APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1045)

Interim Report
2010

COMPANY PROFILE

APT SATELLITE HOLDINGS LIMITED ("APT Group") is a listed company on The Stock Exchange of Hong Kong Limited. Having started its operation in 1992, APT Group provides high quality services in satellite transponders, satellite communication and satellite TV broadcasting to the broadcasting and telecommunication sectors in Asia, Europe and the United States, and achieves remarkable results. APT Group currently operates five satellites namely APSTAR 1, APSTAR 1A, APSTAR 2R, APSTAR 5 and APSTAR 6 ("APSTAR SYSTEMS") through its own satellite control centre in Tai Po, Hong Kong. APT Group has finished building its satellite TV broadcasting platform for the provision of "one-stop-shop" satellite TV broadcasting services, providing the best quality and reliable satellite TV uplink and broadcasting services to the customers. In addition, pioneered by advanced APSTAR 5 and ARSTAR 6 satellites, and supported by comprehensive broadcasting and telecommunications services, APT Group provides quality solutions to satisfy our customers' needs.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR 6	Alcatel SB-4100 C1	134°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR 5	SS/L FS-1300	138°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8 8	China (including Hong Kong, Macau and Taiwan) China and India
APSTAR 2R	SS/L FS-1300	76.5°E	28	Europe, Asia, Africa, Australia, about 75% of World's population	16	China (including Hong Kong, Macau and Taiwan) and Korea
APSTAR 1A	Boeing BSS-376	–	24	–	–	–
APSTAR 1	Boeing BSS-376	–	24	–	–	–

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CORPORATE INFORMATION

DIRECTORS

Executive directors

Cheng Guangren *(President)*
Qi Liang *(Vice President)*

Non-executive directors

Rui Xiaowu *(Chairman)*
Lim Toon
Yin Yen-liang
Wu Zhen Mu
Yong Foo Chong
Wu Jinfeng
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent non-executive directors

Lui King Man
Lam Sek Kong
Cui Liguo

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lo Kin Hang, Brian

MEMBERS OF AUDIT COMMITTEE

Lui King Man *(Chairman)*
Lam Sek Kong
Cui Liguo

MEMBERS OF NOMINATION COMMITTEE

Lam Sek Kong *(Chairman)*
Qi Liang
Lui King Man
Cui Liguo

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man *(Chairman)*
Qi Liang
Lam Sek Kong
Cui Liguo

AUDITORS

KPMG

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STOCK CODE

1045

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") are pleased to announce the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010.

This interim report has been reviewed by the Company's Audit Committee and independent auditors.

INTERIM RESULTS

For the first half of 2010, the Group's turnover and profit attributable to equity shareholders amounted to HK$363,157,000 (six months ended 30 June 2009: HK$229,519,000) and HK$97,507,000 (six months ended 30 June 2009: HK$52,814,000) representing 58% and 85% increases respectively as compared with corresponding periods in the previous financial year. Basic earnings per share was HK23.57 cents (six months ended 30 June 2009: HK12.78 cents) and diluted earnings per share was HK23.56 cents (six months ended 30 June 2009: HK12.78 cents).

INTERIM DIVIDEND

In view of the need of the implementation of APSTAR 7 and APSTAR 7B Satellites for the replacement of APSTAR 2R, the Board has resolved not to declare any payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

BUSINESS REVIEW

The Group's in-orbit satellites and their corresponding telemetry, tracking and control systems, have been operating under normal condition during the period. As announced by the Company on 10 July 2009, the case that one of the two beacon transmitters onboard of APSTAR 5 has suffered from an anomaly has no impact on the normal operation of the satellite.

APSTAR 2R

On 1 June 2009, APT Satellite Company Limited ("APT-HK"), a wholly-owned subsidiary of the Company, entered into a lease termination agreement with Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited (jointly "Telesat") for the termination and cancellation of the 1999 Lease Agreement of APSTAR 2R. The transaction was completed on 9 July 2009.

APSTAR 2R satellite, which was based on the FS1300 model and launched in October 1997, contains 28 C-band transponders and 16 Ku-band transponders. The C-band transponders cover Europe, Asia, Africa, and Australia, approximately 75% of the world's population and Ku-band transponders mainly cover China and some adjacent countries and regions. As at 30 June 2010, its utilisation was 82%.

APSTAR 7

For the purpose of replacing APSTAR 2R, which will retire at the end of 2012, APT-HK entered into two agreements for APSTAR 7, which include: (a) on 29 September 2009, a satellite procurement contract with Thales Alenia Space France ("TASF") for the manufacturing and delivering of APSTAR 7 Satellite for launch in the first quarter of 2012. The satellite is a Spacebus 4000 C2 Platform with 28 C-band and 28 Ku-band high power geostationary communication satellite; (b) on 8 November 2009, a launch services contract with China Great Wall Industry Corporation ("CGWIC"), a subsidiary of China Aerospace Science & Technology Corporation, for the launch and associated services of the APSTAR 7 Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center in Sichuan Province, the PRC.

APSTAR 7B

In an effort to further improve the reliability of APSTAR 7 Programme, APT-HK, on 23 April 2010, has entered into another four agreements for APSTAR 7B (a back up satellite for APSTAR 7), which include: (a) a satellite procurement contract with TASF for the manufacturing and delivering of APSTAR 7B Satellite, which is a Spacebus 4000 C2 Platform with 28 C-band and 23 Ku-band high power geostationary communications satellite, for launching in the third quarter of 2012, in the unlikely event that the launch of APSTAR 7 satellite is unsuccessful; (b) a launch service agreement with the CGWIC for the provision of launch and associated services of the APSTAR 7B Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Centre at Sichuan Province, the PRC; (c) a co-operation agreement with China Satellite Communications Company Limited ("China Satcom") (formerly known as China Satellite Communications Corporation), pursuant to which China Satcom will arrange financing to APT-HK for the payments under APSTAR 7B satellite procurement contract and corresponding technical support; and (d) a loan agreement with the China Satellite Communications (Hong Kong) Corporation Limited, a subsidiary of China Satcom.

The implementation of APSTAR 7 and APSTAR 7B agreements have been smooth.

APSTAR 6

APSTAR 6 Satellite, which was based on SB4100 C1 model and launched in April 2005, is one of the latest advanced high power satellites in the region with 38 C-band transponders and 12 Ku-band transponders. As at 30 June 2010, its utilisation was 76%.

APSTAR 5

APSTAR 5 Satellite, which was based on FS1300 model and launched in June 2004, is also one of the latest advanced high power satellites in the region. As at 30 June 2010, the Group has interest in 20 C-band transponders and 9 Ku-band transponders and its utilisation was 78%.

Satellite TV Broadcasting and Uplink Services

The Group provides satellite TV uplink and broadcasting services through its wholly-owned subsidiary, APT Satellite TV Development Limited ("APT TV") and successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. On 27 February 2010, the Broadcasting Authority of Hong Kong has granted a new Non-domestic Television Programme Service Licence to APT TV for a period of validity of 12 years. The Group's broadcasting services will be continued based on the newly granted Non-domestic Television Programme Service Licence.

Satellite-based Telecommunications Services

APT Telecom Services Limited, a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT (Very small Aperture Terminal), facilities management services, satellite telecommunication and satellite television uplink services under the Fixed Carrier Licence of Hong Kong to telecommunication operators, satellite operators in the region.

BUSINESS PROSPECTS

The demand of transponder services in both broadcasting and telecommunication sectors have grown steadily in the first half of 2010. On the basis of increasing the utilisations of APSTAR 5 and APSTAR 6, the Group will continue to achieve growth potential arising in APSTAR 2R and APSTAR 7 Satellites so as to maximise profit and resource utilisation.

The Group will closely monitor the implementation of APSTAR 7 and APSTAR 7B Satellite in an effort to ensure the quality and delivery schedules of these new satellite projects for the continuity of business growth in future.

FINANCE

As at 30 June 2010, the Group's financial position remains sound with gearing of 28% (total liabilities/total assets). The Liquidity Ratio (current assets/current liabilities) is 1.01 times. The total equity of the Group is HK$2,384,956,000. The Group has cash and cash equivalents amounting to HK$186,329,000 and pledged bank deposits HK$19,675,000. The capital expenditure incurred for the six months ended 30 June 2010 was approximately HK$375,365,000.

CORPORATE GOVERNANCE

The Group is committed to high standard of corporate governance especially in internal control and compliance.

NOTE OF APPRECIATION

I would like to take this opportunity to thank all our customers and staff for their contributions to the Group during the period.

Rui Xiaowu
Chairman

Hong Kong, 24 August 2010

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the Financial Highlights and the related notes.

Financial Highlights:

HK$ thousand	Six months ended 30 June 2010	Six months ended 30 June 2009	Change
Turnover	363,157	229,519	+58%
Gross profit	173,306	96,602	+79%
Profit for the period and Profit attributable to shareholders	97,507	52,814	+85%
Basic Earnings per share (HK cents)	23.57 cents	12.78 cents	+10.79 cents
	At 30 June 2010	At 31 December 2009	
Total assets	3,307,141	3,118,579	+6%
Total liabilities	922,185	829,422	+11%
Gearing ratio (%)	28%	27%	+1%

For the first half of 2010, the Group recorded a turnover and profit for the period of HK$363,157,000 and HK$97,507,000. The turnover and profit attributable to equity shareholders has been increased by 58% and 85% respectively as compared to the same period of last year. The cause for the increase in net profit was principally the result of the following factors:

SATELLITE TRANSPONDER CAPACITY SERVICES AND RELATED SERVICES

Revenue from Satellite Transponder Capacity Services and Related Services for the period ended 30 June 2010 increased approximately 62% to HK$354,839,000, as compared to revenues of HK$219,196,000 for the same period in 2009. The increase of revenue was primarily due to certain customer contracts related to APSTAR 2R have been assigned to the Group after the Group completed the termination of the 1999 lease agreement and the ancillary agreement on 9 July 2009 and no such revenue in 2009.

SATELLITE-BASED BROADCASTING AND TELECOMMUNICATIONS SERVICES

Revenue from Satellite-based Broadcasting and Telecommunications Services for the period ended 30 June 2010 decreased approximately 24% to HK$7,198,000, as compared to revenue of HK$9,465,000 for the same period in 2009. The decrease of revenue was mainly due to decrease usage of VSAT services during the period.

FINANCE COSTS

For the period ended 30 June 2010, the Group's finance costs increased by HK$3,667,000 as compared to the same period in 2009. The increase in finance costs were mainly attributable to bank loan interest on bank borrowings of banking facilities entered by the Group on 29 June 2009. Finance cost of HK$300,000 directly related to the construction of APSTAR 7 and APSTAR 7B Satellite has been capitalised during the period.

INCOME TAX

The income tax expenses increased by HK$19,219,000 as compared to the same period in 2009, mainly due to increase in profit for the period.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group's capital expenditure incurred for fixed assets was HK$375,365,000 (six months ended 30 June 2009: HK$4,502,000). The increase was mainly due to the progress payment of HK$236,303,000 and HK$134,247,000 for the construction of APSTAR 7 Satellite and the backup satellite of APSTAR 7B respectively. In addition, HK$4,815,000 was incurred for new addition of equipment. The Group expects to incur significant capital expenditures in the next few years during construction of APSTAR 7 and its backup satellite APSTAR 7B. The Group expects to finance the above capital expenditures through internal funding, cash flows from operating activities and bank financing.

During the period, the Group entered into a loan agreement ("Loan Agreement") with a related company in relation to the provision of a facility for the payments of the satellite progress payments under the APSTAR 7B Satellite Procurement Contract. The facility is up to Euro100,000,000 or equivalent amount in United States Dollar. For the first half of 2010, US$3,000,000 (approximately HK$23,400,000) has been drawn down under the Loan Agreement.

For the first half of 2010, US$20,000,000 (approximately HK$156,000,000) has been drawn down and US$3,000,000 (approximately HK$23,400,000) has been repaid pursuant to the repayment schedule of the banking facilities entered by the Group on 29 June 2009. Total outstanding secured bank loan amounted to HK$342,393,000 and a loan from a related company amounted to HK$23,400,000 as at 30 June 2010. The debt maturity profile (net of unamortised finance cost) of the Group was as follows:

Year of Maturity	HK$
Secured bank borrowings:	
Repayable within 1 year or on demand	124,315,000
Repayable after one year but within five years	218,078,000
	342,393,000
Loan from a related company:	
Repayable after one year but within five years	23,400,000
	365,793,000

As at 30 June 2010, the Group's total liabilities were HK$922,185,000, an increase of HK$92,763,000 as compared to 31 December 2009, which was mainly due to the secured bank loan and a loan from a related company as described above. As a result, the gearing ratio (total liabilities/total assets) has increased to 28%, representing a 1% increase as compared to 31 December 2009.

For the first half of 2010, the Group recorded a net cash outflow of HK$68,925,000 (six months ended 30 June 2009: net cash inflow of HK$507,285,000) which included net cash inflow from operating activities of HK$236,913,000 and net cash inflow of HK$153,773,000 generated from financing activities. This was offset by the net cash of HK$459,611,000 used in investing activities.

The increase in net cash generated from operating activities as compared to last year was due to increase in revenue from APSTAR 2R. The increase in cash used in investing activities was mainly due to progress payment made for the construction of APSTAR 7 and APSTAR 7B during the period. The decrease in net cash inflow from financing activities was mainly due to decrease in net borrowing in 2010 as compared to 2009.

As at 30 June 2010, the Group has approximately HK$186,329,000 cash and cash equivalents and HK$19,675,000 pledged deposits. Together with cash flow to be generated from operations and bank financing, the Group could meet with ease all the debt repayments scheduled in the coming year.

CAPITAL STRUCTURE

The Group consistently adheres to conservative fund management. The global financial crisis resulted in no significant impact to the Group's financial position. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future development.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures except for satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated by 0.2% against the Hong Kong Dollar during the period ended 30 June 2010. The management expects that the exchange rate of Renminbi in coming year does not have a material adverse foreign exchange risk to the Group.

The Group had entered into satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B in a contract price of approximately Euro128,500,000 and Euro114,600,000 respectively. In order to meet the coming progress payment, the Group maintained cash balance of Euro4,096,000 as at 30 June 2010. Given the volatile exchange rates movements experienced during the first half of 2010, the Group has entered into a forward exchange contract of Euro9,400,000 to hedge against its exposure to potential exchange rate risks. The exchange fluctuation is expected between Euro and United States Dollar in coming year. The Group will keep a close watch on the fluctuations of foreign exchange market. Forward contracts will be considered to hedge the foreign currency exposure in capital expenditures when it is considered appropriate.

CHARGES ON GROUP ASSETS

At 30 June 2010, the pledged bank deposits of HK$19,675,000 (31 December 2009: HK$8,300,000) are primarily related to certain commercial arrangements.

At 30 June 2010, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately HK$4,247,000 (31 December 2009: HK$4,305,000).

CAPITAL COMMITMENTS

As at 30 June 2010, the Group has outstanding capital commitments of HK$2,786,871,000 (31 December 2009: HK$1,189,481,000), which were contracted but not provided for in the Group's financial statements, mainly in respect of the progress payment for the construction of satellites APSTAR 7 and APSTAR 7B.

CONTINGENT LIABILITIES

The details of contingent liabilities of the Group are set out in note 22 of this interim financial report.

NON-ADJUSTING POST BALANCE SHEET EVENT

On 9 July 2010, APT-HK, a wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a Facilities Agreement with a syndicate of banks led by Bank of China (Hong Kong) Limited in respect of term loan facilities not exceeding the aggregate maximum amount of US$200 million (the "Facilities"). The Facilities are secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR 7 and the termination payments under construction, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income. The Facilities shall be repayable by way of semi-annual installments over a six year period commencing from the earlier of 30 months after the first drawdown date for the relevant facility or six months after commencement of commercial operations of APSTAR 7. The Facilities shall be applied to finance APSTAR 7 including its construction, launch costs and their related construction costs and insurance premium.

MATERIAL ACQUISITIONS AND DISPOSALS

On 10 June 2010 a resolution was passed by a wholly-owned subsidiary of the Company, by way of member's voluntary winding up, to dissolve Skywork Corporation which is a wholly-owned subsidiary incorporated in the British Virgin Islands. It was dissolved on 1 July 2010.

Save as above, there were no other material acquisitions or disposals of any subsidiaries, associates or joint ventures of the Group during the six months ended 30 June 2010.

HUMAN RESOURCES

As at 30 June 2010, the Group had 90 employees (2009: 81). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme.

The Group provides on the job training to employees to update and upgrade their knowledge on related job fields.

INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2010** **$'000**	2009 $'000
Turnover	3,4	**363,157**	229,519
Cost of services		**(189,851)**	(132,917)
Gross profit		**173,306**	96,602
Other net income		**3,062**	7,357
Valuation gains/(losses) on investment properties	10	**53**	(216)
Administrative expenses		**(39,302)**	(34,203)
Profit from operations	3	**137,119**	69,540
Finance costs	5	**(3,682)**	(15)
Profit before taxation	5	**133,437**	69,525
Income tax	6	**(35,930)**	(16,711)
Profit for the period		**97,507**	52,814
Attributable to:			
Equity shareholders of the Company		**97,507**	52,814
Earnings per share	8		
– Basic		**23.57 cents**	12.78 cents
– Diluted		**23.56 cents**	12.78 cents

The notes on pages 18 to 32 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Profit for the period	**97,507**	52,814
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(46)**	(3,605)
Cash flow hedge: movement in hedging reserve	**(4,979)**	–
Total comprehensive income for the period	**92,482**	49,209
Attributable to:		
Equity shareholders of the Company	**92,482**	49,209
Total comprehensive income for the period	**92,482**	49,209

The notes on pages 18 to 32 form part of this interim financial report.

UNAUDITED CONSOLIDATED BALANCE SHEET

At 30 June 2010
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2010 $'000**	At 31 December 2009 $'000
Non-current assets			
Property, plant and equipment	9	**2,718,739**	2,521,953
Interest in leasehold land held for own use under an operating lease		**13,881**	14,068
Investment properties	10	**2,485**	4,864
Intangible asset	11	**133,585**	133,585
Club memberships		**5,537**	5,537
Prepaid expenses		**23,251**	25,547
		2,897,478	2,705,554
Current assets			
Trade receivables, net	12	**169,303**	116,846
Deposits, prepayments and other receivables		**19,299**	11,730
Amount due from immediate holding company		**284**	219
Other financial assets	13	**14,773**	–
Pledged bank deposits	14	**19,675**	8,300
Cash and cash equivalents	15	**186,329**	275,930
		409,663	413,025
Current liabilities			
Payables and accrued charges	16	**120,945**	198,859
Rentals received in advance		**53,428**	59,411
Amount due to a related company		**69**	–
Secured bank borrowings due within one year	17	**124,315**	69,690
Derivative financial instrument	18	**4,979**	–
Current taxation		**102,001**	96,997
		405,737	424,957
Net current assets/(liabilities)		**3,926**	(11,932)
Total assets less current liabilities carried forward		**2,901,404**	2,693,622

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2010
(Expressed in Hong Kong dollars)

	Note	At 30 June 2010 $'000	At 31 December 2009 $'000
Total assets less current liabilities brought forward		**2,901,404**	2,693,622
Non-current liabilities			
Secured bank borrowings due after one year	17	**218,078**	140,041
Loan from a related company	19	**23,400**	–
Deposits received		**34,546**	36,247
Deferred income		**178,134**	195,550
Deferred tax liabilities		**62,290**	32,627
		516,448	404,465
NET ASSETS		**2,384,956**	2,289,157
Capital and reserves			
Share capital	20	**41,447**	41,327
Share premium		**1,294,137**	1,287,536
Contributed surplus		**511,000**	511,000
Capital reserve		**5,445**	9,217
Revaluation reserve		**368**	368
Exchange reserve		**1,674**	1,720
Hedging reserve		**(4,979)**	–
Other reserves		**212**	212
Accumulated profits		**535,652**	437,777
TOTAL EQUITY		**2,384,956**	2,289,157

The notes on pages 18 to 32 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Revaluation reserve $'000	Exchange reserve $'000	Hedging reserve $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2009	41,327	1,287,536	511,000	9,330	368	7,212	–	123	183,669	2,040,565
Changes in equity for the six months ended 30 June 2009										
Total comprehensive income for the period	–	–	–	–	–	(3,605)	–	–	52,814	49,209
Balance at 30 June 2009	41,327	1,287,536	511,000	9,330	368	3,607	–	123	236,483	2,089,774
Balance at 1 January 2010	**41,327**	**1,287,536**	**511,000**	**9,217**	**368**	**1,720**	**–**	**212**	**437,777**	**2,289,157**
Changes in equity for the six months ended 30 June 2010										
Cancellation of share options	**–**	**–**	**–**	**(368)**	**–**	**–**	**–**	**–**	**368**	**–**
Proceeds from exercise of share options	**120**	**6,601**	**–**	**(3,404)**	**–**	**–**	**–**	**–**	**–**	**3,317**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(46)**	**(4,979)**	**–**	**97,507**	**92,482**
Balance at 30 June 2010	**41,447**	**1,294,137**	**511,000**	**5,445**	**368**	**1,674**	**(4,979)**	**212**	**535,652**	**2,384,956**

The notes on pages 18 to 32 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2010	2009
	Note	**$'000**	$'000
Cash generated from operations		**238,176**	189,615
Tax paid		**(1,263)**	(5,348)
Net cash generated from operating activities		**236,913**	184,267
Net cash (used in)/generated from investing activities		**(459,611)**	90,187
Net cash generated from financing activities		**153,773**	232,831
Net (decrease)/increase in cash and cash equivalents		**(68,925)**	507,285
Cash and cash equivalents at 1 January	15	**275,930**	121,541
Effect of foreign exchange rates changes		**(20,676)**	–
Cash and cash equivalents at 30 June	15	**186,329**	628,826

The notes on pages 18 to 32 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 24 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 and HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 39 to 40.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. The equivalent new HKFRSs, amendments and interpretation, consequently issued by the HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS/HKAS 39, Financial instruments: Recognition and measurement – eligible hedged items
- Improvements to IFRSs/HKFRSs (2009)

The amendments to IAS/HKAS 39 have had no material impact on the Group's interim financial report as the amendments were consistent with policies already adopted by the Group. The other development resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods for the following reason:

- The amendment introduced by the Improvements to IFRSs/HKFRSs (2009) omnibus standard in respect of IAS/HKAS 17, Leases, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENTAL REPORTING

The Group manages its businesses by service offering and geography. In a manner consistent with the internal reporting to the Group's most senior executive for the purposes of assessing segment performance and making decisions about operating matters, the Group continues to maintain two main business segments, namely provision of satellite transponder capacity and related services and provision of satellite-based broadcasting and telecommunications services; the Group's total segmental turnover is further disaggregated based on the geographical locations of customers.

Inter-segment pricing is based on terms similar to as those available to external third parties.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of investment properties, club memberships and other corporate assets. Segment liabilities included payables and accrued charges, rental received in advance, current taxation, deposits received, deferred income and bank borrowings managed directly by the segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Additionally, segment turnover, on an aggregate basis, are allocated based on the geographical locations of customers.

3. **SEGMENTAL REPORTING (Continued)**

Segment results, assets and liabilities (Continued)

Business segments

The following table represents turnover and profit information for business segments for the six months ended 30 June 2010 and 2009.

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
For the six months ended 30 June	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Turnover from external customers	**354,839**	219,196	**7,198**	9,465	**–**	–	**362,037**	228,661
Inter-segment turnover	**2,571**	5,445	**–**	834	**(2,571)**	(6,279)	**–**	–
Total	**357,410**	224,641	**7,198**	10,299	**(2,571)**	(6,279)	**362,037**	228,661
Service income							**1,120**	858
							363,157	229,519
Segment result	**169,277**	92,582	**3,662**	3,927	**–**	–	**172,939**	96,509
Service income							**1,120**	858
Unallocated other net income							**2,362**	6,376
Unallocated administrative expenses								
– staff costs							**(14,898)**	(20,989)
– office expenses							**(24,404)**	(13,214)
Profit from operations							**137,119**	69,540
Finance costs							**(3,682)**	(15)
Profit before taxation							**133,437**	69,525
Income tax							**(35,930)**	(16,711)
Profit for the period							**97,507**	52,814
Depreciation for the period	**162,776**	102,379	**190**	174	**–**	–	**162,966**	102,553
Significant non-cash expenses (other than depreciation)	**(811)**	–	**58**	–	**–**	–	**(753)**	–
Capital expenditure incurred during the period	**374,967**	4,436	**398**	66	**–**	–	**375,365**	4,502

3. SEGMENTAL REPORTING (Continued)

Segment results, assets and liabilities (Continued)

Business segments (Continued)

The following table represents certain assets and liabilities information regarding business segments as at 30 June 2010 and 31 December 2009.

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	At 30 June 2010 $'000	At 31 December 2009 $'000	**At 30 June 2010 $'000**	At 31 December 2009 $'000	**At 30 June 2010 $'000**	At 31 December 2009 $'000	**At 30 June 2010 $'000**	At 31 December 2009 $'000
Segment assets	**3,097,017**	2,853,238	**12,240**	10,385	**(42,074)**	(43,743)	**3,067,183**	2,819,880
Investment properties							**2,485**	4,864
Club memberships							**5,537**	5,537
Unallocated assets							**231,936**	288,298
Total assets							**3,307,141**	3,118,579
Segment liabilities	**242,925**	389,027	**48,898**	48,254	**(42,074)**	(43,743)	**249,749**	393,538
Deferred tax liabilities							**62,290**	32,627
Unallocated liabilities							**610,146**	403,257
Total liabilities							**922,185**	829,422

Geographical segments

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple countries but not located within a specific geographical area. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

The following table represents aggregate turnover based on geographical locations of customers for the six months ended 30 June 2010 and 2009.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Total	
For the six months ended 30 June	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Turnover from external customers	**37,147**	30,575	**86,022**	75,199	**43,697**	36,815	**72,910**	51,600	**123,381**	35,330	**363,157**	229,519

4. SEASONALITY OF OPERATIONS

The Group's operations are not subject to significant seasonality fluctuations.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	$'000	$'000
(a) Finance costs		
Interest on bank borrowings and loan from a related company	**2,733**	14
Less: amount capitalised into construction in progress	**(300)**	–
	2,433	14
Interest expense on deferred consideration	**1,188**	–
Other borrowing costs	**61**	1
Total finance costs	**3,682**	15
(b) Other items		
Depreciation	**162,966**	102,553
Amortisation	**188**	188
Interest income	**(420)**	(859)
Rental income	**(151)**	(285)
Gain on disposal of property, plant and equipment	**(5)**	(2)
Foreign currency loss/(gain)	**7,836**	(3,713)

6. INCOME TAX

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Current tax – Overseas	**6,267**	6,973
Deferred tax	**29,663**	9,738
	35,930	16,711

No provision for Hong Kong Profits Tax has been made in the interim financial report as the subsidiaries operating in Hong Kong utilised tax losses brought forward from prior years. Taxation for the overseas subsidiaries is calculated using the estimated annual effective tax rates of taxation that are expected to be applicable in the relevant countries. Overseas tax includes the withholding tax paid or payable in respect of the Group's income derived from the provision of satellite transponder capacity to customers which are located outside of Hong Kong.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: $nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $97,507,000 (six months ended 30 June 2009: $52,814,000) and the weighted average of 413,699,000 ordinary shares (30 June 2009: 413,265,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of $97,507,000 (six months ended 30 June 2009: $52,814,000) and the weighted average of 413,910,000 ordinary shares (30 June 2009: 413,265,000 shares) during the interim period.

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2009.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of $375,365,000 (six months ended 30 June 2009: $4,502,000). Property, plant and equipment with a net book value of $12,000 was disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: $1,000), resulting in a gain on disposal of $5,000 (six months ended 30 June 2009: $2,000).

(b) In-orbit insurance of satellites

At 30 June 2010, the Group did not have full in-orbit insurance coverage for its satellites. The in-orbit satellites have a net book value in aggregate of $1,994,818,000 at 30 June 2010 (31 December 2009: $2,167,288,000).

(c) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001, which was subsequently amended on 21 April 2010, the Group is entitled to a payment upon successful delivery of a satellite by Thales to its own customers with technical designs that are identical to APSTAR 6 satellite. During the six months ended 30 June 2010, $15,600,000 (six months ended 30 June 2009: $11,700,000) was recognised from Thales in respect of contracts entered for the construction of satellites with the same technical design of APSTAR 6, and treated as a reduction to the cost of property, plant and equipment – communication satellites.

(d) Impairment loss

During the six months period ended 30 June 2010 and 2009, the Group conducted a review of its property, plant and equipment and it was concluded that no impairment is required.

10. INVESTMENT PROPERTIES

Investment properties carried at fair value were revalued at 30 June 2010 at $2,485,000 (31 December 2009: $4,864,000) by Savills Valuation and Professional Services Limited, an independent professional property appraiser, on an open market value basis by reference to net rental income allowing for reversionary income potential. The valuation gain of $53,000 (six months ended 30 June 2009: loss of $216,000) has been recognised in the income statement during the six months ended 30 June 2010.

During the period ended 30 June 2010, an investment property was transferred to property, plant and equipment at the fair value at the date of the transfer, when the Group commenced its self-occupancy of such property.

11. INTANGIBLE ASSET

The Group has obtained the right to operate a satellite at an orbital slot in 2009 in respect of APSTAR 2R. Such intangible asset is considered to have an indefinite life.

During the six months ended 30 June 2010, the Group conducted a review for indicators of impairment of the intangible asset and concluded no impairment is required (31 December 2009: $nil).

12. TRADE RECEIVABLES, NET

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	At 30 June 2010 $'000	At 31 December 2009 $'000
0 – 30 days	**109,668**	80,017
31 – 60 days	**19,113**	18,742
61 – 90 days	**13,502**	5,025
91 – 120 days	**9,867**	4,866
Over 120 days	**17,153**	8,196
	169,303	116,846

The Group allows a credit period of 30 days to its trade customers. The trade receivables are expected to be recovered within one year.

13 OTHER FINANCIAL ASSETS

	At 30 June 2010 $'000	At 31 December 2009 $'000
Financial assets at fair value through profit and loss		
– unlisted financial assets in the PRC	**14,773**	–

Other financial assets are unquoted, interest bearing debt securities with an effective interest rate of 3.50% and with maturity dates in September 2010. As at 30 June 2010, no other financial assets are individually determined to be past due or impaired.

14. PLEDGED BANK DEPOSITS

At 30 June 2010, the pledged bank deposits of $19,675,000 (31 December 2009: $8,300,000) are primarily related to certain commercial arrangements during the period.

15. CASH AND CASH EQUIVALENTS

	At 30 June 2010 $'000	At 31 December 2009 $'000
Deposits with banks and other financial institutions	**43,501**	217,326
Cash at bank and on hand	**142,828**	58,604
Cash and cash equivalents in the cash flow statement	**186,329**	275,930

16. PAYABLES AND ACCRUED CHARGES

Trade payables are all due within three months and all payables and accrued charges are expected to be settled within one year.

17. SECURED BANK BORROWINGS

	At 30 June 2010 $'000	At 31 December 2009 $'000
Bank loans, net of unamortised finance cost	**342,393**	209,731
Less: amount due within one year included under current liabilities	**(124,315)**	(69,690)
Amount due after one year	**218,078**	140,041
The bank borrowings are repayable as follows:		
Within one year or on demand	**124,315**	69,690
After one year but within five years	**218,078**	140,041
	342,393	209,731

On 29 June 2009, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, entered into a general banking facilities (the "Banking Facilities") arrangement, secured by certain properties of APT HK, assignment of cash receipts to be generated from contracts relating to APSTAR 2R and APSTAR 5, APSTAR 2R insurance claim proceeds, and charge over a charged account (the "Charged Account") which holds customer deposits and payments received on services provided or to be provided by APSTAR 2R and APSTAR 5 and any accrued interest within the Charged Account.

The Banking Facilities contained the following covenants:

(i) Financial Covenants

The Banking Facilities required that certain financial ratios of the Group must be met over various periods during the term. The Company as the guarantor undertakes to ensure that (i) the Group maintains its aggregate consolidated net worth at not less than $1,600,000,000, (ii) the aggregate consolidated total liabilities shall not exceed 120% of consolidated net worth and (iii) consolidated EBITDA at each financial year shall not be less than US$20,000,000.

(ii) Charged Account Conditions

APT HK shall maintain the Charged Account with deposits for not less than one month's interest of the term loan.

(iii) Others

The Banking Facilities include covenants customary for agreements of this type, including restrictions on APT HK and the Company's ability to incur additional indebtedness and certain ownership restrictions.

17. SECURED BANK BORROWINGS (Continued)

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. For the period ended 30 June 2010, the Group complied with all of the above covenants.

At 30 June 2010, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately $4,247,000 (31 December 2009: $4,305,000).

18. DERIVATIVE FINANCIAL INSTRUMENT

On 23 April 2010, the Group entered into a forward exchange contract to hedge the risk from payables denominated in Euro in the coming three months. The forward exchange contract would be executed on 30 July 2010 with an option of early execution. At 30 June 2010, the maximum purchase commitment of the Group under this contract amounted to US$8,098,000. The Group has classified the aforementioned forward exchange contract as cash flow hedge.

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

The fair value of the foreign exchange contract is marked to market by deducting the current spot rate from the contractual forward price directly, given the discounting impact is considered immaterial.

19. LOAN FROM A RELATED COMPANY

The balance represents financing provided by a subsidiary of a major shareholder of the Company with respect to the procurement of APSTAR 7B. The loan is secured by the assignment of the procurement contract of APSTAR 7B (including but not limited to all related right and services). As at 30 June 2010, the loan is interest bearing at LIBOR plus 2% mark-up and repayable no later than 31 December 2012.

20. SHARE CAPITAL

Issued and fully paid:

	Number of Shares '000	Issued and fully paid share capital $'000
At 1 January 2010	413,265	41,327
Shares issued under share option scheme (Note 21)	1,200	120
At 30 June 2010	414,465	41,447

21. SHARE OPTIONS

At the annual general meeting on 22 May 2001, the Company adopted a share option scheme ("Scheme 2001") and granted options to its employees on 19 June 2001. On 22 May 2002, the Company adopted a new share option scheme ("Scheme 2002") at its 2002 annual general meeting. Thereafter, no further options can be granted under the Scheme 2001. The options granted on 19 June 2001 shall continue to be valid until their expiry.

During the six months ended 30 June 2010 and 2009, no options were granted or cancelled under the Scheme 2002.

Movements in share options

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

	2010 Number
At 1 January	**3,250,000**
Exercised during the period	**(1,200,000)**
Cancelled during the period	**(130,000)**
At 30 June	**1,920,000**
Options vested at 30 June	**1,920,000**

Proceeds received from the issuance of 1,200,000 shares as a result of the share options exercised under the Scheme 2001 amounted to $3,317,000. The exercise price and weighted average closing price per share of the share options exercised during the period is $2.765 and $3.50, respectively.

21. **SHARE OPTIONS (Continued)**

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimated fair value of the services received is measured based on a binomial lattice model. The contractual life of the options is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

22. **CONTINGENT LIABILITIES**

(a) In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder utilisation income derived from the overseas customers. From 1999, overseas withholding tax has been charged on certain transponder utilisation income of the Group and full provision for such withholding tax for the years from 1999 onwards has been made in the financial statements. Directors of the Company are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately $75,864,000.

(b) The Company has given bank guarantees in respect of certain secured banking facilities granted to a subsidiary of the Company. The extent of such facilities utilised at 30 June 2010 amounted to $343,200,000 (31 December 2009: $210,600,000).

23. **COMMITMENTS**

(a) Capital commitments

At 30 June 2010 and 31 December 2009, the Group had the following outstanding capital commitments not provided for in the Group's interim financial report and financial statements:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Contracted for	**2,786,871**	1,189,481
Authorised but not contracted for	**–**	530,400
	2,786,871	1,719,881

23. COMMITMENTS (Continued)

(b) Operating lease commitments

At 30 June 2010 and 31 December 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings, and equipment $'000	Satellite transponders capacity $'000	Total $'000
At 30 June 2010			
Within one year	**64**	**293**	**357**
After one year but within five years	**276**	**–**	**276**
	340	**293**	**633**
At 31 December 2009			
Within one year	82	164	246
After one year but within five years	8	–	8
	90	164	254

24. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2010 **$'000**	2009 $'000
Income from provision of satellite transponder capacity and provision of satellite-based broadcasting and telecommunication services to subsidiaries of a shareholder of the Company (note i)	**56,372**	26,029
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company of a shareholder of the Company (note i)	**21,440**	22,980
Management fees paid to a subsidiary of a shareholder of the holding company (note ii)	**(957)**	(707)
Transponder capacity services cost paid to a subsidiary of a shareholder of the Company (note iii)	**(112)**	–

24. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The terms and conditions of these transponder capacity utilisation agreements are similar to those contracted with other customers of the Group.

(ii) Management fees are paid to a subsidiary of a shareholder of the holding company for services rendered during the period.

(iii) Transponder capacity services cost is paid to a subsidiary of a shareholder of the Company for services rendered during the period.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid/payable to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Short-term employee benefits	**4,044**	5,565
Other long-term benefits	**287**	364
Termination benefits	**–**	944
	4,331	6,873

25. NON-ADJUSTING POST BALANCE SHEET EVENT

On 9 July 2010, APT HK, a wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a Facilities Agreement with a syndicate of banks led by Bank of China (Hong Kong) Limited in respect of term loan facilities not exceeding the aggregate maximum amount of US$200 million (the "Facilities"). The Facilities are secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR 7 and the termination payments under construction, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income. The Facilities shall be repayable by way of semi-annual installments over a six year period commencing from the earlier of 30 months after the first drawdown date for the relevant facility or six months after commencement of commercial operations of APSTAR 7. The Facilities shall be applied to finance APSTAR 7 including its construction, launch costs and their related construction costs and insurance premium.

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2010

Up to the date of issue of this interim financial report, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2010 and which have not been adopted in this interim financial report.

Of these developments, the following relate to matters that may be relevant to the Group's operation and financial statements:

	Effective for accounting periods beginning on or after
Improvements to IFRS/HKFRSs (2010)	1 July 2010
IFRS/HKFRS 9, Financial Instruments	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, according to the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	257,400,000	62.10
APT Satellite International Company Limited		214,200,000	51.68
China Aerospace International Holdings Limited	1(d)	31,200,000	7.53
Temasek Holdings (Private) Limited	2	22,800,000	5.50
Singapore Telecommunications Limited	2	22,800,000	5.50

Note:

1. China Aerospace Science & Technology Corporation ("CASC") was deemed to be interested in the shares of the Company by virtue of:-

   (a) CASC's beneficial interests in 6,000,000 shares of the Company;

   (b) CASC's interests through its controlled corporation being APT Satellite International Company Limited (being CASC's 42.86% indirect interest by virtue of its 100% shareholding in China Satellite Communications Corporation (中國衛星通信集團公司) ("CSCC"));

   (c) CASC's interests through its 100% shareholding in CSCC, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in China Telecommunications Broadcast Satellite Corporation (中國通信廣播衛星公司) which holds 6,000,000 shares of the Company; and

   (d) CASC's interests through its controlled corporation being China Aerospace International Holdings Limited ("CASIL") (being CASC's 44.47% shareholding in CASIL, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which holds 16,800,000 shares of the Company and which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 shares of the Company).

2. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its interests through its controlled corporation (being Temasek's 54.99% shareholding in Singapore Telecommunications Limited ("SingTel"), which was deemed to be interested in the shares of the Company by virtue of SingTel's 100% shareholding in Singasat Private Limited).

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 30 June 2010, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTOR AND CHIEF EXECUTIVE

As at 30 June 2010, according to the register maintained by the Company pursuant to section 352 of the SFO, the director and chief executive of the Company had the following interests, all being beneficial owner unless otherwise stated, in the shares of the Company:

Name of Director and Chief Executive	Nature of interests	Number of shares held	Number of share options[1]
Lo Kin Hang, Brian *(Vice President & Company Secretary)*	Personal	405,000	400,000
Chen Xun *(Vice President)*	Personal	156,000[2]	110,000

(1) The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share 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.

(2) The capacity in which Chen Xun held 6,000 shares of the Company was being a trustee.

Save as disclosed above, as at 30 June 2010, according to the register maintained by the Company pursuant to section 352 of the SFO, none of the director or the chief executive of the Company had or was deemed to have an interest or short position in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO), or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the Annual Report 2009 of the Company or, as the case may be, the date of announcement for the change of director issued by the Company subsequent to the date of the Annual Report 2009, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below.

– Mr. Rui Xiaowu, the Chairman of the Company, is also the Chairman of NavInfo Co., Ltd. (北京四維图新科技股份有限公司), which has listed on The Shenzhen Securities Exchange in China since 18 May 2010. China Siwei Surveying and Mapping Technology Corporation (中国四維測绘技術总公司), the controlling shareholder of NavInfo Co., Ltd., is a subsidiary of China Satellite Communications Company Limited ("CSCC Ltd.") (formerly China Satellite Communications Corporation), the shareholder of the Company.

– Mr. Cui Liguo, the Independent Non-Executive Director of the Company, is also the independent director of NavInfo Co., Ltd. (北京四維图新科技股份有限公司), which has listed on The Shenzhen Securities Exchange in China since 18 May 2010.

– Mr. Cheng Guangren, the Executive Director and President of the Company, has been appointed as the Non-Executive Director of CSCC Ltd., the shareholder of the Company, since 16 July 2010 and has ceased to be concurrently the Deputy Chief Economist of China Aerospace Science & Technology Corporation, the ultimate controlling shareholder of the Company, since 24 July 2010.

– Dr. Huan Guocang resigned as the Independent Non-Executive Director of the Company and the Chairman of the Nomination Committee and the member of each of the Audit Committee and Remuneration Committee of the Company on 1 January 2010.

– Dr. Lam Sek Kong, the Independent Non-Executive Director of the Company, was re-designated from acting as the Member of the Nomination Committee of the Company to act as the Chairman of the Nomination Committee on 1 January 2010.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 period from 1 January 2010 to 30 June 2010, no option was 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.

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 1,920,000, which represents 0.47% 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 30 June 2010, the total number of shares of the Company in issue was 414,465,000 shares.

SHARE OPTION SCHEMES (Continued)

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

	Options granted on 19 June 2001 and remain outstanding as at 1 January 2010	Options cancelled during the period	Options exercised during the period	Options outstanding as at 30 June 2010
Name of director and chief executive:				
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	800,000	–	400,000	400,000
Chen Xun *(Vice President)*	260,000	–	150,000	110,000
Yang Qing *(Vice President)*	130,000	130,000	–	–
	1,190,000	130,000	550,000	510,000
Employees in aggregate:				
Employees under continuous employment contract	3,250,000	130,000	1,200,000	1,920,000

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.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2010, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

A4.1: 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

A4.2: 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.

E1.2: the Chairman of the Board was unable to attend the Company's annual general meeting held on 25 May 2010 (which was required under the Code Provision E1.2) as he was required to participate an important meeting in Beijing held by government branch.

MODEL CODE

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 period from 1 January 2010 to 30 June 2010.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

In the meeting on 23 August 2010, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2010, and discussed auditing and internal control matters. The Audit Committee comprises of three independent non-executive directors including Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguo.

KPMG

INDEPENDENT REVIEW REPORT

To the Board of Directors of APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 32 which comprises the consolidated balance sheet of APT Satellite Holdings Limited (the "Company") as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standard Board ("IAS 34") or Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"), depending on whether the issuer's annual financial statements were prepared in accordance with International Financial Reporting Standards (''IFRSs'') or Hong Kong Financial Reporting Standards (''HKFRSs'') respectively. As the annual financial statements of APT Satellite Holdings Limited are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial report in accordance with both IAS 34 and HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting" or Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2010