BUSINESS REVIEW

Details of the business review are contained in the chairman's statement on page 6.

BUSINESS ENVIRONMENT

Details of the business environment are contained in the chairman's statement on page 7.

BUSINESS PROSPECTS

Details of the business prospects are contained in the chairman's statement on page 10.

FINANCIAL REVIEW

The Group continues to maintain a prudent treasury policy with an aim to ensure a sound financial position for accommodating the needs of committed satellite projects.

The Group had ample working capital at its disposal. As at 31 December 2002, the Group had approximately HK$826 million (2001: HK$1,620 million) free cash. Together with the secured term loan facilities (the "Loan Facilities") committed in December 2002 by the Group with two banks that amounted to HK$1,872 million (US$240 million), the Group could cope with the needs to invest in future satellite and telecommunications projects for further business development.

Within the year, the Group's capital expenditure incurred by APSTAR V and APSTAR VI amounted to HK$1,033 million (2001: HK$230 million) that was paid by internally generated cash flow and bank loans.

As at 31 December 2002, the Group's total liabilities was approximately HK$864 million (2001: HK$816 million), among which about HK$318 million (2001: HK$380 million) was interest-bearing at a fixed rate of 12% per annum, which was secured by a time deposit of an equivalent sum and deposit interest rate. The Group had used part of the Loan Facilities that amounted to HK$164 million (2001: Nil). Interest was computed on the London inter-bank offered rate. The Loan Facilities were secured by the assignment of the construction, launching and related equipment contracts relating to satellites under construction and their related insurance claims proceeds, assignment of all present and future lease agreements of their transponders of satellites under construction, first fixed charge over certain bank accounts which will hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. Certain of the Group's banking facilities were secured by the Group's properties with aggregate net book value of approximately HK$5.12 million. As part of the Loan Facilities had been used, the Group's gearing ratio (total liabilities/total assets) rose to 26% (2001: 25%), representing an increased of 1% as compared to 2001.

For the year ended 31 December 2002, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in United States dollars. However, as the Loan Facilities presently available to the Group was subject to floating interest rates, the Group would take appropriate measure in due course to hedge against interest rate fluctuation.

APT Telecom is striving to develop the external telecommunications business. As at 31 December 2002, the Group's share of loss of jointly controlled entities was HK$10.62 million (2001: HK$5.07 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2002, the Company had a guarantee of HK$164 million to its subsidiary for its Loan Facilities (2001: Nil).

HUMAN RESOURCES

With regard to the human resources policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Listing Rules. Share options granted in accordance with Scheme 2001 shall however remain valid until its expiry.