

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 2002.

PRINCIPAL ACTIVITIES

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

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 36 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 2002 are set out in the consolidated income statement on page 33 and the accompanying notes to the financial statements.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

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 74.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2002 are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2002 are set out in note 34 to the financial statements.

JOINTLY CONTROLLED ENTITY/ASSOCIATE

Details of the Company's interest in jointly controlled entities and associate are set out in notes 17 and 18 to the financial statements respectively.

SHARE CAPITAL

During the year, the Company repurchased a total of 185,000 of its own shares on The Stock Exchange of Hong Kong Limited. Details of movement of the share capital are set out in note 22 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 statement of changes in equity on page 37.

BORROWINGS

Details of the Group's bank borrowings are set out in note 21 to the financial statements. Interest of approximately HK\$117,000 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*)

He Dongfeng (*Vice President*)

Cui Xinzheng (*Vice President*)

(*appointed on 5 July 2002*)

Non-executive directors

Liu Ji Yuan (*Chairman*)

Zhou Ze He (*Vice Chairman*)

Wong Hung Khim

Lim Toon

Hsu Chih Chang

Wu Zhen Mu

Wu Jinfeng

Lim Shyong

Tay Chek Khoon

Wu Hongju

Yin Yen-liang

Lim Bee Ling

Chen Chi-chuan

(*appointed on 15 November 2002*)

(*appointed on 16 January 2003*)

(*alternate director to Tay Chek Khoon*)

(*appointed as alternate director to*

Yin Yen-liang on 16 January 2003)

(*resigned on 5 July 2002*)

(*resigned on 29 October 2002*)

(*resigned on 16 January 2003*)

(*resigned as alternate director to Lim Shyong on 31 January 2003*)

He Ke Rang (*Vice Chairman*)

Lu Xiaochun

Yang Tze-kaing

Loh Yim Kew

Independent non-executive directors

Yuen Pak Yiu, Philip

Huan Guocang

Li Kwok Wing, Meocre

(*appointed on 27 August 2002*)

(*resigned on 27 August 2002*)

In accordance with Article 86(2) and Article 87 of the Company's bye-laws, Messrs. Chen Zhaobin, He Dongfeng, Cui Xinzheng, Lim Toon, Wu Jinfeng, Wu Hongju, Yin Yen-liang and Huan Guocang 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.

Mr. He Dongfeng has entered into service contract with the Company for an initial term of three years, commencing 13 August 2002 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 2002, Mr. Leng Yi Shun, Vice President of the Group, and Mr. Lo Kin Hang, Brian, Vice President and Company Secretary of the Group, had personal interests in 500 and 27,000 shares of the Company respectively.

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

Owing to the enforcement of the new requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in September 2001, the Company adopted a new share option scheme (the "Scheme 2002") at its annual general meeting on 22 May 2002, whereupon the Board of Directors of the Company shall only grant new options under the Scheme 2002.

During the year, no options were granted under the Scheme 2002, which will expire on 21 May 2012.

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001, details of which are set out below. Since then, no further options were granted under the Scheme 2001 and, all the options granted under the Scheme 2001 shall however remain valid until their expiry.

With the adoption of the Scheme 2002, the Company can provide incentives or rewards to its employees including non-executive directors and independent non-executive directors for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised, 14,650,000 which represents 3.55% of the issued shares of the Company and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at the date of report, the shares of the Company in issue was 412,535,000 shares.

Save for a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates according to the Listing Rules, the total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including outstanding options) to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to any participant in excess of the 1% limit must be subject to shareholders' approval in general meeting of the Company.

The exercise price (subscription price) will be determined by the Board of Directors in its absolute discretion but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company.

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

Name of director and chief executive	Options granted on 19 June 2001 and remain outstanding as at 1 January 2002	Options cancelled during the year	Options outstanding as at 31 December 2002
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
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	800,000	–	800,000
	5,700,000	–	5,700,000
Employees in aggregate:			
Employees under employment contracts	13,450,000	40,000	13,410,000

The above granted 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.

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

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 2002, 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 company	Principal activities
Tay Chek Khoon	– Lanka Communication Services (Pvt) Ltd.	Provision of data communication services
	– Infoserve Technology Corp. (as an alternate director)	Provision of communication, internet, VPN and solution services
	– Infoserve Technology Hong Kong Limited (as an alternate director)	
Lim Shyong	– GB21 (Hong Kong) Limited	Provision of telecommunication services and products
	– C2C Pte Ltd.	Operation and provision of telecommunication facilities and services utilizing a network of submarine cable systems and associated terrestrial capacity
	– C2C Singapore Pte Ltd	
	– Network i2i Limited	
	– C2C (Hong Kong) Limited	Operation and provision of telecommunication facilities and services
	– C2C Cable (Ireland) Limited	
	– C2C Infocom Cable (Taiwan) Ltd	
– C2C Cable Korea Ltd		
– C2C Japan KK		

Name of director	Name of the company	Principal activities
Lim Toon	– SingTelSat Pte Ltd	Provision of satellite capacity for telecommunication and video broadcasting services
	– C2C Pte Ltd.	Operation and provision of telecommunication facilities and services utilizing a network of submarine cable systems and associated terrestrial capacity
	– Bharti Telecom Limited – Bharti Tele-Ventures Limited	Provision of cellular, fixed line telecommunication and internet services
	– C2C Infocom Cable (Taiwan) Ltd. – C2C Cable Korea Ltd.	Operation and provision of telecommunication facilities and services
	– Singapore Telecom Hong Kong Limited – INS Holdings Pte Ltd.	Investment holding and provision of telecommunication services
	– SingTel Services Australia Pty Limited – SingTel (Philippines), Inc. – Singapore Telecom Taiwan Limited	Provision of customer services for telecommunication related activities
	– Singapore Telecom Japan Co., Ltd. – Singapore Telecom Korea Limited – Singapore Telecom India Private Limited	Provision of telecommunication services and all related activities
	– ST Paging Pte Ltd.	Sale of telecommunication equipment and provision of related services
	– SingTel Japan, Co., Ltd.	Engaged in telecommunication services business and all other related business

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, 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	51.92

Messrs. Chen Zhaobin, He Dongfeng, Cui Xinzheng, Wong Hung Khim, Hsu Chih Chang, Wu Jinfeng, Lim Shyong, Tay Chek Khoon, Yang Tze-kaing, Lim Toon, Liu Ji Yuan, Zhou Ze He, Wu Zhen Mu, Wu Hongju, 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 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in note 22 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 2002, the largest customer accounted for 23% (2001: 29%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 57% (2001: 55%) 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 employees and executive directors as well as non-executive director and independent non-executive directors.

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 of Hong Kong Limited 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

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

He Dongfeng

Director

Guilin, China, 7 April 2003

