The terms of the Scheme 2002, among the others, state that the maximum entitlement of each eligible person shall be that the total number of securities issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the Shares in issue as well as the determination of the exercise price that the exercise price must be at least the higher of the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.



The particulars of the share options granted under the Scheme 2001 during the year are as follows:

	Options granted on 19 June 2001	Options cancelled subsequent to the grant	Options outstanding as at 31 December 2001
DIRECTORS AND CHIEF EXECUTIVES:			
Chen Zhaobin <i>(Executive Director and President)</i>	2,200,000	–	2,200,000
Cui Xinzheng <i>(Executive Director and Vice President)</i>	1,200,000	–	1,200,000
Leng Yi Shun <i>(Vice President)</i>	1,500,000	–	1,500,000
Kwok Kah Wai, Victor <i>(Vice President)</i>	1,200,000	(1,200,000)	–
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	800,000	–	800,000
	<u>6,900,000</u>	<u>(1,200,000)</u>	<u>5,700,000</u>
EMPLOYEES IN AGGREGATE:			
Employees under employment contracts	<u>13,450,000</u>	–	<u>13,450,000</u>

All the above options have an exercise price of HK\$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011, whilst there is no minimum period nor any amount payable on application required before exercising the options. The closing price of the shares immediately before the date on which these options were granted was HK\$3.85.

The fair value of the options granted in the current year totalled approximately HK\$41.3 million. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (1) an expected volatility of 47%;
- (2) no expected annual dividend;
- (3) an expected life of the options of 119 months; and
- (4) a risk-free interest rate of 6% based on the quoted interest rate of Hong Kong Exchange Fund Notes.

No charge is recognised in the income statement in respect of the value of options granted in the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed above, at no time during the year was the Company, its ultimate 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.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.



INTERESTS IN COMPETING BUSINESS DISCLOSURES

At 31 December 2001, the following non-executive directors of the Company are also directors in other businesses, which compete or are likely to compete, either directly or indirectly, with the Group's business:

Name of director	Name of the companies	Principal activities
Lim Toon	– SingTelSat Pte Ltd	Provision of satellite capacity for telecommunications & video broadcasting services
	– C2C Pte Ltd.	Operation & provision of telecommunications facilities & services utilizing a network of submarine cable systems & associated terrestrial capacity
	– Bharti Tele-Ventures Limited	Provision of cellular & fixed line communications
	– C2C Infocom Cable (Taiwan) Ltd – C2C Cable Korea Ltd	To own telecommunication cables and to sell interests in those cables to other parties

Name of director	Name of the companies	Principal activities
Lim Shyong	– GB21 (Hong Kong) Limited	Provision of telecommunications services & products
	– C2C Pte Ltd. – C2C Singapore Pte Ltd	Operation & provision of telecommunications facilities & services utilizing a network of submarine cable systems & associated terrestrial capacity
	– C2C (Hong Kong) Limited – C2C Infocom Cable (Taiwan) Ltd – C2C Cable Korea Ltd – C2C Japan KK	To own telecommunication cables and to sell interests in those cables to other parties



SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	%
APT Satellite International Company Limited	214,200,000	51.90

Messrs. Chen Zhaobin, Cui Xinzhen, He Ke Rang, Wong Hung Khim, Hsu Chih Chang, Wu Jinfeng, Lim Shyong, Tay Chek Khoon, Yang Tze-kaing, Lim Toon, Liu Ji Yuan, Zhou Ze He, Lu Xiaochun, Wu Zhen Mu, Loh Yim Kew (alternate director to Lim Shyong) and Lim Bee Ling (alternate director to Tay Chek Khoon), directors of the Company, are also directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company's issued share capital at 31 December 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in note 21 to the financial statements, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In 2001, the largest customer accounted for 29% (2000: 36%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 55% (2000: 75%) of the turnover for the year. Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

HUMAN RESOURCES

The remuneration packages of employees are commensurable to their respective responsibilities and remain competitive under the current market trends. The Group joined the Mandatory Provident Fund in December 2000 and has a share option scheme for the benefit of executive directors and employees.

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 throughout the accounting period covered by the annual 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 Bye-Laws of the Company.

AUDITORS

Except for the year ended 31 December 1999, in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chen Zhaobin
Director

Cui Xinzheng
Director

Thailand
8 April 2002