

Directors' Report

The Directors have pleasure in submitting to shareholders their annual report and the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 13 to the financial statements.

The turnover and contribution to operating profit of the Company and its subsidiaries are attributable to the provision of satellite transponder capacity.

GROUP RESULTS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 33. The Group achieved a consolidated profit for the year of HK\$424,488,000 (2002: HK\$554,689,000).

DIVIDEND

An interim dividend of HK\$0.08 per share (2002: HK\$0.06 per share), amounting to HK\$31,221,000 (HK\$23,416,000), was paid to the shareholders on 18th November, 2003 and the Directors will recommend the payment of a final dividend of HK\$0.24 per share (2002: HK\$0.19 per share) amounting to HK\$93,664,000 (2002: HK\$74,151,000) payable on 18th May, 2004 to the shareholders on the register of members on 14th May, 2004, and the retention of the remaining profit for the year of HK\$299,603,000 (2002: HK\$359,556,000).

RESERVES

Movements during the year in the reserves of the Company and the Group are set out in note 21 to the financial statements and on page 65 respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$150,591,000 on the construction of, and additions to satellite and tracking facilities.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2003, the total revenue from the Group's five largest customers represented 42% of the Group's total revenue, and the total revenue from the Group's largest customer represented 25% 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, 2003, none of the Directors, their associates or, so far as the Directors are aware, any shareholder of the Company that, 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:

Mi Zengxin

Deputy Chairman and Non-Executive Director:

Romain Bausch

Executive Directors:

Peter Jackson (Chief Executive Officer)

William Wade (Deputy Chief Executive Officer)

Non-Executive Directors:

Robert Bednarek

Ding Yu Cheng

Ju Weimin

Jürgen Schulte

Ko Fai Wong

(appointed on 11th March, 2004)

Li Tong Zhou

(resigned on 11th March, 2004)

Independent Non-Executive Directors:

Edward Chen

R. Donald Fullerton

Robert Sze

Alternate Director:

Ko Fai Wong

(resigned on 11th March, 2004)

(Alternate to Mi Zengxin, Li Tong Zhou, Ju Weimin and Ding Yu Cheng)

DIRECTORS (CONTINUED)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mi Zengxin, Romain Bausch, Ding Yu Cheng and Ju Weimin 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, Ko Fai Wong 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 that 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, 2003, as recorded in the register required to be maintained under Section 352 of the Securities and Futures Ordinance (Cap. 571) ("SFO"), the following Directors have the following interests in the share capital of the Company:

(i) Ordinary shares

Peter Jackson and William Wade had a personal interest in 163,500 (0.042% of the issued share capital of the Company) and 5,000 (0.001% of the issued share capital of the Company) ordinary shares respectively in the Company.

(ii) Options to subscribe for ordinary shares in the Company under the Share Option Schemes

Particulars of the Company's share option scheme are set out in note 20 to the financial statements.

DIRECTORS' INTERESTS (CONTINUED)

The following table discloses movements in the Company's share options for the year ended 31st December, 2003:

Directors	Capacity	Share option scheme category	Option type	Outstanding at beginning of the year	Granted during the year	Cancelled/ lapsed during the year	Outstanding at end of the year	Number of underlying Share
Mi Zengxin	Beneficial owner	2002	C	100,000	—	—	100,000	100,000
Romain Bausch	Held in trust*	2002	C	100,000	—	—	100,000	100,000
Edward Chen	Beneficial owner	2002	C	50,000	—	—	50,000	50,000
Ding Yu Cheng	Beneficial owner	2002	C	50,000	—	—	50,000	50,000
R. Donald Fullerton	Beneficial owner	2002	C	75,000	—	—	75,000	75,000
Ju Weimin	Beneficial owner	2002	C	50,000	—	—	50,000	50,000
Li Tong Zhou	Beneficial owner	2002	C	50,000	—	—	50,000	50,000
Jürgen Schulte	Held in trust*	2002	C	50,000	—	—	50,000	50,000
Robert Sze	Beneficial owner	2002	C	75,000	—	—	75,000	75,000
Peter Jackson	Beneficial owner	2002	A	335,000	—	—	335,000	335,000
	Beneficial owner	2002	B	150,000	—	—	150,000	150,000
	Beneficial owner	2002	C	430,000	—	—	430,000	430,000
William Wade	Beneficial owner	2002	A	316,000	—	—	316,000	316,000
	Beneficial owner	2002	B	114,000	—	—	114,000	114,000
	Beneficial owner	2002	C	330,000	—	—	330,000	330,000
Total Directors			2,275,000	—	—	2,275,000	2,275,000	
Employees		2002	A	1,067,500	—	(27,000)	1,040,500	
		2002	B	1,574,000	—	(70,000)	1,504,000	
		2002	C	2,233,000	—	(111,500)	2,121,500	
Total Employees			4,874,500	—	(208,500)	4,666,000		
Grand Total			7,149,500	—	(208,500)	6,941,000		

*Held in trust for SES GLOBAL S.A.

For details of specific option types, please refer to note 20 to the financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, 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.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, according to the register required to be kept under Section 336 of the SFO and information otherwise reported to the Company, the following persons held an interest of 5% or more in the shares in the Company:

Name	No. of shares	%
Bowenvale Limited	268,905,000	68.9
Able Star Associates Limited	268,905,000 ⁽¹⁾	68.9
CITIC Group (formerly known as China International Trust and Investment Corporation)	268,905,000 ⁽¹⁾	68.9
SES Finance S.A.	268,905,000 ⁽²⁾	68.9
SES GLOBAL S.A.	268,905,000 ⁽²⁾	68.9
Commonwealth Bank of Australia	20,665,600 ⁽³⁾	5.3
Aberdeen Asset Management Asia Limited	22,128,000	5.7

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is wholly owned by CITIC Asia Limited ("CITIC Asia"), which in turn is wholly owned by CITIC International Holdings Limited ("CITIC International") which is a wholly owned subsidiary of CITIC Group ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC International and CITIC are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.
- (2) SES Finance S.A. ("SES Finance") controls 50% of the voting rights of Bowenvale, SES Finance is a wholly owned subsidiary of SES GLOBAL S.A. ("SES GLOBAL"). Accordingly, SES Finance and SES GLOBAL are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.
- (3) Commonwealth Bank of Australia ("CBA") is interested in 20,665,600 shares in the Company by virtue of its corporate interest in the following companies which are interested in shares in the Company.

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Companies controlled by CBA	No. of shares held
(i) First State Investments International Limited, an indirect wholly-owned subsidiary of CBA held under First State Investment Management (UK) Ltd, SI Holdings Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	7,695,200
(ii) First State Investment Management (UK) Limited, an indirect wholly-owned subsidiary of CBA held under SI Holdings Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	12,022,900
(iii) First State Investments (Hong Kong) Limited, an indirect wholly-owned subsidiary of CBA held under First State (Hong Kong) LLC, First State Investments (Bermuda) Ltd, First State Investment Managers (Asia) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	947,500
(iv) First State Investments (Singapore), an indirect wholly-owned subsidiary of CBA held under First State Investments Holdings (Singapore) Ltd, First State Investments (Bermuda) Ltd, First State Investment Managers (Asia) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	907,500

Note:

First State Investments (Singapore) holds the 907,500 shares for First State Investments (Hong Kong) Limited. Accordingly, the interest of First State Investments (Singapore) duplicates the interest of First State Investments (Hong Kong) Limited.

CONNECTED TRANSACTIONS

The Group has entered into an agreement for provision of transponder capacity to CITIC Guoan Information Industry Company Limited, a subsidiary of CITIC. CITIC is a substantial 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\$3,782,000 (2002: HK\$4,095,000). In addition, the Group has entered into an agreement with CITIC Technology Company Limited, a subsidiary of CITIC, for collecting money from China customers on behalf of the Company. During the year, the Group has recognised an agency fee of approximately HK\$719,000 (2002: HK\$1,611,000) under this agreement. In addition to the above, the Group made payments to SES GLOBAL and a subsidiary of CITIC, amounting to HK\$475,000 (2002: HK\$400,000) and HK\$525,000 (2002: HK\$400,000) respectively, for certain Non-Executive Directors representing SES GLOBAL and CITIC.

The Independent Non-Executive Directors confirmed that the transactions were 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 is incorporated.

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, 11th March, 2004