



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 2003, which had been prepared in accordance with the accounting principles generally accepted in Hong Kong.

RESULTS

For the financial year ended 31 December 2003, the Group's turnover and consolidated loss attributable to shareholders amounted to HK\$302,241,000 (2002: HK\$351,425,000) and HK\$224,718,000 (2002: profit of HK\$24,435,000) respectively. Basic loss per share was HK54.43 cents (2002: earnings of HK5.92 cents).

DIVIDENDS

In view of future business development needs, the Board does not recommend any payment of final dividend for the financial year ended 31 December 2003 (2002: HK\$nil).

BUSINESS REVIEW

The Group's three in-orbit satellites, together with their corresponding telemetry, tracking and control systems, have been operating under normal condition. Though the external economic environment has started to pick up in the second half of 2003, the transponder market has remained highly competitive and demand for transponders in the Asia Pacific region still rather weak. All these factors, coupled with the transitional stage of APSTAR I and IA, have exerted substantial pressure on the utilization rates of the satellites. As of 31 December 2003, the utilization rates of APSTAR I, IA and IIR stood at 53.9%, 60.7%, and 100%, respectively.

APSTAR V

APSTAR V, which is a high power satellite with 38 C-band and 16 Ku-band transponders supplied by Space Systems/Loral Inc. ("SS/L"), is a replacement satellite for APSTAR I. The total investment in APSTAR V is approximately US\$230 million. Under the Term Sheet, which was entered into on 20 September 2002 between APT Satellite Company Limited

Mr. Chen Zhaobin
Executive Director and President



("APT HK"), a wholly-owned subsidiary of the Group and Loral Orion, Inc. ("Loral Orion"), a wholly-owned subsidiary of Loral Space and Communications Limited ("Loral Group"), Loral Orion agreed to participate in the development of APSTAR V by investing up to 50% of the total investment amount for the project, correspondingly reducing the financial and business risks to the Company.

On 15 July 2003, Loral Group had filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code as a means to ensure its fulfillment of transactions with its customers and because of the failure of SS/L in obtaining the export licence for the transferring of the title of APSTAR V in time for launching in mid November 2003. APT HK entered into a Satellite Procurement Amendment Agreement, a Satellite Transponder Agreement and a Satellite Agreement (collectively the "Definitive Agreements") with SS/L and Loral Orion on 26 August 2003. Under the Definitive Agreements, APT HK will obtain an irrevocable leasehold interest ("leasehold interest") in its transponders for the purpose of minimizing any further delay in the launch of the satellite and allow APSTAR V to be put into commercial operation avoiding the export licence difficulty. APT HK will have an irrevocable lease of 41.5 transponders and the lease term will last until the end of operational life of APSTAR V. Under the Definitive Agreements, APT HK will release the leasehold interest of 12.5 transponders to Loral Orion in stages over a five years period from the in-service date of APSTAR V subject to payment of installments by Loral Orion to APT HK. This will result in APT HK having 29 transponders (Loral Orion will have 25 transponders). Details of the transactions had been set out in a press announcement dated 26 August 2003 and in a circular to the shareholders. Under the leasehold arrangement, Loral Orion has committed that it would continue to pursue for the necessary export licence for title transfer of APSTAR V. The Definitive Agreements were approved by the United States Bankruptcy Court on 28 October 2003. The Directors consider that entering into the Definitive Agreements will allow for the timely replacement of APSTAR I so that satellite transponder services of the Group can be enhanced. The Definitive Agreements will not adversely impact the business and future plans of the Group because the leasehold interests under the Definitive Agreements will allow APT HK to carry on its business in a normal commercial practice of leasing its transponders capacities to any third parties.



APT's TV broadcasting users visited APT Satellite in December 2003 in Hong Kong. During the visit, APT and users have exchanged views and information with regard to our operation and latest development to further enhance our customer relations.

Owing to the failure by SS/L in achieving Congressional Notification in October 2003 in time for the State Department of the Government of the United States to approve the launch of APSTAR V, the launch window for APSTAR V under the Launch Agreement has been missed. The delay in obtaining the export licence has led to the postponement in the launch of APSTAR V. As a result, APT HK entered into a Settlement Agreement and the Amended Launch Agreement with Loral Orion, SS/L and Sea Launch Limited Partnership ("Sea Launch") on 16 November 2003. The Settlement Agreement makes certain amendments to the Satellite Procurement Amendment Agreement, the Satellite Transponder Agreement, the Satellite Agreement and the Launch Agreement, which mainly include (i) a postponement in the launch date of APSTAR V to 28 April 2004 (later on, due to the partial failure of deployment of north solar array of Estrela do Sul, a SS/L-made satellite that was launched by Sea Launch in January 2004, the launch date of APSTAR V was further postponed to 26 June 2004); and (ii) for Loral Orion to take an additional 4.5 transponders as Initial Loral Orion Transponders, which are in aggregate 17 transponders to be taken up upon the completion of in-orbit test of APSTAR V, resulting in Loral Orion assuming the payment of US\$20,398,950 that would otherwise to be paid by APT HK for the construction, launch and insurance of APSTAR V. Such payment will significantly reduce the cash flow pressure of APT HK. The total number of 25 transponders of APSTAR V to be taken up by Loral Orion will remain unchanged.

The Settlement Agreement and the Amended Launch Agreement were approved by the United States Bankruptcy Court on 4 December 2003 and the export licence of APSTAR V was issued by the Government of the United States on 25 November 2003 in order for the satellite to be launched by Sea Launch.



APT Satellite TV Development Limited, a wholly-owned subsidiary of the Group has established a satellite TV uplink and broadcasting services platform for the provision of "one-stop" satellite TV broadcasting services, providing the best quality and reliable satellite TV uplink and broadcasting services to the customers.

APSTAR VI

APSTAR VI, a high power satellite with 38 C-band and 12 Ku-band transponders constructed by Alcatel Space, is a replacement satellite for APSTAR IA which is due to expire at the end of 2006. The construction progress of APSTAR VI has gone as planned to date. The Critical Design Review of the satellite, Telemetry, Tracking and Control System and Baseband System were completed in early July 2003. The AIT Sequence (Assembly, Integration and Test) has commenced in mid December 2003 and the satellite is scheduled to be delivered in the 4th quarter of 2004.

APSTAR VI will be launched on board Long March 3B launch vehicle and the implementation of the launch service contract of APSTAR VI was on course. The satellite supplier has conducted a number of discussions on the technology related to the interface between satellite and launch vehicle, as well as the joint operation arrangement relating to the satellite and the launch vehicle at the launch site. Preparation for the launch has been in active progress.

Satellite TV Broadcasting Platform

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Company has established a satellite TV uplink and broadcasting services platform for the provision of broadcasting services under the Satellite TV Broadcasting Licence of Hong Kong Special Administrative Region. APT TV has signed an agreement with TOM Digital Media Centre Limited ("TOM") for the provision of 24-hour satellite TV broadcasting and uplink services to TOM's TV Channel – CETV which has officially started on 1 January 2004.



APT Group are fully prepared to ensure a smooth launch of APSTAR V and APSTAR VI and their commercial operations.

Telecommunications Services

Owing to the continued depression of telecommunication services and oversupply of submarine cable capacities, APT Satellite Telecommunications Limited ("APT Telecom"), a jointly controlled entity owned by the Group and Singasat Private Limited on 55:45 basis, was re-organised on 10 September 2003. Pursuant to the reorganisation, APT Telecom transferred the cable network services business and related assets to the group of Singapore Telecommunications Limited for cash consideration of HK\$5,560,000, while the satellite-based external telecommunications services such as VSAT, wholesales voice services, as well as the related telecommunications licence, were transferred to the Group for a cash consideration of HK\$6,800,000. After the reorganisation, APT Telecom will only hold the property and assets located in the Telepark in the Tai Po Industrial Estate for the continuity of the Group's telecommunications services. Details of the reorganisation have been set out in a press announcement on 10 September 2003. The transaction was completed on 10 October 2003 and a wholly-owned subsidiary of the Group, APT Telecom Services Limited, would hold the Fixed Carrier Licence for the provision of satellite-based external telecommunications services. An impairment loss on fixed assets of APT Telecom of approximately HK\$89,018,000 was made in the first half of 2003, including cables and satellite-based telecommunications equipment and property, out of which an amount of approximately HK\$48,960,000 was attributed to the Group.

BUSINESS PROSPECTS

Looking ahead to the year of 2004, it is envisaged that the broadcasting and telecommunication businesses in the Asia Pacific region will grow slowly. The transponder service market will still be highly competitive due to supply over demand situation. The coming year will still be a challenging one. Nevertheless, the Directors consider the successful launch of APSTAR V will boost the Group's competitive edges in the transponder services market.

Development of APSTAR V and APSTAR VI

The Group will continue to closely monitor the launch preparation of APSTAR V, with the goal of ensuring that APSTAR V will be launched successfully as planned. The risks of the launch will be strictly controlled to safeguard the Group's interests and business. Upon the completion of in-orbit test, the Group will take every effort to transfer all the existing customers of APSTAR I to APSTAR V.

The construction of APSTAR VI will also be closely monitored for the smooth replacement of APSTAR IA in accordance with its plan.

The Group will continue to maintaining a prudent treasury policy. By making necessary provisions in assets impairment in 2003, the capital and asset structure of the Group has been streamlined and rationalised laying a solid foundation for future strategic development of the Group.

Amid the slow recovery of economy in the region, the Group will leverage on the additional and high power transponder capacities from APSTAR V and APSTAR VI to pursue for business expansion and enterprise value growth and will continue to consolidate its core business and to further develop new satellite-related businesses prudently for business expansion.

CONCLUSION

The Company believes that the economic environment will not improve significantly in the coming year owing to uncertain elements affecting the Asia Pacific region and competition in the transponder market will grow increasingly intense. In the face of such an unfavorable operating environment, the Group believes that it is important to work towards a smooth launch of both APSTAR V and APSTAR VI in order to complete the replacement of the APT satellites. The Group plans to leverage its additional transponder capacities to boost its competitive edge, while at the same time develop new satellite broadcasting and telecommunications businesses, with a view to maintaining business growth. The Group will continue to maintaining a prudent treasury policy and will endeavor to enhance internal control as a means to strengthen the corporate governance and to boost enterprise value.

NOTE OF APPRECIATION

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

Liu Ji Yuan
Chairman

Singapore, 13 April 2004