

Directors' Report

The Directors have pleasure in submitting to shareholders their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 12 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, 2004 are set out in the consolidated income statement on page 41. The Group achieved a consolidated profit for the year of HK\$431,216,000 (2003: HK\$424,488,000).

DIVIDEND

An interim dividend of HK\$0.08 per share (2003: HK\$0.08 per share), amounting to HK\$31,221,000 (2003: HK\$31,221,000), was paid to the shareholders on 16th November, 2004 and the Directors will recommend the payment of a final dividend of HK\$0.27 per share (2003: HK\$0.24 per share) amounting to HK\$105,372,000 (2003: HK\$93,664,000) payable on 18th May, 2005 to the shareholders on the register of members on 13th May, 2005, and the retention of the remaining profit for the year of HK\$294,623,000 (2003: HK\$299,603,000).

RESERVES

Movements during the year in the reserves of the Company and the Group are set out in note 22 to the financial statements and on page 45 respectively.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$112,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$37,779,000 mainly on the construction of satellite 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 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 85.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, the total revenue from the Group's five largest customers represented 46% of the Group's total revenue and the total revenue from the Group's largest customer represented 22% 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, 2004, 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:

Romain BAUSCH

Deputy Chairman and Non-Executive Director:

MI Zeng Xin

Executive Directors:

Peter JACKSON (Chief Executive Officer)

William WADE (Deputy Chief Executive Officer)

Non-Executive Directors:

Robert BEDNAREK

DING Yu Cheng

JU Wei Min

KO Fai Wong

(appointed on 11th March, 2004)

Mark RIGOLLE

(appointed on 17th November, 2004)

LI Tong Zhou

(resigned on 11th March, 2004)

Jürgen SCHULTE

(resigned on 17th November, 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 Zeng Xin, LI Tong Zhou, JU Wei Min and DING Yu Cheng)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Robert BEDNAREK, R. Donald FULLERTON and Robert SZE 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, Mark RIGOLLE who was appointed as a Non-Executive Director after the last Annual General Meeting will retire and, being eligible, offer himself for re-election.

DIRECTORS (CONTINUED)

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).

DIRECTORS' INTERESTS

As at 31st December, 2004, 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 21 to the financial statements.