

Pursuant to Appendix 23 of the rules (“Listing Rules”) governing the listing of securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the board of directors (“Board”) of APT Satellite Holdings Limited (“Company”) presents this Corporate Governance Report for the accounting period covered by this annual report.

CORPORATE GOVERNANCE PRACTICES

The Board endeavors in maintaining high standard of corporate governance throughout the Company and its subsidiaries (altogether “Group”) and is committed to follow the code provisions (“Code Provision”) set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

To this end, the Board has set up the Nomination Committee and Remuneration Committee and has revised the Terms of Reference of its Audit Committee since 2004. The Board has also adopted a series of codes, including the Code of Ethics for the directors and officers of the Company; the Model Code for Securities Transactions by directors set out in Appendix 10 of the Listing Rules, aiming to promote honest and ethical business conduct.

As regards the aspect of internal controls, in 2005 the management has established the Internal Control and Compliance Committee and in the process of forming the Risk Management Committee. For check and balance, in addition to the establishments an array of measures including the Code of Ethics for employees; the Audit Committee’s Procedures handling Confidential and Anonymous Complaint; and the Whistleblower Protection Policy, an internal audit team has also been set up since October 2004 and the team reports directly with the Audit Committee on its findings and recommendations.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2005, the Company has met the Code Provisions save that the following Code Provisions A4.1 and A4.2 respectively:

- the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-Laws of the Company; and
- the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company in maintaining its consistency of making business decisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules.

Having made specific enquiry of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the accounting period covered by this annual report of the Company.

For details of the Directors' interests in shares of the Company, please refer to the section headed "Directors' and Chief Executives' Interests in Shares" in the "Directors' Report" of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for determining the overall strategy; reviewing and approving the work plan of the Group; and overseeing the corporate governance of the Group. While the management of the Company is responsible for proposing and implementing the work plan of the Group, executing the day-to-day operation of the Group and undertaking any further responsibility as delegated by the Board from time to time.

The Board comprises of two executive directors, six non-executive directors and three independent non-executive directors ("INEDs"). Biographical details of them, including the relationships, if any, among members of the Board, is set out in the section headed "Directors' and Senior Management's Profiles" of this annual report.

In respect of the Listing Rules requirements regarding sufficient number of INEDs and one INED with appropriate qualifications, the Company has met these requirements. The Company has received from each of the INEDs an annual confirmation as regards independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Board having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

The Board held four meetings in 2005 and the following table shows the individual attendance of each director in 2005:

Name of the director	Number of board meetings held during the director's term of office in 2005	Number of meeting(s) attended*
Executive Directors:		
Ni Yifeng (<i>President</i>) (appointed on 16 July 2005)	2	2
Tong Xudong (<i>Vice President</i>)	4	4
Chen Zhaobin (<i>President</i>) (resigned on 16 July 2005)	2	2
Non-Executive Directors:		
Liu Ji Yuan (<i>Chairman</i>)	4	3
Zhang Hainan (<i>Deputy Chairman</i>)	4	1
Lim Toon	4	4
Yin Yen-liang	4	2
Wu Zhen Mu	4	2
Lan Kwai-chu (appointed on 16 August 2005 and resigned on 27 March 2006)	2	2
Lim Wee Seng (resigned on 16 August 2005)	2	1
Independent Non-Executive Directors:		
Yuen Pak Yiu, Philip	4	3
Huan Guocang	4	1
Lui King Man	4	4

* It includes the meeting attended by the director via telephone conference or attended by the director's alternate director.

Chairman and Chief Executive Officer

Mr. Liu Ji Yuan is the Chairman of the Board and is a non-executive director of the Board, while Mr. Ni Yifeng is the President of the Company and is an executive director of the Board.

The roles of the Chairman and the President are segregated. The Chairman's main role is to lead the Board in discharging its powers and duties, while the President's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group.

Appointment of Non-executive directors

The non-executive directors of the Company are not appointed for a specific term but shall retire from office by rotation once every three years (as referred to the Bye-Law 87 of the Company where provides that at each annual general meeting one-third of the directors of the Company shall retire from office by rotation).

Furthermore, to maintain the consistency of making business decisions of the Company, the Chairman (a non-executive director) shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87 of the Company.

Nevertheless, all the appointment and re-appointment of directors of the Board are subject to be reviewed by the Company's Nomination Committee, while all the directors' remuneration is subject to be reviewed by the Company's Remuneration Committee. The Board believes that these check and balance, among others, are well in place ensuring good corporate governance of the Company. The Board as a whole will continue to oversee every aspect of the Company's corporate governance and endeavors maintaining high standard corporate governance throughout the Group.

Remuneration of directors

The Remuneration Committee comprises of four members, including three independent non-executive directors of the Company, namely Dr. Lui King Man (Chairman), Mr. Yuen Pak Yiu, Philip and Dr. Huan Guocang, and one executive director, Mr. Tong Xudong.

The Remuneration Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference (also known as Charter) and it is mainly responsible for making recommendations to the Board on policy for all remuneration of Directors and senior management on accounts of certain determining factors, including the Company's operation objective and development plan; the managerial organization structure; the financial budget of the Company; the performance and expectation of the relevant person; and the supply and demand situation of the human resources market.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request with the Company's Investor Relations.

The Remuneration Committee held three meetings in 2005 and the following table shows the individual attendance of each member in 2005:

Name of the member of the Remuneration Committee	Number of meetings held during the member's term of office in 2005	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lui King Man (<i>Chairman</i>)	3	3
Yuen Pak Yiu, Philip	3	3
Huan Guocang	3	1
Executive Director:		
Tong Xudong	3	3

* It includes the meeting attended by the member via telephone conference.

The works performed by the Remuneration Committee in 2005 are summarized as follows:

- making recommendation to the Board on policy and structure for all remuneration of Directors and senior management and on the establishment of a formal procedure for developing remuneration policy;
- approving the terms of service contracts of the newly appointed executive director and senior managements;
- reviewing the director's fees payable to Directors in 2005; and
- reviewing and approving the performance-based remuneration by reference to corporate goals and objectives resolved by the Board.

Nomination of directors

The Nomination Committee comprises of four members, including three independent non-executive directors of the Company, namely Mr. Yuen Pak Yiu, Philip (Chairman), Dr. Lui King Man and Dr. Huan Guocang, and one executive director, Mr. Tong Xudong.

The Nomination Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference (also known as Charter) and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointments of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure and process and criteria. On receiving nominated candidate of director, the Remuneration Committee will review and approve assessment against the candidate before giving recommendation to the Board. The criteria of assessment includes the qualification and experience of the candidate; the development need of the Company; the expected candidate's contribution to the Company's performance; the mutual expectations between the candidate and the Company; compliance with relevant rules and requirements; and the candidate's capability of making independent decision in the Board.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request with the Company's Investor Relations.

The Nomination Committee held two meetings in 2005 and the following table shows the individual attendance of each member in 2005:

Name of the member of the Nomination Committee	Number of meetings held during the member's term of office in 2005	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Yuen Pak Yiu, Philip (<i>Chairman</i>)	2	2
Lui King Man	2	2
Huan Guocang	2	0
Executive Director:		
Tong Xudong	2	2

* It includes the meeting attended by the member via telephone conference.

The works performed by the Nomination Committee in 2005 are summarized as follows:

- making recommendation to the Board on matters relating to the appointment of directors; and
- establishing the nomination procedure, process and criteria.

Auditors' Remuneration

The following information indicates the fees paid and the nature of the audit and non-audit services provided by the Company's auditors, KPMG, to the Group during 2005:

	HK\$
Audit for the Group's financial statements including interim review	800,000
Non-audit services:	
– Review of the Group's continuing connected transactions	10,000
Audit for the financial statements of the following companies:	
– APT Satellite International Company Limited ¹	34,000
– APT Satellite Telecommunications Limited ²	36,000
Total	880,000

¹ It is the Company's substantial shareholder, holding 51.83% of the issued share capital of the Company.

² It is a jointly controlled entity between a wholly owned subsidiary of the Company and one of the shareholders of APT Satellite International Company Limited.

Audit Committee

The Audit Committee comprises of three independent non-executive directors of the Company, including Mr. Yuen Pak Yiu, Philip (Chairman), Dr. Huan Guocang and Dr. Lui King Man.

The Audit Committee is established by the Board and shall be accountable to the Board. Its members shall be appointed by the Board from amongst the non-executive directors of the Company who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment. Its duties are clearly set out in its written Terms of Reference (also known as Charter). For details, please refer to its Terms of Reference which is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request with the Company's Investor Relations.

The Audit Committee held four meetings in 2005 and the following table shows the individual attendance of each member in 2005:

Name of the member of the Audit Committee	Number of meetings held during the member's term of office in 2005	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Yuen Pak Yiu, Philip (<i>Chairman</i>)	4	4
Huan Guocang	4	1
Lui King Man	4	4

* It includes the meeting attended by the member via telephone conference.

The works performed by the Audit Committee in 2005 are summarized as follows:

- making recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- monitoring integrity of and review significant financial reporting judgments of the half-year and annual financial statements of the Company;
- reviewing the Company's statement on financial controls, internal control system and risk management systems;
- reviewing the internal audit team's work progress; and
- adopting the Procedure handling confidential and anonymous complaints, the Policy Guidance in reviewing and monitoring external auditors' independence, and the Approval Policy on engagement of external auditors for provision of audit and non-audit services.

Accountability and Audit

Financial Reporting

The management reports to the Board the Group's financial situations on a regular basis, and this reporting regime extends to the annual and interim results announcement of the Company, thereby enabling the Board from time to time has a continued, balanced, clear and understandable assessment of the Group's situations for determining strategy and fulfilling relevant compliance requirements.

The Board acknowledges that it is the Board's responsibility for preparing the accounts of the Company. As at 31 December 2005, the directors of the Board do not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

For the responsibilities of the Company's auditors in respect of preparing the Company's financial statements, please refer to the section headed "Auditors' Report" of this annual report.

Internal Controls

It is the Board's responsibility to ensure the Company maintains sound and effective internal controls, whereby safeguarding its shareholders' investment and the Company's assets.

The Group aims at establishing and maintaining its internal control system based on the internal control framework as prescribed by Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (1992).

In 2005, annual review of the effectiveness of the system of internal control of the Company and its subsidiaries was conducted by the Board through the Company's internal control committee, which is led by the top management of the Group and the Internal Audit team. The review covers all material controls, including financial, operational and compliance controls and risk management functions; and the results of the review has been reviewed by the Company's Audit Committee.

There was no significant incidence of control failings in respect of financial reporting, operation and compliance that has been identified or reported during the six months ended 31 December 2005. The top management, the internal control committee and the Internal Audit team will continue to monitor and review regularly the effectiveness of the internal control system of the Company and from time to time take action whenever there is any weakness in the process.

Significant differences in corporate governance between Hong Kong and U.S. practices

The Company is also listed on the New York Stock Exchange, Inc. ("NYSE") as a foreign issuer, pursuant to NYSE's requirement, a discussion on the significant differences in corporate governance being practiced by the Company in Hong Kong as compared with those practices applicable to U.S. domestic issuers listed on the NYSE is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance".

By Order of the Board

Liu Ji Yuan
Chairman

Shenzhen, China, 10 April 2006