APT SATELLITE HOLDINGS LIMITED

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

Annual Report 2010

COMPANY PROFILE

APT Satellite Holdings Limited (the "Company") is a listed company in The Stock Exchange of Hong Kong Limited (Stock Code 1045), holding the entire interest of APT Satellite Company Limited jointly together with all its subsidiaries, the APT Group.

APT Group commenced its operation in 1992. It currently owns and operates five in-orbit satellites, namely, APSTAR 1, APSTAR 1A, APSTAR 2R, APSTAR 5, and APSTAR 6 ("APSTAR Systems") covering regions in Asia, Europe, Africa, and Australia approximately 75% of the World's population and providing excellent quality "one-stop-shop" transponder, satellite telecommunications and satellite TV broadcasting and transmission services to broadcasters and telecommunication customers of these regions.

The advanced APSTAR Systems of APT Group, being supported with the comprehensive and high quality services, has become very important satellite resources of the Asia Pacific region. APT Group will launch APSTAR 7 in 2012, broadening and enhancing the scope of services and capability of APSTAR Systems.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR 7*	Thales Alenia Space SB-4000C2	76.5˚E	28	Europe, Asia, Africa, Australia, about 75% of World's population	28	China (including Hong Kong, Macau and Taiwan), Middle East, Africa, steerable coverage
APSTAR 6	Thales Alenia Space SB-4000C2	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	51.5˚E	24	Asia and Africa (operating in inclined orbit)	–	–
APSTAR 1	Boeing BSS-376	142˚E	24	Asia Pacific Region (operating in inclined orbit)	–	–

Remark*: APT Group has also developed APSTAR 7B, which is also a SB-4000C2 satellite, as a backup satellite of APSTAR 7.

For more information, please contact us:

Head office: 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong
Tel: + 852 2600 2100 Fax: +852 2522 0419
Email: investors@apstar.com (Investor Relation)
aptmk@apstar.com (Marketing)
Web-site: www.apstar.com

CONTENTS

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
Zhuo Chao
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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

ReedSmith Richards Butler
Kirkpatrick & Lockhart Preston Gates Ellis LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
No. 6, Front Street
Hamilton, HM 11
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

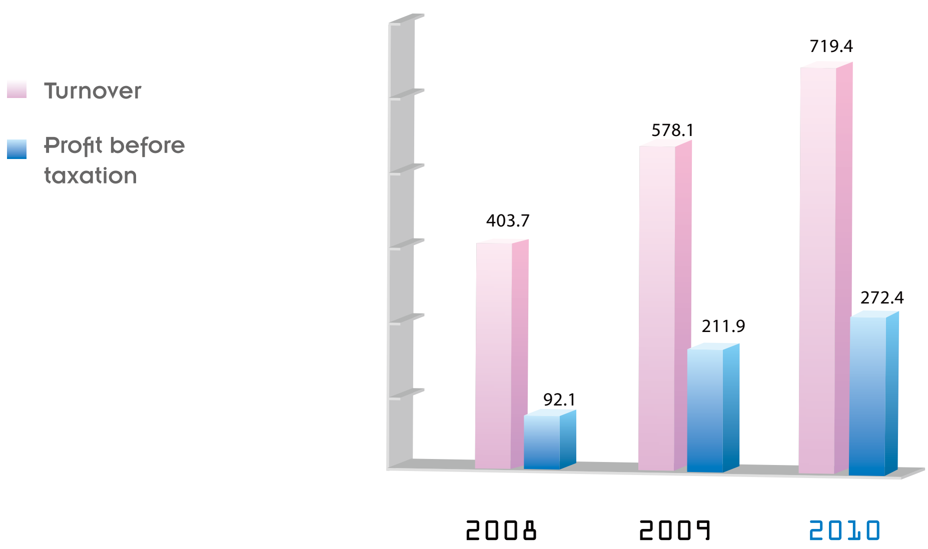
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong
Tel: (852) 2600 2100
Fax: (852) 2522 0419
Web-site: www.apstar.com
e-mail: aptmk@apstar.com (Marketing)
investors@apstar.com (Investor Relations)

STOCK CODE

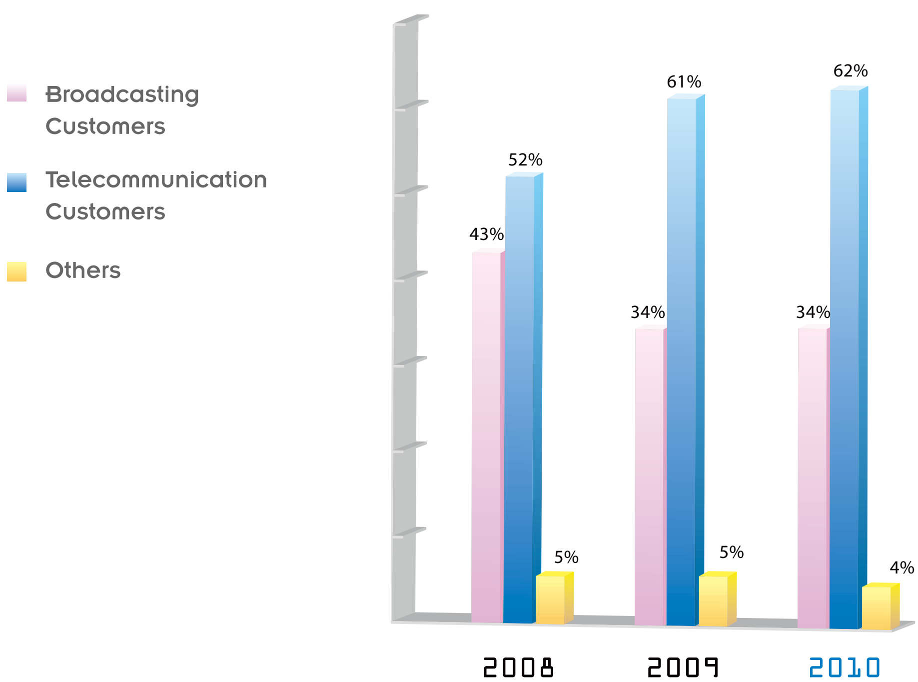
1045

FINANCIAL HIGHLIGHTS

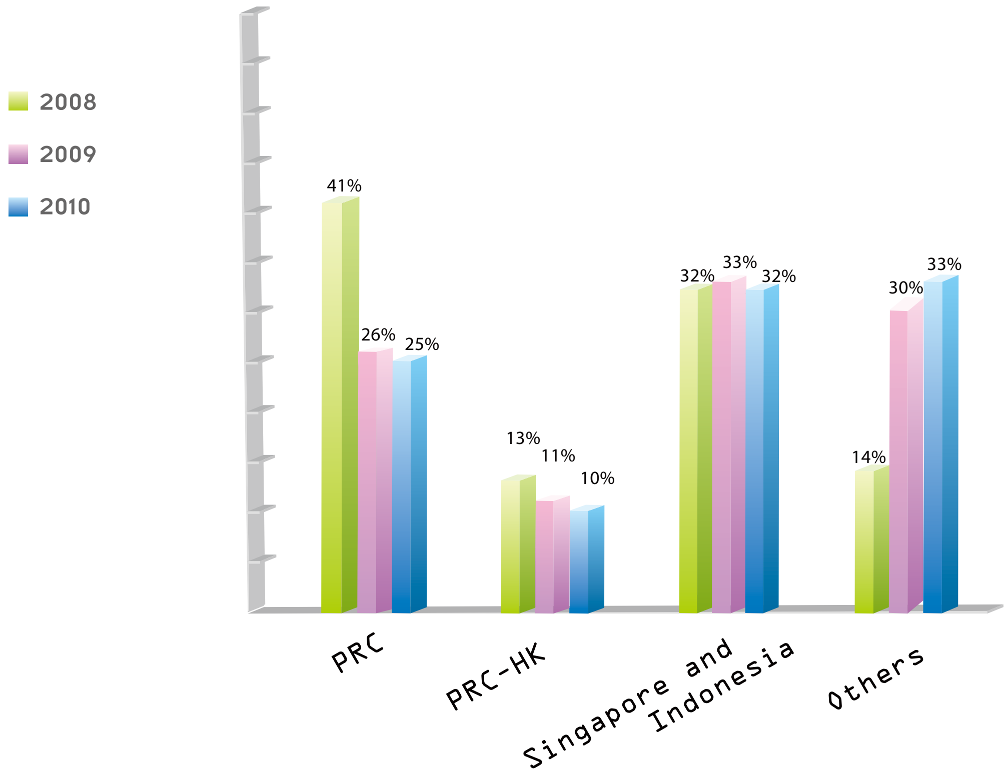
TURNOVER & PROFIT BEFORE TAXATION
(HK$ Million)



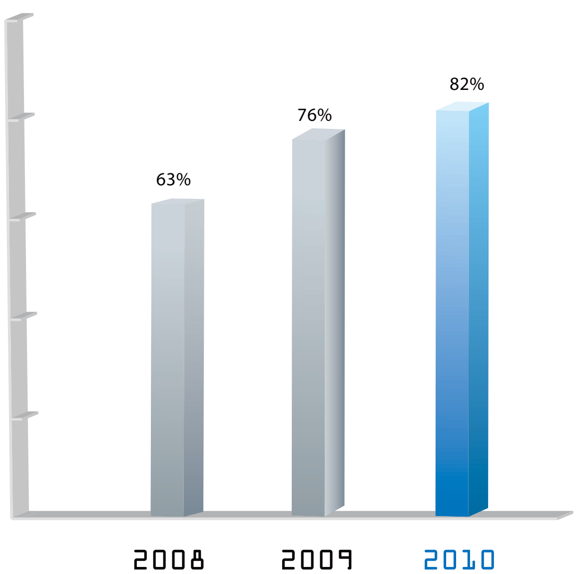
TURNOVER BREAKDOWN BY BUSINESS
(Percentage)



TURNOVER BREAKDOWN BY REGION
(Percentage)



EBITDA MARGINS
(Percentage)



CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2010, which had been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

RESULTS

Turnover

In 2010, the Group's turnover continued to grow tremendously, with annual turnover amounted to HK$719,435,000 (2009: HK$578,115,000), representing an increase of 24.4% amounting HK$141,320,000 as compared to 2009. The increase of turnover is mainly due to the growth in revenue from the core business of the Group.

Profit before taxation

In 2010, the Group's profit before taxation amounted to HK$272,433,000 (2009: HK$211,904,000), representing an increase of 28.6% amounting HK$60,529,000 as compared to 2009.

Profit

As at 31 December 2010, the Group's profit attributable to equity shareholders amounted to HK$198,499,000 (2009: HK$254,084,000). Basic earnings per share was HK47.93 cents (2009: HK61.48 cents).

(Excluding a deferred tax credit of HK$88,863,000 recognised in 2009 as a result of terminating the Lease Agreement in relation to APSTAR 2R, the Group's profit attributable to shareholders for year 2010 should have recorded an increase of 20.1% amounting HK$33,278,000 as compared to 2009.)

DIVIDENDS

In view of the fact that the years in 2010 and 2011 are the peak periods of capital expenditure investment for the implementation of APSTAR 7 and its back up satellite, APSTAR 7B, the Board has resolved not to declare any payment of final dividend in cash for the financial year ended 31 December 2010 (2009: nil).

BONUS ISSUE

The Board of Directors has proposed to make a bonus issue of shares (the "Bonus Issue") to the shareholders of the Company on the basis of 1 bonus share for every 2 shares held by the shareholders whose names appear on the register of members of the Company on 24 May 2011. The bonus shares will rank pari passu in all respects with the then existing shares in issue.

The Bonus Issue is conditional upon the passing of the relevant resolutions at the forthcoming annual general meeting which will be held on 24 May 2011 and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued under the Bonus Issue.

BUSINESS REVIEW

In-Orbit Satellites

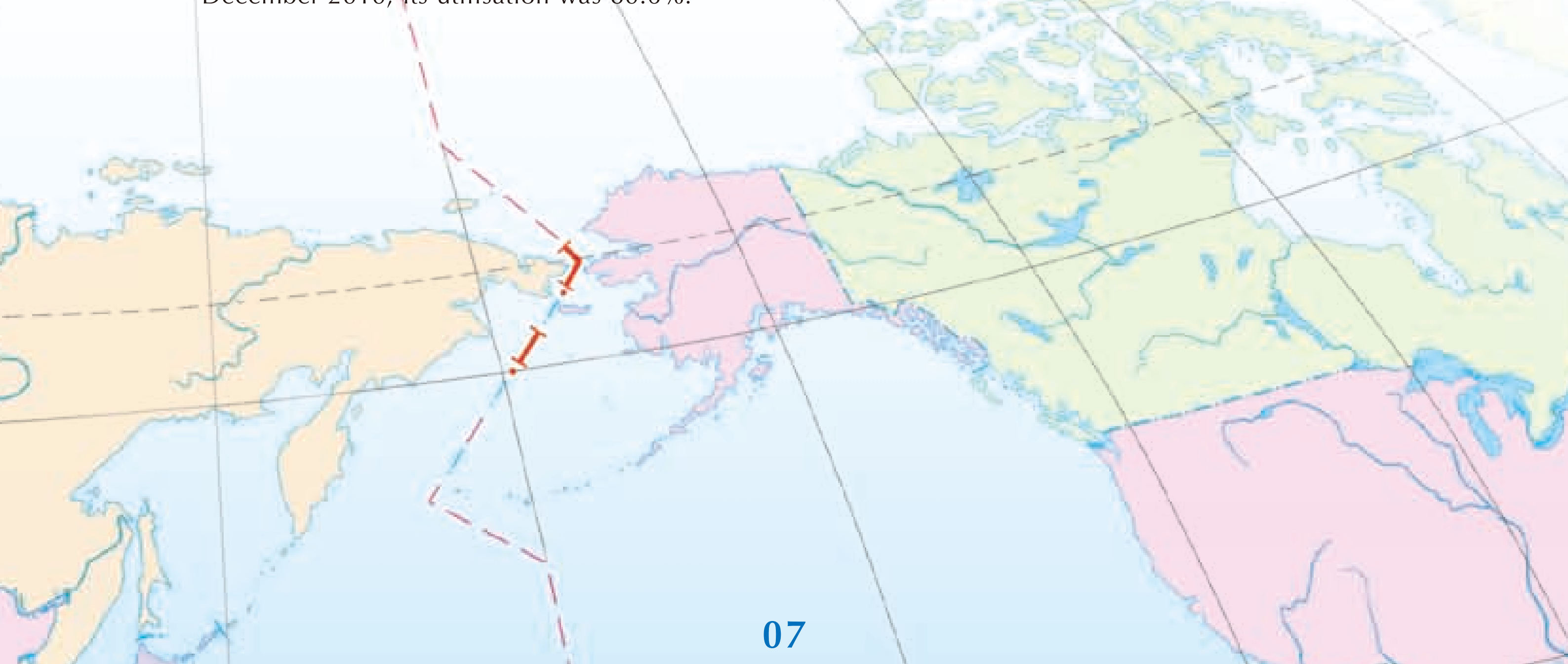
In 2010, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) system and earth station have been operating under normal condition during the year, and continue in providing quality and reliable service to our customers. The in-orbit satellites, APSTAR 2R, APSTAR 6 and APSTAR 5, being located in their orbital positions at 76.5ºE, 134ºE and 138ºE respectively, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa and Europe and are the most important satellite resources in Asia Pacific region.

APSTAR 2R

APSTAR 2R, which was launched in October 1997, positioned at 76.5ºE orbital slot, contains 28 C-band transponders and 16 Ku-band transponders. As at 31 December 2010, its utilisation was 83.2%.

APSTAR 5

APSTAR 5, which was launched in June 2004, positioned at 138ºE orbital slot, the Group owns 20 C-band transponders and 9 Ku-band transponders of the satellite. As at 31 December 2010, its utilisation was 80.6%.



CHAIRMAN'S STATEMENT

APSTAR 6

APSTAR 6, which was launched in April 2005, positioned at 134ºE orbital slot, contains 38 C-band transponders and 12 Ku-band transponders. As at 31 December 2010, its utilisation was 78.7%.

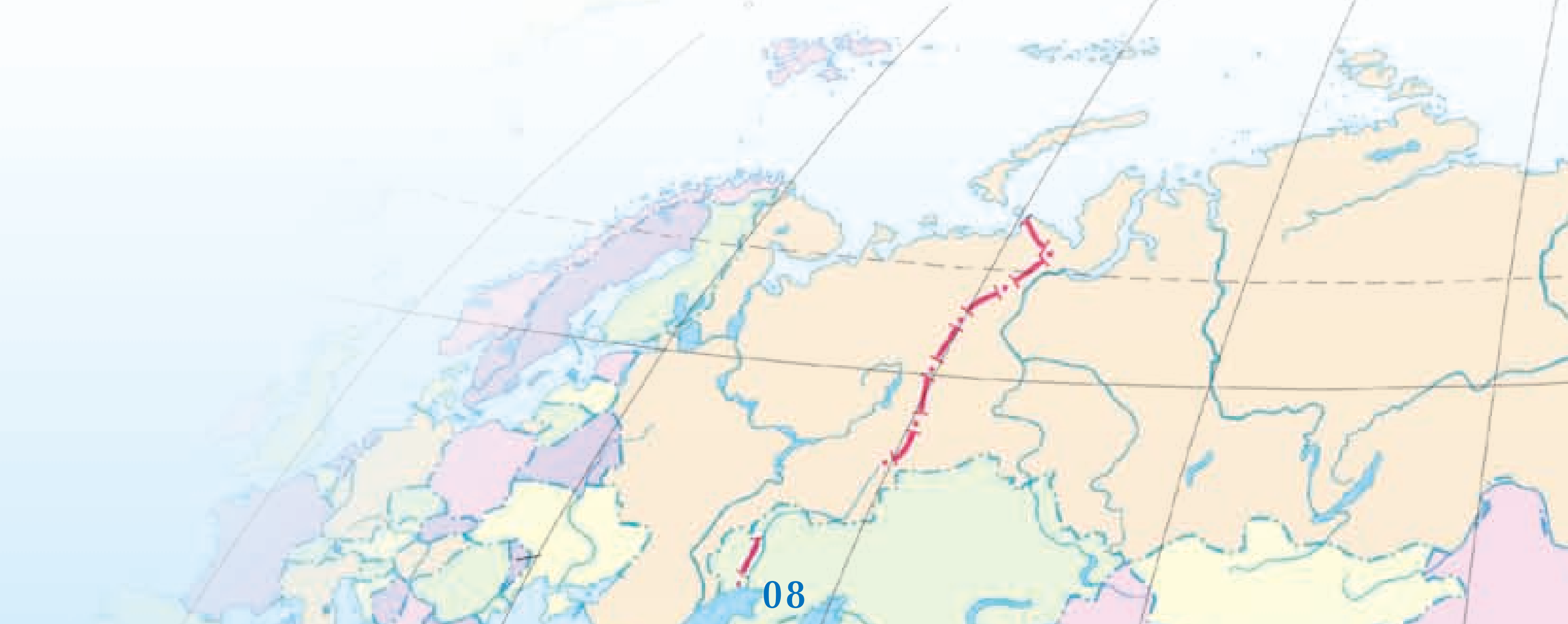
Satellites on Construction

APSTAR 7

For the purpose of replacing APSTAR 2R, which will retire by the end of 2012, the Group has invested for the construction of APSTAR 7. APSTAR 7 is a Spacebus 4000 C2 Platform high power geostationary communication satellite with 28 C-band transponders and 28 Ku-band transponders. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7. The Ku-band transponders are built with China Beam, Middle East and North Africa Beam, African Beam, and Steerable Beam, so as to further expand the coverage and capacity of satellite resources. The construction progress of APSTAR 7 has been smooth and the satellite has entered the Assembly, Integration and Test Stage. It is expected that APSTAR 7 will be launched by the Long March LM-3B Enhanced version launch vehicle of China in the first quarter of 2012.

APSTAR 7B (back up satellite for APSTAR 7)

APSTAR 7B, the backup satellite for APSTAR 7, is built with Spacebus 4000 C2 Platform, the same platform as APSTAR 7, high power geostationary communication satellite with 28 C-band transponders and 23 Ku-band transponders. In the event that the launch of APSTAR 7 is unsuccessful, APSTAR 7B will be launched in the third quarter of 2012 or earlier to fulfill the mission of replacing APSTAR 2R. Once APSTAR 7 is launched and APSTAR 2R is replaced successfully, the Group will transfer APSTAR 7B to China Satellite Communications Company Limited to recoup the capital expenditure made for APSTAR 7B. The APSTAR 7B Programme can meet the Group's requirements in time schedule as the back up satellite of APSTAR 7. Meanwhile, the Group has commissioned the agreement pursuant to which the project investment of APSTAR 7B can be recouped in time when APSTAR 7 is successfully launched. This back-up satellite is a very successful arrangement because the Group can save up enormous amount of back-up satellite investment.



TRANSPONDER LEASE SERVICES

During year 2010, the Group has maintained a high utilisation rates. While the Group can keep our step hold in our existing market shares, we can also successfully establish new customers and explore new markets whereby the market outreach is even broader by achieving sales breakthrough in Nepal, Philippines, Cambodia, India and New Zealand.

SATELLITE TV BROADCASTING AND UPLINK SERVICES

APT Satellite TV Development Limited, a wholly-owned subsidiary of the Group, has been successfully granted a Non-domestic Television Programme Service Licence by the Government of the Hong Kong Special Administrative Region in 2010.

In 2010, the Group has achieved outstanding market development and progress in satellite broadcasting services while securing the existing customers. A substantial number of television broadcasters including the Xin Hua TV Channel of China, broadcast their TV content via the Platform of APSTAR 6 to the Asia Pacific region.

SATELLITE TELECOMMUNICATION SERVICES

APT Telecom Services Limited, a wholly-owned subsidiary of the Group, continue to provide satellite-based external telecommunication services, uplink services and facilities management services to customers under the Fixed Carrier Licence of Hong Kong, in order to boost utilisation rate of the APSTAR resources.

BUSINESS PROSPECTS

The global financial turbulences and debt crisis did not cause any major impact to the transponder market in the Asia Pacific region in 2010, where supply and demand has been maintained at a basically stable level, resulting in the appropriate growth in transponder business.

Look into the future, although there remain uncertainties in the global economy and politics, the supply and demand pattern of transponders will continue to achieve sustainable growth in the Asia Pacific region, Middle East and African region. The utilisation rates of the Group's satellite transponders will be maintained at the high level and will achieve steady revenue growth.

CHAIRMAN'S STATEMENT

For the purpose of replacing APSTAR 2R, the Group will closely monitor the construction progresses of APSTAR 7 and APSTAR 7B so as to assure the quality, delivery and launch of the new satellites.

The Group is actively promoting the APSTAR 2R Replacement Programme to the market and the market feedback has been excellent. So far there has been a significant number of customers on APSTAR 2R, including HBO, who are willing to continue their services with APSTAR 7. While maintaining the existing customers, the Group will gear up the promotion and sales in respect of the Ku-band transponders of APSTAR 7 so as to develop the emerging markets in the Middle East, Central Asia, Africa, and Asia Pacific regions.

CORPORATE GOVERNANCE

Although the Group has completed the delisting of its American Depository Shares from New York Stock Exchange and has terminated its registration with the Securities and Exchange Commission and its disclosure obligations, the Group still commits to a high standard of corporate governance especially in internal control and compliance; and adhere to the business code of ethics, which are applicable to all directors, senior management, and all employees; implement whistleblower protection policy, as well as advocate environmental awareness.

NOTE OF APPRECIATION

In 2010, the Group continued to achieve encouraging and excellent results. I would like to take this opportunity to express my sincere gratitude to all the customers of the Group for their support over the years and I would also like to express my grateful gratitude to my fellow Directors and all our staff for their unremitting effort and valuable contribution to the development of the Group.

By Order of the Board
Rui Xiaowu
Chairman

Hong Kong, 24 March 2011

FINANCIAL REVIEW

As at 31 December 2010, the Group's financial position remains very strong and we have achieved continuous improvement in our operating result. The table below sets out the financial performance for the year ended 31 December 2010 and 31 December 2009:

HK$ thousand	**2010**	**2009**	**Change**
Turnover	**719,435**	578,115	+24%
Gross profit	**350,076**	256,066	+37%
Profit before taxation	**272,433**	211,904	+29%
Profit attributable to shareholders	**198,499**	254,084	-22%
Total assets	**3,802,982**	3,118,579	+22%
Total liabilities	**1,315,420**	829,422	+59%
EBITDA Margin (%)	**82%**	76%	+6%
Gearing ratio (%)	**35%**	27%	+8%
Liquidity ratio	**0.58 times**	0.97 times	-0.39 times

The turnover of the Group in 2010 increased by 24% from 2009 to HK$719,435,000 due to certain customer contracts related to APSTAR 2R have been assigned to the Group since 9 July 2009. The profit attributable to shareholders decreased by 22% to HK$198,499,000 because a deferred tax credit in relation to APSTAR 2R was recorded in 2009 as compared to this year. Excluding the deferred tax credit, profit attributable to shareholders was HK$165,221,000 in 2009, representing a 20% increase in 2010.

Finance costs

For the year ended 31 December 2010, the Group's finance costs increased by HK$1,462,000 as compared to finance cost of HK$4,868,000 for the last year. The increase in finance costs was mainly attributable to full year interest expense on bank borrowings were recorded in 2010 whilst only six month bank loan interest expenses were recorded in 2009. Finance cost of HK$2,810,000 directly related to the construction of APSTAR 7 and APSTAR 7B has been capitalised during the year.

Other net income

Other net income for the year ended 31 December 2010 decreased to HK$5,242,000, as compared to other net income of HK$35,535,000 for the last year. The decrease was mainly due to a gain of HK$30,149,000 arising from the disposal of two transponders of APSTAR 5 in 2009 and no such disposal in 2010.

Income Tax

Income tax expenses for the year ended 31 December 2010 increased to HK$73,934,000, as compared to income tax credit of HK$42,180,000 for the last year. The increase was mainly due to a deferred tax credit was recognised as a result of the Termination Lease Agreement in relation to APSTAR 2R for the year ended 31 December 2009. The details of income tax of the Group are set out in note 6 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group's capital expenditure incurred for fixed assets and intangible assets was HK$1,162,641,000 for 2010 (2009: HK$789,013,000). The increase was mainly due to the payment of HK$1,156,704,000 for the construction of the APSTAR 7 and APSTAR 7B and payment of HK$5,937,000 for new addition of equipments. The Group expects to incur significant capital expenditures in the next two 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 year, the Group entered into a term loan facility (the "Banking Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited. The Banking Facility, up to a maximum loan amount of US$200,000,000, was applied to finance APSTAR 7 including its construction, launch costs and their related constructions and insurance premium. The Banking Facility is secured by the assignment of the construction and the termination payments under construction and launching contracts relating to APSTAR 7, 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 of APSTAR 5 and APSTAR 7. For the year ended 31 December 2010, US$51,000,000 (approximately HK$397,800,000) has been drawn down under the Banking Facility.

In addition, during the year, the Group entered into a loan agreement ("Loan Agreement") with a fellow subsidiary in relation to the provision of a facility for the progress payments under the APSTAR 7B Satellite Procurement Contract. The Loan Agreement is up to Euro100,000,000 or equivalent amount in United States dollar. For the year ended 31 December 2010, US$3,000,000 (approximately HK$23,400,000) has been drawn down under the Loan Agreement.

As at 31 December 2010, the total borrowings amounted to approximately HK$687,939,000 (as at 31 December 2009: approximately HK$209,731,000). Secured bank loans as at 31 December 2010 were subject to variable interest rates ranging from 2.03% to 2.15% p.a. whilst a loan from a fellow subsidiary as at 31 December 2010 carried variable interest rates at 2.33% to 2.46% p.a. The Group recorded an increase of approximately HK$454,808,000 in the total borrowings during the year ended 31 December 2010, which were mainly used for the capital expenditures of APSTAR 7 and APSTAR 7B.

The debt maturity profile (net of unamortised finance cost) of the Group was as follows:

Year of Maturity	HK$
Repayable within one year or on demand	139,016,000
Repayable after one year but within five years	548,923,000
	687,939,000

As at 31 December 2010, the Group's total liabilities were HK$1,315,420,000, an increase of HK$485,998,000 as compared to 31 December 2009, which was mainly due to the new borrowings as described above. As a result, the gearing ratio (total liabilities/total assets) has increased to 35%, representing a 8% increase as compared to 31 December 2009.

For the year ended 31 December 2010, the Group recorded a net cash outflow of HK$154,445,000 (2009: net cash inflow of HK$154,389,000) which included net cash inflow from operating activities of HK$613,001,000 and net cash of HK$470,903,000 generated from financing activities. This was offset by the net cash of HK$1,231,397,000 used in investing activities and HK$6,952,000 decrease in cash due to the change in foreign exchange rates.

The increase in cash inflow from operating activities as compared to last year was due to the increase in turnover. The increase in cash used in investing activities was mainly due to progress payments made for the construction of APSTAR 7 and APSTAR 7B during the year. The increase in net cash inflow from financing activities was mainly due to the increase in net borrowings in 2010 as compared to 2009.

As at 31 December 2010, the Group has approximately HK$121,485,000 cash and cash equivalents and HK$76,917,000 pledged bank deposits. Together with cash flow to be generated from operations, 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 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 3.7% against the Hong Kong dollar during the year ended 31 December 2010. The management does not foresee a material adverse foreign exchange risk to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 payments, the Group has entered into the Banking Facility, where the Group is able to purchase foreign currency forward contract up to maximum of US$150,000,000. Given the volatile exchange rates movements experienced, Euro/USD exchange rate in particular, the Group has entered into forward exchange contracts to hedge against its exposure to potential exchange rate risks. As at 31 December 2010, outstanding Euro forward contracts amounted to Euro8,990,000 which will be applied to next progress payment of APSTAR 7 and APSTAR 7B. The Group continues to adopt a conservative approach on monitoring foreign exchange exposure.

Charges on group assets

At 31 December 2010, the pledged bank deposits of HK$76,917,000 (2009: HK$8,300,000) are related to certain commercial arrangements and banking facilities during the year.

At 31 December 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$4,189,000 (2009: HK$4,305,000).

Capital commitments

As at 31 December 2010, the Group has outstanding capital commitments of HK$2,200,662,000 (2009: HK$1,189,481,000), which was 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 33 to the financial statements.

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 was a wholly-owned subsidiary incorporated in the British Virgin Island. 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 year.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Board remains committed in maintaining high standard of corporate governance throughout the Company and its subsidiaries (altogether the "Group").

Throughout the year ended 31 December 2010, albeit few exceptions as explained in below paragraph the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

To comply with the Code Provision and some Best Practices and to ensure the standard of corporate governance, the Board has set up the Audit Committee, the Nomination Committee and the Remuneration Committee having respective Terms of Reference.

At the management level, in order to further strengthen the management and control of risks and compliance matters, the Company has also established the Internal Control and Risk Management Committee and an internal audit team reporting directly to the Audit Committee on its findings and recommendations.

Furthermore, in order to promote honest and ethical business conduct throughout the Group, the Board has also adopted a series of codes and measures, including the Code of Ethics for the directors and officers of the Company; the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules; the Code of Ethics for all employees; the Audit Committee's Procedures handling Confidential and Anonymous Complaint; and the Whistleblower Protection Policy.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2010, the Company has complied with the Code Provisions save for the following Code Provisions:

A.4.1 – 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;

A.4.2 – the Chairman of the Board and the President are not subject to retirement by rotation such that it would help the Company maintains its consistency in making business decisions; and

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (Continued)

E.1.2 – the Chairman of the Board was absent in the Annual General Meeting held on 25 May 2010 as he had to attend a governmental meeting in Beijing. However, other representatives of the Board including Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

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. The Board has also adopted the newly amended Model Code which came into effect on 1 January 2009 and 1 April 2009.

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 information, including the relationships, if any, among members of the Board, is set out in the section headed "Directors' and Senior Management's Profiles and Changes" 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.

BOARD OF DIRECTORS (Continued)

Composition of the Board (Continued)

The Board held five meetings in 2010 and the following table shows the individual attendance of each director during their term of office in 2010:

Name of the Director	Number of board meetings held during the director's term of office in 2010	Number of meeting(s) attended*
Executive Directors:		
Cheng Guangren *(President)*	5	5
Qi Liang *(Vice President)*	5	5
Non-Executive Directors:		
Rui Xiaowu *(Chairman)*	5	5
Lim Toon	5	5
Yin Yen-liang	5	2
Wu Zhen Mu	5	3
Yong Foo Chong	5	5
Zhuo Chao *(appointed on 10 December 2010)*	1	1
Wu Jinfeng *(resigned on 10 December 2010)*	5	3
Independent Non-Executive Directors:		
Lui King Man	5	5
Lam Sek Kong	5	4
Cui Liguo	5	4

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

Chairman and Chief Executive Officer

Mr. Rui Xiaowu is the Chairman and a Non-executive Director of the Board, while Mr. Cheng Guangren 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Appointment and Retirement of Non-executive Directors

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(1) of the Company.

Nevertheless, all the appointment and re-appointment of Directors of the Board are subject to review by the Company's Nomination Committee, while all the Directors' remuneration is subject to review by the Company's Remuneration Committee. The Board believes that these checks and balances mechanism 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 Committee

The Remuneration Committee comprises of four members, including three Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong and Mr. Cui Liguo, and one Executive Director, Mr. Qi Liang.

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 and it is mainly responsible for making recommendations to the Board on policy for all remuneration of Directors and senior management taking into account 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.

BOARD OF DIRECTORS (Continued)

Remuneration Committee (Continued)

The Remuneration Committee held two meetings in 2010 and the following table shows the individual attendance of each member during their term of office in 2010:

Name of the member of the Remuneration Committee	Number of meetings held during the member's term of office in 2010	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Executive Director:		
Qi Liang	2	2

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

The works performed by the Remuneration Committee in 2010 are summarised as follows:

– reviewing the standard of director's fees payable to Directors in 2010;

– reviewing the remuneration arrangement for newly appointed director, and certain member of management; and

– reviewing the results of incentive scheme of the management for 2010.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Nomination Committee

The Nomination Committee comprises of four members, including three Independent Non-executive Directors of the Company, namely Dr. Lam Sek Kong (Chairman), Dr. Lui King Man, and Mr. Cui Liguo and one Executive Director, Mr. Qi Liang.

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 and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure and criteria. On receiving a nominated candidate of director, the Nomination 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 three meetings in 2010 and the following table shows the individual attendance of each member during their term of office in 2010:

Name of the member of the Nomination Committee	Number of board meeting held during the member's term of office in 2010	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lam Sek Kong *(Chairman)***	3	3
Lui King Man	3	3
Cui Liguo	3	2
Executive Director:		
Qi Liang	3	3

* It includes the meeting attended by the member via telephone conference.
** Dr. Lam has been re-designated to act as the Chairman since 1 January 2010

BOARD OF DIRECTORS (Continued)

Nomination Committee (Continued)

The works performed by the Nomination Committee in 2010 are summarised as follows:

– making recommendation to the Board on matters relating to the appointment of directors and management;

– reviewing the re-election of directors in accordance with the Bye-Laws of the Company; and

– reviewing the independence of the INEDs.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors of the Company, including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong and Mr. Cui Liguo.

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. 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 is also available on request with the Company's Investor Relations.

The Audit Committee held six meetings in 2010 and the following table shows the individual attendance of each member during their term of office in 2010:

Name of the member of the Audit Committee	Number of meetings held during the member's term of office in 2010	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lui King Man *(Chairman)**	6	6
Lam Sek Kong	6	5
Cui Liguo	6	5

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Audit Committee (Continued)

The works performed by the Audit Committee in 2010 are summarised 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 in respect of audit and non-audit services;

– reviewing the external auditors independence and objectivity and the effectiveness of the audit process through discussion with the external auditors as to the nature and scope of the audit and reporting obligation;

– 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; and

– reviewing the internal audit team's work progress.

Auditors Remuneration

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditors, KPMG, to the Group during 2010:

	HK$
Audit for the Group's financial statements including interim review	1,010,000
Non-audit services Including: – Review of the Group's continuing connected transactions – Agreed upon procedures on very substantial acquisitions and major connected transaction	112,000
Tax services	120,000
Total	1,242,000

BOARD OF DIRECTORS (Continued)

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 2010, the Directors of the Board were 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 auditing the Company's financial statements, please refer to the section headed "Independent Auditor's 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. In 2010, annual review of the effectiveness of the system of internal control of the Company and its subsidiaries was conducted by the Internal Audit Team and the Board through the Company's Internal Control and Risk Management Committee, which is led by the top management of the Group. 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 failures in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2010. The top management, the Internal Control and Risk Management 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 financial reporting process.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 24 March 2011

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

EXECUTIVE DIRECTORS

Mr. CHENG Guangren, aged 48, Doctor, has been appointed as the Executive Director and President of the Company since 20 June 2008. Mr. Cheng is also the authorised representative of the Company. He is responsible for the overall management of the Company. Mr. Cheng graduated from the Harbin Institute of Technology. He has been engaging senior management work in the field of satellite operation since 1994. Mr. Cheng has been appointed as Director of Board and President of Sino Satellite Communications Company Limited; and the Board Chairman of China Direct Broadcast Satellite Company Limited. Mr. Cheng is the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited, APT Telecom Services Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited and APT Satellite Link Limited, subsidiaries of the Company. Mr. Cheng is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company, and the Non-Executive Director of China Satellite Communications Company Limited.

Mr. QI Liang, aged 49, has been appointed as the Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi is also the member of each Nomination Committee and Remuneration Committee of the Company. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the Post-graduate of Monetary and Banking, Finance Department from the Chinese Academy of Social Sciences since 1998 and accredited as Senior Economist. Currently, he is the Deputy Chief Accountant for China Satellite Communications Company Limited ("China Satcom"). China Satcom is a shareholder of APT Satellite International Company Limited ("APT International"), a substantial shareholder of the Company. Since 1986, Mr. Qi had worked consecutively for the Beijing Planning Committee; the National Agriculture Investment Co.; the Supreme Court; the China Rural Development Trust & Investment Co.; and the China Merchants Bank Beijing Branch. He had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited during the period from 2004 to April 2008. Mr. Qi is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, APT Telecom Services Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited, APT Satellite Link Limited and Haslett Investments Limited, subsidiaries of the Company, and the Chairman of APT Communication Technology Development (Shenzhen) Company Limited, a subsidiary of the Company. Mr. Qi is also the Director of APT International.

NON-EXECUTIVE DIRECTORS

Mr. RUI Xiaowu, aged 52, has been appointed as the Non-Executive Director and Chairman of the Company since December 2006. Mr. Rui graduated from the Science & Technology University for National Defense of China in Computer Software Major in 1982, a Master's Postgraduate, a Research Fellow, and the Winner of "Government Special Allowance" granted by the State Council of China. Currently, Mr. Rui is the Deputy General Manager of China Aerospace Science & Technology Corporation ("CASC"), the controlling shareholder of the Company, the Chairman of China Satellite Communications Company Limited, the Non-executive Director and Chairman of China Aerospace International Holdings Limited (Hong Kong Stock Exchange stock code: 0031), and the Chairman of NavInfo Company Limited (Shenzhen Stock Exchange stock code: 002405). Mr. Rui has been working in the field of China aerospace and satellite operation for a long time, he has been the President of the 710 Research Institute, the Business Assistant to General Manager of China Aerospace Science & Technology Corporation, and the General Manager of China Satellite Communications Corporation. Mr. Rui had also been appointed as the Vice Chairman of Sino Satellite Communications Company Limited, the Chairman of China Spacesat Company Limited (Shanghai Stock Exchange stock code: 600118), the Chairman and President of China Aerospace International Holdings Limited, and the Chairman of CASIL Telecommunications Holdings Limited (Hong Kong Stock Exchange stock code: 1185) (its name has later been changed to China Energine International (Holdings) Limited), Mr Rui has very extensive experience in company management. Mr. Rui is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company, and the Chairman of APT Satellite International Company Limited, the substantial shareholder of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

NON-EXECUTIVE DIRECTORS (Continued)

Mr. LIM Toon, aged 68, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as the Non-Executive Director of the Company in October 1996. Mr. Lim graduated from the University of Canterbury and University of Singapore. He had worked for Singapore Telecommunications Limited ("SingTel") since 1970. In SingTel, he served in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He had been the Chief Operating Officer of SingTel since April 1999 until he retired in February 2006 and served as SingTel's Advisor. (SingTel is the holding company of one of the shareholders of APT Satellite International Company Limited). Mr. Lim is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Lim is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company.

Dr. YIN Yen-liang, aged 60, has been appointed as the Non-Executive Director of the Company since January 2003. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the Ph.D. Degree in Business Administration from National Chengchi University in 1987. He had been the President of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited, since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd. Dr. Yin is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Dr. Yin is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company.

Mr. WU Zhen Mu, aged 65, has been appointed as the Non-Executive Director of the Company since June 1998. Mr. Wu graduated in Manufacturing Engineering of the Beijing Institute of Aeronautics in 1969 and obtained a Master's degree in Electro-Mechanical Automation in the same institute in 1981. He was a lecturer in Zhengzhou Institute of Aeronautics from 1970 and 1979 and had been a lecturer, associate Professor and Professor in Beijing University of Aeronautics and Aerospace from 1982 to 1993. Since then, he has been appointed as a Professor of the Commission of Science and Technology of China Aerospace Corporation. Mr. Wu is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Wu is also the Director of APT Satellite International Company Limited, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. YONG Foo Chong, aged 44, has been appointed as the Non-Executive Director of the Company since March 2007. Mr. Yong graduated from the National University of Singapore. Mr. Yong had worked for Singapore Telecommunications Limited ("SingTel"), the holding company of one of the shareholders of APT Satellite International Company Limited ("APT International") which is the substantial shareholder of the Company, since 1998, serving in various appointments. Currently, Mr. Yong is the Head of Satellite for SingTel overseeing the fixed and mobile satellite business and infrastructure and also the Director of Singasat Private Limited, a wholly owned subsidiary of SingTel, which is one of the shareholders of APT International. Apart from holding the current appointment with SingTel, Mr. Yong is also a board member of Asia Pacific Satellite Communications Council starting January 2007. Mr. Yong is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Yong is also the Director of APT International.

Mr. ZHUO Chao, aged 48, has been appointed as the Non-Executive Director of the Company commencing 10 December 2010. Mr. Zhuo, graduated from the Science & Technology University for National Defense in 1983 specializing in Radiation Physics, and obtained a Master of Business Administration degree from the Beijing Institute of Technology in 2002, a Research Fellow. Mr. Zhuo is currently the Director and General Manager of China Satellite Communications Company Limited ("China Satcom"). China Satcom is one of the shareholders of APT Satellite International Company Limited, the substantial shareholder of the Company. Mr. Zhuo is concurrently the General Manager of China Telecommunications Broadcast Satellite Corporation; the Chairman & General Manager of China Direct Broadcast Satellite Company Limited; the Chairman of Sino Satellite Communications Company Limited; the Chairman of China Orient Telecomm Satellite Company Limited; and the Director of China DBStar Company Limited. From 1983 to 2006, Mr. Zhuo had been working in the 14th Institute of the China Academy of Launch Vehicle Technology ("CALT") of China Aerospace Science and Technology Corporation ("CASC") as the Deputy Director, then the Director of the 14th Institute; the Director of the Science and Technology Commission. From 2006 to 2009, he had been the Assistant to the Director, then the Deputy Director of CALT. From 2009 to 2010, Mr. Zhuo had been the Head of the Aerospace Technology Application Division of CASC. Since July 2010, he has been appointed as the Director & General Manager of China Satcom. Mr. Zhou has extensive experience in corporate management. Mr. Zhuo has also been appointed as the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company. Mr. Zhuo has also been appointed as the Director of APT Satellite International Company Limited, the substantial shareholder of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

NON-EXECUTIVE DIRECTORS (Continued)

Mr. TSENG Ta-mon, aged 53, has been appointed as an Alternate Director to Dr. Yin Yen-liang, the Non-Executive Director of the Company, since September 2004. He had been the Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, subsidiaries of the Company and APT Satellite International Company Limited, the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI King Man, aged 56, has been appointed as an Independent Non-Executive Director of the Company since August 2004. Dr. Lui is the Chairman of the Audit Committee and the Remuneration Committee of the Company. He is also the member of the Nomination Committee of the Company. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K.M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Institute Of Certified Public Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 27 years of experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organizations.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Dr. LAM Sek Kong, aged 51, has been appointed as the Independent Non-Executive Director of the Company in July 2007. Dr. Lam was re-designated from acting as the Member of the Nomination Committee of the Company to act as the Chairman of the Nomination Committee commencing 1 January 2010. Dr. Lam is also the Member of each of the Audit Committee and the Remuneration Committee of the Company. Dr. Lam graduated from the University of Hong Kong in 1984. He is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University.

Mr. CUI Liguo, aged 41, has been appointed as the Independent Non-Executive Director of the Company since July 2007. Mr. Cui is also the Member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991, and commenced his legal practice in PRC in 1993. He founded the Guantao Law Firm in 1994, and is acting as a Founding Partner and the officer of its Management Committee. Mr. Cui has over 18 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as UBS SDIC Fund Management Co., Ltd., SDIC Xinji Energy Co., Ltd (a corporation listed on the Shanghai Securities Exchange in China), CNNC SUFA Technology Industry Co., Ltd. (a corporation listed on the Shenzhen Securities Exchange in China), CNNC International Limited (a corporation listed on The Stock Exchange of Hong Kong Ltd.), and NavInfo Co., Ltd. (a company became listed on The Shenzhen Securities Exchange in China). He is also a member of the Finance & Securities Committee of All China Lawyers Association; a vice general secretary of the Chamber of Financial Street; and the legal counselor in the internal control group of securities issuing of Guodu Securities Limited and Bohai Securities Co., Ltd.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

SENIOR MANAGEMENT

Dr. LO Kin Hang, Brian, aged 54, has been the Vice President of the Group since April 2002 and the Company Secretary (since October 1996) of the Company. Dr. Lo graduated in Engineering, with M.Sc. in Information Technology, Master of Professional Accounting, a MBA, and a Doctorate Degree in Business Administration. His professional qualification includes CEng, MIET, FCIS, FCS. Dr. Lo has over 20 years of experience in corporate and project management in listed companies. Dr. Lo is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited, Ying Fai Realty (China) Limited and Middle East Satellite FZE, subsidiaries of the Company.

Mr. HUANG Baozhong, aged 48, Master's Postgraduate, has been the Vice President of the Company since August 2010, being responsible for the marketing and development of the Company. Mr. Huang graduated from Harbin Institute of Technology and has been engaging in satellite and other space related activities since 1987. Before joining the Company, he was the Vice President of China Satellite Communications Company Limited.

Mr. QI Kezhi, aged 49, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for the business sales of international market of the Company. Mr. Qi graduated from the Tsinghua University, Beijing and Postgraduate Academy of Public Administration Speyer, Germany. Mr. Qi joined the Company in November 1999 and had been the Deputy Director and Director of its International Business Department.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Interim Report 2010 of the Company, 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. Cheng Guangren, being the Executive Director and President of the Company, was concurrently the Director of Skywork Corporation, a wholly-owned subsidiary of the Company. Skywork Corporation was voluntarily wound up by shareholder on 1 July 2010.

– Mr. Qi Liang, being the Executive Director and Vice President of the Company, was concurrently the Director of Skywork Corporation, a wholly-owned subsidiary of the Company. Skywork Corporation was voluntarily wound up by shareholder on 1 July 2010.

– Mr. Wu Jinfeng resigned as Non-Executive Director of the Company with effect from 10 December 2010.

– Mr. Zhuo Chao, was appointed as Non-Executive Director of the Company with effect from 10 December 2010.

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

DIRECTORS' REPORT

The Board of Directors ("Directors") of the Company is pleased to present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 13 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2010 are set out in the consolidated income statement on page 47 and the accompanying notes to the financial statements.

The Board of Directors do not recommend any payment of final dividend for the year ended 31 December 2010.

BONUS ISSUE

On 24 March 2011, the Board of Directors has proposed to make a bonus issue of shares (the "Bonus Issue") to the shareholders of the company on the basis of 1 bonus share for every 2 shares held by the shareholders whose names appear on the register of members of the Company on 24 May 2011. The bonus shares will rank pari passu in all respects with the then existing shares in issue.

The Bonus Issue is conditional, upon the passing of the relevant resolutions at the forthcoming annual general meeting which will be held on 24 May 2011 and the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting the listing of, and permission to deal in, the new shares to be issued under the Bonus Issue.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 122.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2010 are set out in note 14 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year, a total of 1,273,000 shares of the Company were issued.

Details of movement of the share capital are set out in note 28 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARE

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity and the statement of changes in equity on pages 52 and 53 respectively.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 30 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$50,000.

BORROWINGS

Details of the Group's bank borrowings are set out in note 22 to the financial statements.

FIXED CHARGE

Details of the Group's fixed charge are set out in note 32 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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
Zhuo Chao *(appointed as Non-executive Director on 10 December 2010)*
Tseng Ta-mon *(alternate director to Yin Yen-liang)*
Wu Jinfeng *(resigned as Non-executive Director on 10 December 2010)*

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo

In accordance with Bye-law 86(2) and Bye-law 87 of the Company's Bye-Laws, Messrs. Zhuo Chao, Cui Liguo, Qi Liang and Wu Zhen Mu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining Directors of the Company continue in office.

The biographical details of the Directors and changes are set out in the section "Directors' and Senior Management's Profiles and Changes" of this annual report.

DIRECTOR'S SERVICE CONTRACT

No service contract was entered into between the Directors and the Company or any of its subsidiaries that is exempt under rule 13.69 of the Listing Rules.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' EMOLUMENTS

The emoluments of the Directors on a named basis are set out in note 7 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation as regards independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Directors having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2010, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

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

Notes:

(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 110,000 share options held by Mr. Chen Xun have been cancelled on 15 November 2010 due to his resignation.

Save as disclosed above, as at 31 December 2010, none of the Directors or the Chief Executives of the Company had or was interested, or was deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers respectively.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

Owing to the enforcement of the new requirements of 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 year, no options were 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.

With the adoption of the Scheme 2002, the Company can provide incentives or rewards to its employees including Non-executive Directors and Independent Non-executive Directors for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) granted and yet to be exercised is 1,737,000 shares (2009: 3,250,000 shares), which represents 0.42% (2009: 0.79%) of the issued shares of the Company for the time being 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). As at the date of this report, the total number of shares of the Company in issue was 414,538,000 shares (2009: 413,285,000 shares).

Save for a substantial shareholder or an Independent Non-executive Director of the Company, or any of their respective associates according to the Listing Rules, the total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including outstanding options) to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to any participant in excess of the 1% limit must be subject to shareholders approval in general meeting of the Company.

The exercise price (subscription price) will be determined by the Directors in its absolute discretion but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company.

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 2010	Options exercised during 2010	Options remain outstanding as at 31 December 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	110,000	150,000	–
Yang Qing* *(Vice President)*	130,000	130,000	–	–
	1,190,000	240,000	550,000	400,000
Employees in aggregate:				
Employees under employment contracts	3,250,000	240,000	1,273,000	1,737,000

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.

Remark*: Mr. Yang Qing resigned as the Vice President of the Company in January 2010; and Mr. Chen Xun resigned as the Vice President of the Company in November 2010.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' REPORT

INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, the following director of the Company was also the director in other business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Name of company	Principal Activity
Yong Foo Chong	SingTelSat Pte Ltd	Provision of satellite capacity for telecommunication and video broadcasting services

SUBSTANTIAL SHAREHOLDER

As at 31 December 2010, according to the register of interests in shares and short positions kept by the Company under section 336 of the 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	62.09
China Satellite Communications Company Limited	1(b),(c)	220,200,000	53.12
APT Satellite International Company Limited		214,200,000	51.67
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

Notes:

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 Company Limited (中國衛星通信集團有限公司) ("China Satcom"));

SUBSTANTIAL SHAREHOLDER (Continued)

(c) CASC's interests through its 100% shareholding in China Satcom, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholdings 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. (The 6,000,000 shares have been transferred to China Satellite Communications (Hong Kong) Corporation Limited in March 2011); and

(d) CASC's interests through its controlled corporation being China Aerospace International Holding Limited ("CASIL") (being CASC's 37.06% indirect 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 54.42% 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).

Save as disclosed above, as at 31 December 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.

As at the date of this report, Messrs. Cheng Guangren, Qi Liang, Rui Xiaowu, Lim Toon, Yin Yen-liang, Wu Zhen Mu, Yong Foo Chong, Zhuo Chao and Tseng Ta-mon (alternate director to Yin Yen-liang), Directors of the Company, are also directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company's issued share capital as at 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

In 2010, the aggregate turnover attributable to the Group's five largest customers was 34% (2009: 35%) of the total turnover and the aggregate purchase attributable to the Group's five largest suppliers was less than 30% of total purchases. In 2010, the largest customer accounted for 11% of the Group's turnover.

Two of the five largest customers were China Direct Broadcast Satellite Company Limited and Singapore Telecommunications Limited ("SingTel"). The former is a subsidiary of China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, and in which Mr. Cheng Guangren and Mr. Wu Jinfeng have interests to the extent that Mr. Cheng had been its Board Chairman and Mr. Wu is its Director and General Manager. However, Mr. Cheng resigned as its Board Chairman since March 2010 and Mr. Wu resigned as the Director of the Company effective from 10 December 2010. The latter is the holding company of a shareholder of the Company holding more than 5% of the Company's share capital, in which Mr. Lim Toon and Mr. Yong Foo Chong have interests to the extent that they each have equity interest in. Mr. Yong is a SingTel's officer. Mr. Lim has retired from SingTel on 26 February 2006 and continues as a SingTel's adviser.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

Save as discussed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Company's five largest customers.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

According to the facility letter entered into on 29 June 2009 and a facility agreement entered into on 9 July 2010, China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, is required to maintain (directly or indirectly through its subsidiary or associate companies) not less than 30% shareholdings of the Company. As at 31 December 2010, the aggregate amount of the above facilities subject to such an obligation was HK$678,600,000. Such a facility and facility agreement will expire on 28 June 2012 and June 2018 respectively.

CONNECTED TRANSACTIONS

Certain connected transactions also fall under related party transactions in accordance with the Hong Kong Accounting Standards, details are set out in note 37 to the financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected Transactions:

APSTAR 7B Launch Service Agreement

On 23 April 2010, APT Satellite Company Limited ("APT (HK)") entered into a launch service agreement with the China Great Wall Industry Corporation ("Launch Contractor"), 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 Center in Sichuan Province, the PRC at the fixed contract price for the Standard Launch Services of US$67,000,000 (approximately HK$522,600,000), subject to deduction of the selection of certain optional service by APT (HK).

The Launch Contractor is a subsidiary of China Aerospace Science & Technology Corporation ("CASC") and CASC and its associates hold approximately 57.14% interest in APT Satellite International Company Limited ("APT International"), which in turn is a substantial shareholder of the Company holding approximately 51.82% interest in the Company as at 23 April 2010 (51.67% as at 31 December 2010), the Launch Contractor is therefore a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions: (Continued)

Co-Operation Agreement

On 23 April 2010, APT (HK) entered into a co-operation agreement with China Satellite Communications Corporation (presently China Satellite Communications Company Limited) ("China Satcom"), a connected person of the Company, in respect of APSTAR 7B Satellite. China Satcom will procure advances to APT (HK) for payment of the milestone payments under the APSTAR 7B Satellite Procurement Contract. In the event that the launch of APSTAR 7 is successful and in commercial operation, APT (HK) will assign to China Satcom all its rights of under the APSTAR 7B Satellite Procurement Contract at a consideration equal to all milestone payments made by APT (HK) (which would represent all the advances provided to APT (HK)). In the event that the Launch Services Agreement is signed and insurance policy in respect of the launch has been taken by APT (HK) for APSTAR 7B Satellite, the same will be assigned together with the APSTAR 7B Procurement Contract to China Satcom at cost.

China Satcom is a subsidiary of CASC and CASC and its associates hold approximately 57.14% interest in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.82% interest in the Company as at 23 April 2010 (51.67% as at 31 December 2010), China Satcom is therefore a connected person of the Company under the Listing Rules.

Loan Agreement

On 23 April 2010, APT (HK) entered into a loan agreement with China Satellite Communications (Hong Kong) Corporation Limited (the "Lender"), which is a subsidiary of China Satcom and thus a connected person of the Company, in relation to the provision of a facility by the Lender for the milestone payments of the APSTAR 7B Satellite Procurement Contract up to Euro100,000,000 or equivalent amount in United States dollars (approximately HK$1,027,300,000).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions:

As announced on 10 November 2009, the Company entered into the Transponder Service Master Agreement ("Master Agreement") with China Satellite Communications Corporation ("China Satcom") (presently known as China Satellite Communications Company Limited) of validity until 31 December 2011 thereby subject to the terms and conditions of the Master Agreement, the Company and its subsidiaries (the "Group") and China Satcom on an ongoing basis provide to each other (including their respective associates) services (the "Continuing Connected Transactions") that (a) in the Mainland China market, the Group shall provide its satellite transponder capacity on a preferential basis to China Satcom (the "Service in Mainland China"); and that (b) in the market outside Mainland China, either the Group or CSCC shall provide its own satellite transponder capacity to the other party (the "Service Outside Mainland China"). As announced by the Company on 16 April 2009 and 15 September 2009, upon the completion of the merger, China Satcom has become a subsidiary of CASC, and CASC and its associates hold approximately 57.14% interest of APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.83% as at 10 November 2009 of the issued share capital of the Company (51.67% as at 31 December 2010). China Satcom is therefore a connected party of the Company under the Listing Rules.

As approved by the independent shareholders of the Company on 17 December 2009, the maximum annual aggregate value (the "Caps") in respect of the Service in Mainland China and the Service Outside Mainland China for the year ending 31 December 2010 are as follows:

(a)	the Caps in respect of the provision of the Service in Mainland China by the Group to China Satcom	HK$ 222,300,000
(b)	the Caps in respect of the provision of the Service Outside Mainland China by the Group to China Satcom	HK$14,100,000
(c)	the Caps in respect of the provision of the Service Outside Mainland China by China Satcom to the Group	HK$26,600,000

The Independent Non-Executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that:

(i) the Continuing Connected Transactions have been entered into the usual and ordinary course of business of the Group;

(ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available from independent third parties; and

(iii) the Continuing Connected Transactions have been entered into in accordance with the Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions: (Continued)

The Directors have received a letter from the auditors of the Company, KPMG, which was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountant. KPMG has issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in accordance with Rules 14A.38 of the Listing Rules where confirming the Continuing Connected Transactions:

(i) have received the approval of the Board of Directors;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the relevant agreement governing the Continuing Connected Transactions; and

(iv) have not exceeded the respective Caps set out above for the year ending 31 December 2010.

The Company has provided a copy of the said letter to the Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 36 to the financial statements.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" contained in this annual report.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 24 March 2011

KPMG

Independent auditor's report
to the shareholders of APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APT Satellite Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 47 to 121, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Turnover	3 & 13	**719,435**	578,115
Cost of services		**(369,359)**	(322,049)
Gross profit		**350,076**	256,066
Other net income	4	**5,242**	35,535
Administrative expenses		**(76,788)**	(80,680)
Valuation gain/(loss) on investment properties	15	**233**	(295)
Profit from operations		**278,763**	210,626
Finance costs	5 (a)	**(6,330)**	(4,868)
Gain from liquidation of a subsidiary	9	**–**	6,146
Profit before taxation	5	**272,433**	211,904
Income tax (expense)/credit	6 (a)	**(73,934)**	42,180
Profit for the year and attributable to equity shareholders of the Company	10	**198,499**	254,084
Earnings per share	12		
Basic		**47.93 cents**	61.48 cents
Diluted		**47.92 cents**	61.48 cents

The notes on pages 55 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	2010 $'000	2009 $'000
Profit for the year	**198,499**	254,084
Other comprehensive income for the year		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(1,380)**	(5,492)
Cashflow hedge: movement in hedging reserve	**(2,233)**	–
Total comprehensive income for the year	**194,886**	248,592

The notes on pages 55 to 121 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Property, plant and equipment	14(a)	**3,363,090**	2,536,021
Investment properties	15	**2,665**	4,864
Intangible asset	16	**133,585**	133,585
Club memberships		**5,537**	5,537
Prepaid expenses	18	**21,890**	25,547
		3,526,767	2,705,554
Current assets			
Trade receivables, net	19	**59,903**	116,846
Deposits, prepayments and other receivables	18	**17,624**	11,730
Amount due from immediate holding company		**286**	219
Pledged bank deposits	32	**76,917**	8,300
Cash and cash equivalents	20	**121,485**	275,930
		276,215	413,025
Current liabilities			
Payables and accrued charges	21	**177,394**	198,859
Rentals received in advance		**58,645**	59,411
Amount due to a fellow subsidiary		**65**	–
Secured bank borrowings due within one year	22	**139,016**	69,690
Derivative financial instrument	23	**2,233**	–
Current taxation	27(a)	**99,557**	96,997
		476,910	424,957
Net current liabilities		**(200,695)**	(11,932)
Total assets less current liabilities carried forward		**3,326,072**	2,693,622

The notes on pages 55 to 121 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	**2009** **$'000**
Total assets less current liabilities brought forward		**3,326,072**	2,693,622
Non-current liabilities			
Secured bank borrowings due after one year	22	**525,523**	140,041
Loan from a fellow subsidiary	24	**23,400**	–
Deposits received	25	**35,157**	36,247
Deferred income	26	**160,718**	195,550
Deferred tax liabilities	27(b)	**93,712**	32,627
		838,510	404,465
Net assets		**2,487,562**	2,289,157
Capital and reserves			
Share capital	28	**41,454**	41,327
Share premium		**1,294,539**	1,287,536
Contributed surplus	30	**511,000**	511,000
Capital reserve	30	**4,926**	9,217
Revaluation reserve	30	**368**	368
Exchange reserve	30	**340**	1,720
Hedging reserve	30	**(2,233)**	–
Other reserves	30	**345**	212
Accumulated profits	30	**636,823**	437,777
Total equity		**2,487,562**	2,289,157

Approved and authorised for issue by the Board of Directors on 24 March 2011.

Cheng Guangren	**Qi Liang**
DIRECTOR	*DIRECTOR*

The notes on pages 55 to 121 form part of these financial statements.

BALANCE SHEET

At 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010 $'000**	2009 $'000
Non-current assets			
Property, plant and equipment	14(b)	**–**	–
Interest in subsidiaries	17(a)	**615,862**	615,862
		615,862	615,862
Current assets			
Amounts due from subsidiaries	17(b)	**1,330,861**	1,331,286
Other receivables and prepayments		**322**	315
Cash and cash equivalents	20	**100**	209
		1,331,283	1,331,810
Current liabilities			
Payables and accrued charges	21	**6,014**	5,486
Net current assets		**1,325,269**	1,326,324
Net assets		**1,941,131**	1,942,186
Capital and reserves			
Share capital	28	**41,454**	41,327
Share premium		**1,294,539**	1,287,536
Contributed surplus	30	**584,358**	584,358
Capital reserve	30	**4,926**	9,217
Accumulated profits	30	**15,854**	19,748
Total equity		**1,941,131**	1,942,186

Approved and authorised for issue by the Board of Directors on 24 March 2011.

Cheng Guangren
DIRECTOR

Qi Liang
DIRECTOR

The notes on pages 55 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 2009:										
Profit for the year	–	–	–	–	–	–	–	–	254,084	254,084
Other comprehensive income	–	–	–	–	–	(5,492)	–	–	–	(5,492)
Total comprehensive income	–	–	–	–	–	(5,492)	–	–	254,084	248,592
Statutory reserve transfer during the year	–	–	–	–	–	–	–	89	(89)	–
Cancellation of share options	–	–	–	(113)	–	–	–	–	113	–
Balance at 31 December 2009	41,327	1,287,536	511,000	9,217	368	1,720	–	212	437,777	2,289,157
Balance at 1 January 2010	**41,327**	**1,287,536**	**511,000**	**9,217**	**368**	**1,720**	**–**	**212**	**437,777**	**2,289,157**
Change in equity for 2010:										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**198,499**	**198,499**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,380)**	**(2,233)**	**–**	**–**	**(3,613)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,380)**	**(2,233)**	**–**	**198,499**	**194,886**
Cancellation of share options	**–**	**–**	**–**	**(680)**	**–**	**–**	**–**	**–**	**680**	**–**
Proceeds from exercise of share options	**127**	**7,003**	**–**	**(3,611)**	**–**	**–**	**–**	**–**	**–**	**3,519**
Statutory reserve transfer during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133**	**(133)**	**–**
Balance at 31 December 2010	**41,454**	**1,294,539**	**511,000**	**4,926**	**368**	**340**	**(2,233)**	**345**	**636,823**	**2,487,562**

The notes on pages 55 to 121 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2009	41,327	1,287,536	584,358	9,330	25,893	1,948,444
Changes in equity for 2009:						
Total comprehensive income	–	–	–	–	(6,258)	(6,258)
Cancellation of share options	–	–	–	(113)	113	–
Balance at 31 December 2009	41,327	1,287,536	584,358	9,217	19,748	1,942,186
Balance at 1 January 2010	**41,327**	**1,287,536**	**584,358**	**9,217**	**19,748**	**1,942,186**
Changes in equity for 2010:						
Total comprehensive income	**–**	**–**	**–**	**–**	**(4,574)**	**(4,574)**
Cancellation of share options	**–**	**–**	**–**	**(680)**	**680**	**–**
Proceeds from exercise of share options	**127**	**7,003**	**–**	**(3,611)**	**–**	**3,519**
Balance at 31 December 2010	**41,454**	**1,294,539**	**584,358**	**4,926**	**15,854**	**1,941,131**

The notes on pages 55 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Operating activities			
Cash generated from operations	20(b)	**623,295**	434,756
Overseas profits tax paid		**(115)**	(96)
Overseas tax paid		**(10,179)**	(13,323)
Net cash generated from operating activities		**613,001**	421,337
Investing activities			
Payment of the purchase of intangible asset		**–**	(133,585)
Payment of the purchase of property, plant and equipment		**(1,164,258)**	(506,680)
Proceeds from disposal of property, plant and equipment		**17**	70,719
Interest received		**1,461**	1,271
Increase in pledged bank deposits		**(68,617)**	(7,492)
Purchases of other financial assets		**(196,591)**	(42,045)
Proceeds from other financial assets		**196,591**	144,322
Net cash used in investing activities		**(1,231,397)**	(473,490)
Financing activities			
Interest paid		**(10,444)**	(2,466)
Repayment of bank borrowings		**(85,800)**	(23,400)
Inception of bank borrowings		**553,800**	232,830
Proceeds for loan from a fellow subsidiary		**23,400**	–
Payment of loan arrangement fee		**(13,572)**	–
Proceeds from exercise of share option		**3,519**	–
Repayment of loan from minority interest		**–**	(422)
Net cash generated from financing activities		**470,903**	206,542
Net (decrease)/increase in cash and cash equivalents		**(147,493)**	154,389
Cash and cash equivalents at 1 January	20(a)	**275,930**	121,541
Effect of foreign exchange rates changes		**(6,952)**	–
Cash and cash equivalents at 31 December	20(a)	**121,485**	275,930

The notes on pages 55 to 121 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, are consistent with IFRSs, these financial statements also comply with HKFRSs and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new HKFRSs, amendments and new interpretations, consequently issued by 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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property (see note 1(g)) and derivative financial instruments (see note 1(e)) are stated at fair value as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interest (continued)

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1 (m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition at an investment on an associate or jointly controlled entity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(f)).

(f) Hedging

(i) Cash flow hedges

Where 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 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.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Hedging (continued)

(i) Cash flow hedges (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

Where other land and buildings are reclassified to investment properties, the cumulative increase in fair value of investment properties at the date of reclassification is included in the revaluation reserve, and will be transferred to retained profits upon the retirement and disposal of the relevant properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

– land classified as being held under finance leases and buildings thereon (see note 1(i)); and

– other items of plant and equipment.

Satellite under construction includes the manufacturing costs, launch costs and any other relevant direct costs when billed or incurred and recorded as construction in progress. When the satellite is subsequently put into service, the expenditure is transferred to communication satellites and depreciation will commence.

Subsequent cost reimbursements are included as reductions to the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the cost reimbursements will flow to the Group and can be measured reliably.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment (continued)

– Leasehold improvement	Over the lease term
– Furniture and equipment, motor vehicles, and computer equipment	5 years
– Communication satellite equipment	5 to 15 years
– Communication station	5 years
– Communication satellites	9 to 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residual values, over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS/HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no losses, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. No impairment losses were recognised in respect of goodwill and unquoted equity securities carried at cost during the interim period.

(k) Intangible asset

Intangible asset represents the right to operate satellite at an orbital slot with an indefinite useful life and is not amortised. The useful life of an intangible asset is indefinite and is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

The employees of the Group participate in retirement plans managed by respective local governments of the municipalities in which the Group operates in the People's Republic of China (the "PRC"). The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to profit or loss incurred. In addition to the local governmental defined contribution retirement plans, the Group also participate in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group are required to make contributions to the retirement plans at fixed rates of the employees' salary costs or in accordance with the terms of the plans. The Group's contributions to these plans are charged to profit or loss when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (continued)

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Transponder utilisation income and related services

Income from provision of satellite transponder capacity and related services is recognised in profit or loss in equal instalments over the accounting periods covered by the contract term, except where an alternative basis is more representative of the pattern of benefits to be derived from the satellite transponder capacity utilised.

(ii) Service income

Service income in respect of provision of satellite-based broadcasting and telecommunications services and other service is recognised when services are provided.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income (see note 1(f)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The functional currency of the Group's main operations is the United States dollar which is translated into Hong Kong dollar for reporting of the financial statements. As Hong Kong dollar is pegged to the United States dollar, the impact of foreign currency exchange fluctuations is insignificant to the Group.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments and two new Interpretations that are first effective for the current accounting period of the Group and the Company. The equivalent new HKFRSs, amendments and new interpretations, 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.

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

– IFRS/HKFRS 3 (revised 2008), *Business combinations*

– Amendments to IAS/HKAS 27, *Consolidated and separate financial statements*

– Amendment to IAS/HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*

– Improvements to IFRSs/HKFRSs (2009)

– IFRIC/HK(IFRIC) 17, *Distributions of non-cash assets to owners*

– HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

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

The amendments to IAS/HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The other developments 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 reasons:

– The impact of the majority of the revisions to IFRS/HKFRS 3, IAS/HKAS 27 and IFRIC/HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to IFRS/HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS/HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

– 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.

As a result of the amendment to IAS/HKAS 17, *Leases*, arising from the "Improvements to IFRSs/HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgment, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the Government's land policy of renewal without payment of additional land premium will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods 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.

3 TURNOVER

The principal activities of the Group are the maintenance, operation, and provision of satellite transponder capacity and related services and satellite-based broadcasting and telecommunications services and other services.

Turnover represents income received and receivable from provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunications services and other services. The amount of each category of revenue recognised in turnover during the year is as follows:

	2010 $'000	2009 $'000
Income from provision of satellite transponder capacity and related services	**703,374**	557,749
Income from provision of satellite-based broadcasting and telecommunications services	**13,820**	18,388
Service income	**2,241**	1,978
	719,435	578,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET INCOME

Other net income primarily includes the following:

	2010 $'000	2009 $'000
Interest income	**1,142**	1,419
Rental income in respect of properties	**386**	485
(Loss)/gain on disposal of property, plant and equipment	**(225)**	30,149

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2010 $'000	2009 $'000
Interest on bank borrowings and loan from a fellow subsidiary	**7,716**	2,466
Less: amount capitalised into construction in progress*	**(2,810)**	–
	4,906	2,466
Interest expense on deferred consideration	**1,199**	2,101
Other borrowing costs	**225**	301
	6,330	4,868

* The borrowing costs have been capitalised at a rate of 2.0515% – 2.4647% per annum (2009: nil).

(b) Staff costs:

	2010 $'000	2009 $'000
Staff costs (including directors' emoluments)		
Pension contributions	**7,442**	1,871
Salaries, wages and other benefits	**33,348**	44,161
	40,790	46,032

5 PROFIT BEFORE TAXATION (Continued)

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

(c) Other items:

	2010 $'000	2009 $'000
Auditors' remuneration		
– audit services	**1,042**	1,137
– tax services	**120**	120
– other services	**112**	365
Depreciation	**319,472**	265,049
Foreign currency exchange loss	**2,219**	309
Operating lease charges: minimum lease payments		
– land and buildings and equipment	**197**	450
– satellite transponder capacity	**2,540**	3,483
Impairment loss on trade and other receivables (written back)/recognised	**(147)**	1,462
Recovery of bad debts previously written off	**–**	(677)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 $'000	2009 $'000
Current tax – Overseas		
Tax for the year	**12,849**	12,175
Deferred tax – Hong Kong		
Origination of temporary differences	**61,085**	(54,355)
Actual tax expense/(credit)	**73,934**	(42,180)

Taxation is charged at the appropriate current rates of taxation ruling in the relevant countries.

The provision for Hong Kong Profits Tax was calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. Overseas tax includes the profits tax and withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to the customers which are located outside Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

	2010 $'000	2009 $'000
Profit before taxation	**272,433**	211,904
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**45,052**	35,109
Overseas withholding tax	**12,791**	11,964
Tax effect of non-deductible expenses	**60,152**	19,375
Tax effect of non-taxable revenue	**(42,879)**	(22,397)
Tax effect of unused tax losses not recognised	**1,005**	824
Tax effect of prior year's unrecognised deferred tax utilised this year	**(2,187)**	–
Tax effect of termination of lease agreement *(note (i))*	**–**	(88,863)
Others	**–**	1,808
Actual tax expense/(credit)	**73,934**	(42,180)

Note:

(i) Pursuant to a lease agreement entered in 1999 ("1999 Lease Agreement"), a subsidiary of the Company transferred the entire business of APSTAR 2R and substantially all the satellite transponders of APSTAR 2R. Such transaction was accounted for as a disposal of property, plant and equipment in 1999 and a profit was recorded.

In 2006, Hong Kong Inland Revenue Department ("the IRD") accepted the settlement proposal of treating the sales proceeds from the disposal of APSTAR 2R as taxable income arising over the remaining life of APSTAR 2R until the tax assessment year of 2012/2013.

During 2009, the Group entered into a Termination lease agreement ("Termination") to cancel, terminate and extinguish all rights, duties, liabilities and obligations of the 1999 Lease Agreement with payment of $537,069,000. The payment is allocated to the estimated fair value of property, plant and equipment and intangible asset, respectively, as it is considered that the remaining life span of the transponder capacity of APSTAR 2R has been transferred to the Group upon Termination. Following the tax treatment in respect of the sales proceeds in relation to the 1999 Lease Agreement, management considered the payment should be treated as a reduction of sales proceeds over the remaining life of APSTAR 2R until the tax assessment year of 2012/2013.

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	Termination benefits $'000	2010 Total $'000
Executive directors						
Cheng Guangren *(note (c))*	50	2,515	998	180	–	3,743
Qi Liang *(note (c))*	50	1,726	762	126	–	2,664
Non-executive directors						
Rui Xiaowu *(note (a))*	–	–	–	–	–	–
Lim Toon	50	–	–	–	–	50
Yin Yen-liang	50	–	–	–	–	50
Wu Zhen Mu	50	–	–	–	–	50
Yong Foo Chong	50	–	–	–	–	50
Wu Jinfeng	47	–	–	–	–	47
Zhuo Chao	3	–	–	–	–	3
Tseng Ta-mon *(note (b))*	–	–	–	–	–	–
Independent non-executive directors						
Lui King Man	200	–	–	–	–	200
Lam Sek Kong	200	–	–	–	–	200
Cui Liguo	200	–	–	–	–	200
	950	4,241	1,760	306	–	7,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' REMUNERATION (Continued)

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	Termination benefits $'000	2009 Total $'000
Executive directors						
Cheng Guangren *(note (c))*	50	2,644	700	175	–	3,569
Qi Liang *(note (c))*	50	1,843	640	130	–	2,663
Tong Xudong *(note (c))*	21	908	–	61	944	1,934
Non-executive directors						
Rui Xiaowu *(note (a))*	–	–	–	–	–	–
Lim Toon	50	–	–	–	–	50
Yin Yen-liang	50	–	–	–	–	50
Wu Zhen Mu	50	–	–	–	–	50
Yong Foo Chong	50	–	–	–	–	50
Wu Jinfeng	29	–	–	–	–	29
Tseng Ta-mon *(note (b))*	–	–	–	–	–	–
Independent non–executive directors						
Lui King Man	200	–	–	–	–	200
Lam Sek Kong	200	–	–	–	–	200
Cui Liguo	200	–	–	–	–	200
Huan Guocang	200	–	–	–	–	200
	1,150	5,395	1,340	366	944	9,195

Notes:

(a) Mr. Rui Xiaowu, a non-executive director, has waived his director's fees for 2010 and 2009.

(b) Mr. Tseng Ta-mon was an alternate director. Alternate directors are not entitled to receive any director's fees.

(c) The amounts represented the actual amount paid to or receivable by respective directors for the year. In addition to the amounts disclosed above, directors and key management are entitled to performance related bonuses of $955,000 (2009: $2,635,000). The allocation of the said bonuses has yet to be determined.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group, there are two directors (2009: three) whose remuneration is disclosed in note 7. The aggregate of emoluments in respect of the other three (2009: two) individuals are as follows:

	2010 $'000	2009 $'000
Salaries and other emoluments	**3,426**	2,878
Performance related bonuses	**1,549**	882
Retirement benefits contributions	**247**	201
Termination benefits	**–**	977
	5,222	4,938

The emoluments of the three (2009: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2010	2009
$Nil to $1,000,000	**–**	–
$1,000,001 to $1,500,000	**2**	–
$2,000,001 to $2,500,000	**1**	2
	3	2

9 GAIN FROM LIQUIDATION OF A SUBSIDIARY

Pursuant to the resolution dated 22 May 2009, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the Company entered into voluntary liquidation. CTIA has been dissolved on 13 January 2010 and a gain of $6,146,000 was recognised on liquidation in 2009.

10 PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of $4,574,000 (2009: $6,258,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable for the year

	2010 $'000	2009 $'000
Final dividend	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

11 DIVIDENDS (Continued)

At a board meeting held on 24 March 2011, the Board of Directors has recommended to make a bonus issue to all shareholders whose names appear on the register of members of the Company as at the close of business on 24 May 2011, on the basis of 1 bonus share for every 2 shares held.

12 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 $198,499,000 (2009: $254,084,000) and the weighted average of 414,101,000 ordinary shares (2009: 413,265,000 shares) in issue during the year ended 31 December 2010.

(i) Weighted average number of ordinary shares

	2010 Number	2009 Number
Issued ordinary shares at 1 January	**413,265,000**	413,265,000
Effect of share options exercised *(note 29)*	**836,000**	–
Weighted average number of ordinary shares at 31 December	**414,101,000**	413,265,000

(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 $198,499,000 (2009: $254,084,000) and the weighted average of 414,232,000 ordinary shares (2009: 413,265,000 shares) during the year ended 31 December 2010.

(i) Weighted average number of ordinary shares (diluted)

	2010 Number	2009 Number
Weighted average number of ordinary shares at 31 December	**414,101,000**	413,265,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 29)*	**131,000**	–
Weighted average number of ordinary shares (diluted) at 31 December	**414,232,000**	413,265,000

13 SEGMENTAL REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of satellite services, which each segment representing a strategic business segment that offers different services in the global market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the year ended 31 December 2010 and 2009 were mainly derived from provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

Segment results, assets and liabilities

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 year ended 31 December 2010 and 2009.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	20010 $'000	2009 $'000	2010 $'000	2009 $'000
Turnover from external customers	**72,161**	63,958	**179,209**	151,755	**78,007**	82,094	**148,254**	108,548	**241,804**	171,760	**719,435**	578,115

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14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication satellites $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 January 2009	117,107	12,131	43,946	125,899	4,829,172	6,529	5,134,784
Additions	–	86	38	269	404,979	250,056	655,428
Disposals	–	–	(261)	(4,814)	(62,589)	–	(67,664)
Effect of cost adjustment *(note (ii))*	–	–	–	–	(11,700)	–	(11,700)
Transfer	–	5,100	2,223	5,663	–	(12,986)	–
At 31 December 2009	117,107	17,317	45,946	127,017	5,159,862	243,599	5,710,848
At 1 January 2010	117,107	17,317	45,946	127,017	5,159,862	243,599	5,710,848
Additions	2,432	348	805	940	–	1,158,116	1,162,641
Disposals	–	(35)	(1,423)	(35,735)	–	–	(37,193)
Effect of cost adjustment *(note (ii))*	–	–	–	–	(15,600)	–	(15,600)
Transfer	–	160	874	64	–	(1,098)	–
At 31 December 2010	119,539	17,790	46,202	92,286	5,144,262	1,400,617	6,820,696
Accumulated depreciation:							
At 1 January 2009	25,924	4,696	40,462	102,076	2,763,714	–	2,936,872
Charge for the year	2,395	1,060	1,390	9,322	250,882	–	265,049
Written back on disposal	–	–	(260)	(4,812)	(22,022)	–	(27,094)
At 31 December 2009	28,319	5,756	41,592	106,586	2,992,574	–	3,174,827
At 1 January 2010	28,319	5,756	41,592	106,586	2,992,574	–	3,174,827
Charge for the year	2,465	1,371	1,721	5,028	308,887	–	319,472
Written back on disposal	–	(35)	(1,217)	(35,441)	–	–	(36,693)
At 31 December 2010	30,784	7,092	42,096	76,173	3,301,461	–	3,457,606
Net book value:							
At 31 December 2010	**88,755**	**10,698**	**4,106**	**16,113**	**1,842,801**	**1,400,617**	**3,363,090**
At 31 December 2009	88,788	11,561	4,354	20,431	2,167,288	243,599	2,536,021

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (continued)

Notes:

(i) Impairment loss

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

(ii) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001, the Group is entitled to a payment of US$1,500,000 (approximately $11,700,000) upon successful delivery of a satellite by Thales to its own customers with technical designs that are identical to APSTAR 6 satellite. During 2009, $11,700,000 was recognised from Thales in respect of delivery of a satellite with the same technical design of APSTAR 6, and treated as a reduction to the cost of property, plant and equipment – communication satellites.

Pursuant to an amendment to the aforementioned agreement entered into with Thales on 21 April 2010, the Group is entitled to a payment of US$2,000,000 (approximately $15,600,000), as full and final settlement in respect of two satellites contracts entered into by Thales which have the identical technical design to APSTAR 6 satellite, regardless of the status and conditions of the concerned satellite contracts. During 2010, $15,600,000 was recognised from Thales and treated as a reduction to the cost of property, plant and equipment – communication satellites.

(b) The Company

	Motor vehicle $'000
Cost:	
At 1 January 2009, 31 December 2009 and 31 December 2010	411
Accumulated depreciation:	
At 1 January 2009, 31 December 2009 and 31 December 2010	411
Net book value:	
At 31 December 2009 and 31 December 2010	–

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For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) The analysis of net book value of land and buildings held by the Group is as follows:

	Land and buildings	
	2010	**2009**
	$'000	**$'000**
Medium-term leases in Hong Kong	**86,395**	88,788
Medium-term leases outside Hong Kong	**2,360**	–
	88,755	88,788

(d) Fixed assets under finance leases

In August 2004, the in-orbit tests of APSTAR 5 with 54 transponders were completed and APSTAR 5 was put into service on 13 August 2004. Based on the arrangements entered into by the Group and the vendor, Loral Orion, Inc ("Loral Orion"), the Group assumed the risks and rewards of 37 transponders ("APT Transponders") for the entire operational life of APSTAR 5 under finance leases, while the risks and rewards relating to the other 17 transponders remained with Loral Orion.

Pursuant to the various amended agreements with Loral Orion, Loral Orion has options to take up 4 APT Transponders from the fourth year and another 4 APT Transponders from the fifth year after completion of in-orbit tests of APSTAR 5, for their remaining operational lives at a total consideration of $282,865,000. Telesat Satellite LP ("Telesat," the successor of Loral Orion) exercised its right to take up all 8 APT Transponders under this arrangement during 2006 to 2009. Thereafter, the risks and rewards associated to the remaining 29 APT Transponders of APSTAR 5 reside in the Group.

As at 31 December 2010, the net book value of communication satellites held under finance leases in connection with APSTAR 5 amounted to $499,808,000 (2009: $563,672,000).

(e) In-orbit insurance of satellites

As of 31 December 2010, the Group did not have full in-orbit insurance coverage for its satellites. The in-orbit satellites had a net book value in aggregate of $1,842,801,000 (2009: $2,167,288,000) as of 31 December 2010.

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) Additions of satellites and construction in progress

(i) Additions of satellite for the year ended 31 December 2009 related to the estimated fair value of $404,979,000 of the remaining life span of the transponder capacity of APSTAR 2R upon Termination of 1999 lease agreement (note 6(b)(i)).

(ii) Additions of construction in progress for the year ended 31 December 2010 mainly related to the progress payments and the finance cost incurred in respect of loans entered into for the sole purpose of financing the construction of APSTAR 7 and APSTAR 7B of $1,156,704,000 (2009: $243,553,000).

On 23 April 2010, APT Satellite Company Limited ("APT HK"), a wholly owned subsidiary of the Company, entered into a satellite procurement contract for manufacturing of APSTAR 7 to replace APSTAR 2R which is due to retire by 2012 and further entered into a launch service contract in respect of the planned launch of APSTAR 7 in the first quarter of 2012.

Given the importance of the timely replacement of APSTAR 2R, APT HK entered into a satellite procurement contract to construct APSTAR 7B as a backup plan for any failure with APSTAR 7. A launch service agreement was also entered into so that in the event that APSTAR 7 encounters any problems, the backup plan can be implemented for the replacement of APSTAR 2R through APSTAR 7B.

15 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2010 at $2,665,000 (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 $233,000 (2009: loss of $295,000) has been recognised in the profit or loss during the year.

During 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.

The investment properties, which are situated in the PRC under medium-term leases, are rented out under operating leases and the rental income earned from the investment properties during the year was $130,000 (2009: $190,000).

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16 INTANGIBLE ASSET

The carrying amount of acquired intangible asset not subject to amortisation consists of the following:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Orbital slot	**133,585**	133,585	**–**	–

The Group has obtained the right to operate a satellite at an orbital slot through Termination. Such intangible asset is considered to have an indefinite life.

No impairment of the intangible asset is recorded as of 31 December 2010 and 2009.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation by discounting future cash flows annually. The cash flows used in the calculation is based on the most up-to-date budgets and plans formally approved by management for the three years ending 31 December 2012 with subsequent transition to perpetuity. Subsequent to 2012, the estimated income derived from provision of satellite transponder capacity and related services to perpetuity is used which complies with general expectations for the business. The present value of cash flows is calculated by discounting with a discount rate of approximately 5.5%.

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Interest in subsidiaries

	The Company	
	2010 $'000	2009 $'000
Unlisted shares, at cost	**615,862**	615,862

(b) Amounts due from subsidiaries under current assets are unsecured, interest-free and repayable on demand.

(c) Particulars of subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	–	Investment holding
Acme Star Investment Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite Company Limited	Hong Kong	Ordinary Class "A" HK$100; Non-voting Deferred Class "B" HK$542,500,000	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Enterprise Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Global Company Limited	Cayman Islands	US$2	100%	–	100%	Investment holding
APT Satellite Link Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Telewell Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite TV Development Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite television uplink and downlink services
APT Satellite Vision Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite transponder capacity
APT Telecom Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of telecommunication services
Haslett Investments Limited	British Virgin Islands	US$1	100%	–	100%	Inactive
The 138 Leasing Partnership	Hong Kong	Partners capital HK$329,128,857	N/A	N/A	N/A	Inactive

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For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Group's effective interest	held by the Company	held by subsidiary	Principal activities
Ying Fai Realty (China) Limited	Hong Kong/ PRC	HK$20	100%	–	100%	Property holding
亞訊通信技術開發(深圳)有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	Wholly-owned foreign enterprises, PRC	Registered capital HK$10,000,000	100%	–	100%	Provision of satellite transponder capacity
Middle East Ventures Limited	British Virgin Islands	US$1	100%	–	100%	Investment holding
Middle East Satellite FZE	Ras Al Khaimah Free Trade Zone, United Arab Emirates	AED300,000	100%	–	100%	Management and project management consultancy

* The place of operations is the place of incorporation/establishment unless otherwise stated.

No loan capital has been issued by any of the subsidiaries.

18 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid expenses represent the advance payment of license fee for the right to use certain designated transmission frequencies. Part of the prepaid expenses which fall due within one year are included as part of deposits, prepayments and other receivables.

	The Group	
	2010	**2009**
	$'000	**$'000**
Balance at 31 December	**25,547**	32,947
Less: current portion (included in deposits, prepayments and other receivables under current assets)	**(3,657)**	(7,400)
Non-current portion	**21,890**	25,547

19 TRADE RECEIVABLES, NET

	The Group	
	2010	**2009**
	$'000	**$'000**
Due from third parties	**54,355**	106,171
Due from fellow subsidiaries	**4,442**	5,298
Due from holding company of a shareholder of the Company	**1,106**	5,377
	59,903	116,846

The trade receivables are expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

19 TRADE RECEIVABLES, NET (Continued)

(a) Ageing analysis

The Group allows a credit period of 30 days to its trade customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	The Group	
	2010	**2009**
	$'000	**$'000**
0 – 30 days	**44,735**	80,017
31 – 60 days	**10,424**	18,742
61 – 90 days	**3,910**	5,025
91 – 120 days	**204**	4,866
Over 120 days	**630**	8,196
	59,903	116,846

The Group's credit policy is set out in note 31(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(j)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**15,329**	13,867	**–**	–
Impairment loss (written back)/ recognised	**(147)**	1,462	**–**	–
Uncollectible amounts written off	**(514)**	–	**–**	–
At 31 December	**14,668**	15,329	**–**	–

19 TRADE RECEIVABLES, NET (Continued)

(b) Impairment of trade receivables (continued)

As at 31 December 2010, the Group's trade receivables of $14,668,000 (2009: $15,329,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Specific allowances for doubtful debts of $147,000 had been written back (2009: $1,462,000 was recognised). The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Less than 1 month past due	**44,735**	80,017	**–**	–
1 to 3 months past due	**14,334**	23,767	**–**	–
More than 3 months past due	**834**	13,062	**–**	–
At 31 December	**59,903**	116,846	**–**	–

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2010 **$'000**	**2009** **$'000**	**2010** **$'000**	**2009** **$'000**
Deposits with banks and other financial institutions	**–**	217,326	**–**	–
Cash at bank and on hand	**121,485**	58,604	**100**	209
Cash and cash equivalents in the balance sheet and cash flow statement	**121,485**	275,930	**100**	209

20 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	The Group	
	2010	**2009**
	$'000	**$'000**
Profit before taxation	**272,433**	211,904
Adjustment for:		
– Depreciation	**319,472**	265,049
– Loss/(gain) on disposal of property, plant and equipment	**225**	(30,149)
– Net valuation (gain)/loss on investment properties	**(233)**	295
– Interest income	**(1,142)**	(1,419)
– Finance costs	**6,330**	4,868
– Gain from liquidation of a subsidiary	**–**	(6,146)
– Impairment loss for trade and other receivables (written back)/ recognised	**(147)**	1,462
Operating profit before changes in working capital:	**596,938**	445,864
– Decrease/(increase) in trade receivables, net	**57,090**	(51,165)
– Decrease/(increase) in prepaid expenses	**3,656**	(6,524)
– Increase in amount due from immediate holding company	**(66)**	(64)
– Decrease in deposits, prepayments and other receivables	**1,589**	15,146
– Increase in payables and accrued charges	**711**	1,662
– (Decrease)/increase in rentals received in advance	**(766)**	18,803
– Increase in amount due to a fellow subsidiary	**65**	–
– Decrease in deferred income	**(34,832)**	(2,120)
– (Decrease)/increase in deposits received	**(1,090)**	13,154
Cash generated from operations	**623,295**	434,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

21 PAYABLES AND ACCRUED CHARGES

The ageing analysis of accounts payable and accrued charges as of the balance sheet date is as follows:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
0 – 3 months	**149,017**	115,125	**13**	2,268
4 – 6 months	**–**	–	**–**	–
7 – 9 months	**–**	–	**–**	–
9 – 12 months	**–**	–	**–**	–
	149,017	115,125	**13**	2,268
Accrued expenses	**28,377**	83,734	**6,001**	3,218
At 31 December	**177,394**	198,859	**6,014**	5,486

Included in the payables and accrued charges at 31 December 2009 was a deferred consideration of $53,707,000 in relation to the Termination as mentioned in note 6(b)(i). No such deferred consideration is included in the payables and accrued charges at 31 December 2010.

All payables and accrued charges are expected to be settled within one year.

22 SECURED BANK BORROWINGS

	The Group	
	2010	**2009**
	$'000	**$'000**
Bank loans	**664,539**	209,731
Less: Amount due within one year included under current liabilities	**(139,016)**	(69,690)
Amount due after one year	**525,523**	140,041

22 SECURED BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	The Group	
	2010	**2009**
	$'000	**$'000**
Within one year or on demand	**139,016**	69,690
After one year but within five years	**525,523**	140,041
	664,539	209,731

23 DERIVATIVE FINANCIAL INSTRUMENT

The Group entered into certain forward exchange contracts to hedge the risk from upcoming progress payment in Euros for procurement. The forward exchange contract would be executed on 1 April 2011 with an option of early execution. At 31 December 2010, the maximum purchase commitment of the Group under this contract amounted to US$12,249,000. 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 nonfinancial 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.

24 LOAN FROM A FELLOW SUBSIDIARY

The balance represents financing provided by a fellow subsidiary 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 31 December 2010, the loan is interest bearing at LIBOR plus 2% mark-up and due for payment on 31 December 2012. Early payment of all or part of the balance maybe made at any time before the repayment date without penalty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 DEPOSITS RECEIVED

The amount represents deposits received in respect of provision of satellite transponder capacity service, satellite-based broadcasting and telecommunications services and other services.

26 DEFERRED INCOME

Deferred income represents unrecognised revenue received in respect of income for provision of transponder utilisation service and related services for future periods. Deferred income is recognised in profit or loss according to revenue recognition policy of transponder utilisation income and related services as mentioned in note 1(s)(i).

27 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2010 **$'000**	**2009** **$'000**
Overseas tax payable	**4,858**	4,370
Balance of overseas tax provision relating to prior years	**94,699**	92,627
	99,557	96,997

27 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Deferred lease income $'000	Other temporary differences $'000	Total $'000
At 1 January 2009	305,419	(321,438)	104,359	(1,358)	86,982
(Credited)/charged to profit or loss	(27,267)	73,867	(101,264)	309	(54,355)
At 31 December 2009	278,152	(247,571)	3,095	(1,049)	32,627
At 1 January 2010	278,152	(247,571)	3,095	(1,049)	32,627
(Credited)/charged to profit or loss	(7,626)	67,423	1,271	17	61,085
At 31 December 2010	**270,526**	**(180,148)**	**4,366**	**(1,032)**	**93,712**

	The Group	
	2010 $'000	**2009 $'000**
Net deferred tax liabilities recognised in the consolidated balance sheet	**93,712**	32,627

(ii) The Company

The Company did not have any deferred tax assets/liabilities recognised in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

27 INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $109,174,000 (2009: $122,129,000) and other deductible temporary differences of $3,270,000 (2009: $789,000) as the realisation of the assets was considered less than probable. The tax losses do not expire under current tax legislation.

28 SHARE CAPITAL

(a) Authorised and issued share capital

	2010		2009	
	Number of shares	$'000	Number of shares	$'000
Authorised:				
Ordinary shares of $0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**413,265,000**	**41,327**	413,265,000	41,327
Shares issued under share option scheme *(note 29)*	**1,273,000**	**127**	–	–
At 31 December	**414,538,000**	**41,454**	413,265,000	41,327

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

28 SHARE CAPITAL (Continued)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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28 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

The net debt-to-adjusted capital ratio at 31 December 2010 and 2009 was as follows:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities:				
Payables and accrued charges	**177,394**	198,859	**6,014**	5,486
Amount due to a fellow subsidiary	**65**	–	**–**	–
Secured bank borrowings due within one year	**139,016**	69,690	**–**	–
	316,475	268,549	**6,014**	5,486
Non-current liabilities:				
Secured bank borrowings due after one year	**525,523**	140,041	**–**	–
Loan from a fellow subsidiary	**23,400**	–	**–**	–
Total debt	**865,398**	408,590	**–**	5,486
Less: Cash and cash equivalents	**(121,485)**	(275,930)	**(100)**	(209)
Pledged bank deposits	**(76,917)**	(8,300)	**–**	–
Net debt	**666,996**	124,360	**5,914**	5,277
Total equity	**2,487,562**	2,289,157	**1,941,131**	1,942,186
Hedging reserve	**2,233**	–	**–**	–
Adjusted capital	**2,489,795**	2,289,157	**1,941,131**	1,942,186
Net debt-to-adjusted capital ratio	**27%**	5%	**1%**	1%

28 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

On 29 June 2009, APT HK entered into a US$50 million general banking facilities arrangement ("the 2009 Facilities"), 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. During the year, APT HK has drawn down US$20,000,000 (approximately $156,000,000) and repaid US$11,000,000 (approximately $85,800,000) against the 2009 Facilities. As a result, the outstanding principal balance of the 2009 Facilities was US$36,000,000 (approximately $280,800,000) at 31 December 2010.

On 9 July 2010, APT HK, as borrower and the Company as guarantor entered into a Facilities Agreement with a syndicate of banks in respect of term loan facilities not exceeding the aggregate maximum amount of US$200 million ("the 2010 Facilities"). The 2010 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 2010 Facilities shall be repayable by way of semi-annual instalments 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 2010 Facilities shall be applied to finance APSTAR 7 including its construction, launch costs and their related construction costs and insurance premium. At 31 December 2010, US$51,000,000 (approximately $397,800,000) has been drawn down against the 2010 Facilities.

The 2009 and 2010 Facilities ("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 and $1,800,000,000 for the 2009 and 2010 Facilities respectively, (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 and US$30,000,000 for the 2009 and 2010 Facilities, respectively.

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For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

28 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

(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.

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. For the year ended 31 December 2010, the Group complied with all of the above covenants.

At 31 December 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 $4,189,000 (2009: $4,305,000).

29 SHARE OPTIONS

(a) Share options scheme

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.

The total number of shares which may be issued upon exercise of all options to be granted under Scheme 2001 and Scheme 2002 shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at 31 December 2010, 414,538,000 shares of the Company were in issue (2009: 413,265,000).

Under Scheme 2002, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Exchange's") daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

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29 SHARE OPTIONS (Continued)

(a) Share options scheme (Continued)

During the year 31 December 2010 and 2009, no options were granted or cancelled under the Scheme 2002.

Under the Scheme 2001, the maximum entitlement of each eligible person was that the total number of shares issued or issuable under all options granted to such eligible person (including both exercised and outstanding options) upon such grant being made shall not exceed 25% of the total number of the shares for the time being issued and issuable under the Scheme 2001. In addition, the subscription price was determined by the Board of Directors on a case-by-case basis and would not be less than the nominal value of the shares nor at a discount of more than 20% below the average closing price of the shares as stated in the Exchange's daily quotation sheets on the five dealing days immediately preceding the date on which the invitation to apply for an option under Scheme 2001.

(b) Movements in share options

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

	2010		2009	
	Weighted average exercise price $	Number	Weighted average exercise price $	Number
At 1 January	**2.765**	**3,250,000**	2.765	3,290,000
Exercised during the year	**2.765**	**(1,273,000)**	–	–
Cancelled during the year	**2.765**	**(240,000)**	2.765	(40,000)
At 31 December	**2.765**	**1,737,000**	2.765	3,250,000
Options vested at 31 December	**2.765**	**1,737,000**	2.765	3,250,000

Proceeds received from the issuance of 1,273,000 shares (2009: nil) as a result of the share options exercised under the Scheme 2001 amounted to $3,519,000 (2009: $nil) of which $127,000 was credited to share capital and the balance of $3,392,000 was credited to the share premium account. $3,611,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(p)(ii). The exercise price and weighted average closing price per share of the share options exercised during the year is $2.765 and $3.48, respectively.

The above options are exercisable within the period from 22 May 2003 to 21 May 2011. No share options were granted in 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

29 SHARE OPTIONS (Continued)

(c) 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 option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

30 RESERVES

The contributed surplus of the Group arose as a result of the Group reorganisation in 1996 and represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration thereof.

The contributed surplus of the Company also arose as a result of the Group reorganisation in 1996 and represented the excess of the value of the subsidiaries acquired over the par value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with accounting policy adopted for share based payments in note 1(p)(ii).

Revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted in note 1(g).

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with is accordance with accounting policy adopted in note 1(t).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(f)(i).

Other reserves represent the Enterprise Expansion Fund, General Reserve Fund and Statutory Reserves set aside by subsidiaries in accordance with the relevant laws and regulations of the relevant countries, which are not available for distribution.

At 31 December 2010, the Company's reserves available for distribution amounted to $600,212,000 (2009: $604,106,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, other financial assets and cash investments. The maximum exposure to credit risk is presented by the carrying amount of those financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, periodic credit evaluations are performed of customers' financial condition. The Group generally does not require collateral because it usually receives trade deposits which represent a quarter of utilisation fees payable to the Group. The transponder utilisation agreements are subject to termination by the Group if utilisation payments are not made on a timely basis.

Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

At the balance sheet date, the Group has a certain concentration of credit risk as 18% (2009: 10%) and 48% (2009: 37%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the satellite transponder business segment.

The credit risk on liquid funds is limited because the majority of counter parties are financial institutions with high credit ratings assigned by international credit-rating agencies and state-controlled financial institutions with good reputation. The Group's management does not expect any losses from non-performance by these counter parties.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group	2010					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	177,394	(177,394)	(177,394)	–	–	–
Amount due to a fellow subsidiary	65	(65)	(65)	–	–	–
Secured bank borrowings	664,539	(711,041)	(154,583)	(214,048)	(342,410)	–
Loan from a fellow subsidiary	23,400	(24,378)	(489)	(23,889)	–	–
Derivative financial instrument	2,233	(2,233)	(2,233)	–	–	–
	867,631	(915,111)	(334,764)	(237,937)	(342,410)	–

The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	6,014	(6,014)	(6,014)	–	–	–

The Group	2009					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	198,859	(198,859)	(198,859)	–	–	–
Secured bank borrowings	209,731	(218,914)	(74,602)	(96,534)	(47,778)	–
	408,590	(417,773)	(273,461)	(96,534)	(47,778)	–

The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	5,486	(5,486)	(5,486)	–	–	–

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2010, the Group's outstanding bank loans and loan from a fellow subsidiary consisted of variable interest rate loans only. From time to time, the Group may enter into interest rate swap agreements designed to mitigate exposure to interest rate risks, although the Group did not consider it necessary to do so in 2010. Upward fluctuations in interest rates increase the cost of new bank loans and the interest cost of outstanding bank loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

(i) Interest rate profile

The Group	**2010**		**2009**	
	Effective interest rate	**Amount**	**Effective interest rate**	**Amount**
	%	**$'000**	**%**	**$'000**
Variable rate borrowings:				
Secured bank borrowings and loan from a fellow subsidiary	**2.09**	**7,716**	2.09	2,466

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit after taxation and total equity by $5,862,000 (2009: $1,759,000), so far as the effect on interest-bearing financial instruments is concerned.

The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk on a reasonable level.

(d) Currency risk

The Group's reporting currency is the Hong Kong dollar. The Group's revenues, premiums for satellite insurance coverage and debt service and substantially all capital expenditures were denominated in United States dollars and Euros. The Group's remaining expenses were primarily denominated in Hong Kong dollars. Gains and losses resulting from the effects of changes in the United States dollar to the Hong Kong dollar exchange rate are recorded in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (continued)

(i) Forecast transactions

From time to time, the Group would use forward exchange contracts to hedge no less than 60% of its estimated foreign currency exposure in respect of the progress payments for APSTAR 7 and APSTAR 7B which are denominated in Euros. The forward exchange contracts are usually entered into within 1 to 6 months of the progress payment due date. All transactions denominated in United States dollars which, or are expected to be, entered into by operations with a functional currency of Hong Kong dollars. Such transactions are currently not hedged under the Group's foreign currency risk management strategy as the group currently considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant.

The Group uses forward exchange contracts to hedge its currency risk and classifies these as cash flow hedges. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

At 31 December 2010, the Group had forward exchange contracts hedging forecast transactions with a net fair value of $2,233,000 (2009: $nil), recognised as derivative financial instrument.

(ii) Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in reserve. The net fair value of forward exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2010 was $2,233,000 (2009: $nil), recognised as derivative financial instrument.

In respect of other trade receivables and payables and cash and cash equivalents held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (continued)

(iii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group	2010		2009	
	Euros '000	Renminbi '000	Euros '000	Renminbi '000
Trade receivables, net	**–**	**2,254**	–	2,299
Deposits, prepayments and other receivables	**–**	**18**	–	378
Cash and cash equivalents	**32**	**108,532**	12,817	53,560
Payables and accrued charges	**(440)**	**(527)**	(8,736)	(435)
Overall net exposure	**(408)**	**110,277**	4,081	55,802

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group	2010		2009	
	Increase/ decrease in foreign exchange rates %	Effect on profit after tax and retained profits $'000	Increase/ decrease in foreign exchange rates %	Effect on profit after tax and retained profits $'000
Renminbi	**+/-5**	**+/-5,417**	+/-5	+/-2,647
Euros	**+/-5**	**+/-169**	+/-5	+/-1,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values

The following financial assets and liabilities have their carrying amount approximately equal to their fair value: trade receivables, deposits, prepayments and other receivables, cash and cash equivalents, payables and accrued charges.

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS/HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group	
	2010 Level 2 $'000	**2009 Level 2 $'000**
Derivative financial instrument		
– Forward exchange contracts	**2,233**	–

(ii) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 PLEDGES OF ASSETS

At 31 December 2010, the pledged bank deposits of $76,917,000 (2009: $8,300,000) are related to certain commercial arrangements and Banking Facilities during the year.

At 31 December 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 $4,189,000 (2009: $4,305,000).

33 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. The 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 guarantees to bank in respect of the Banking Facilities granted to its subsidiary. The extent of such Banking Facilities utilised by the subsidiary at 31 December 2010 amounted to $678,600,000 (2009: $210,600,000).

34 COMMITMENTS

At 31 December 2010, the Group had the following outstanding capital commitments not provided for in the Group's financial statements:

	The Group	
	2010	**2009**
	$'000	**$'000**
Contracted for	**2,200,662**	1,189,481
Authorised but not contracted for	**–**	530,400
	2,200,662	1,719,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

35 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(i) Land and buildings:

	The Group	
	2010 **$'000**	**2009** **$'000**
Within one year	**111**	82
After one year but within five years	**207**	8
	318	90

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for a period of one to three years and rentals are fixed for the whole lease term.

(ii) Satellite transponder capacity:

	The Group	
	2010 **$'000**	**2009** **$'000**
Within one year	**219**	164

Operating lease payments represent rentals payable by the Group for the leasing of satellite transponders for a period of one to three years and rentals are fixed for the whole lease term.

The Group as lessor

Property rental income earned during the year was $386,000 (2009: $485,000). At the balance sheet date, certain properties with an aggregate carrying value of $8,421,000 (2009: $10,780,000) were held for rental purposes and the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $360,000 (2009: $113,000) and after one but within five years amounting $283,000 (2009: $nil). Depreciation charged for the year in respect of these properties was $160,000 (2009: $160,000).

35 LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

Service income earned relating to leasing of facilities equipment during the year was $2,241,000 (2009: $1,978,000). At the balance sheet date, the Group had contracted with customers for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $2,431,000 (2009: $2,431,000) and after one but within five years amounting $271,000 (2009: $2,605,000).

The Company did not have any leasing arrangements at the balance sheet date.

36 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Under the scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 and thereafter contributions are voluntary. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

As stipulated by the regulations of the PRC, the subsidiaries in the PRC participate in basic defined contribution pension plans organised by their respective Municipal Governments under which they are governed. Employees in the PRC are entitled to retirement benefits equal a fixed proportion of their salaries at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate on the salaries, bonuses and certain allowances of employees.

Other than the above, the Group also participate in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group are required to make contributions to the retirement plans at fixed rate of the employees' salary cost or in accordance with the terms of the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

37 MATERIAL RELATED PARTY TRANSACTIONS

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

	The Group	
	2010 **$'000**	**2009** **$'000**
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to fellow subsidiaries *(note (i))*	**118,404**	57,035
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))*	**42,726**	46,766
Management fees paid to a fellow subsidiary *(note (ii))*	**(253)**	(2,813)
Transponder capacity services cost paid to a fellow subsidiary *(note (iii))*	**(206)**	(84)

Certain of these transactions also constitute connected transactions under the Listing Rules.

(b) At the balance sheet date, the Group had the following amounts included in the consolidated balance sheet in respect of amounts owing by and to related parties:

	Amount due from immediate holding company		Trade receivables, net		Payables and accrued charges		Amount due to a fellow subsidiary		Loan from a fellow subsidiary		Rentals in advance and deferred income	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Immediate holding company	**286**	219	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Fellow subsidiaries	**–**	–	**4,442**	5,298	**–**	318	**65**	–	**23,400**	–	**8,026**	5,847
Holding company of a shareholder of the Company *(note (i))*	**–**	–	**1,106**	5,377	**–**	–	**–**	–	**–**	–	**142,232**	180,593
A subsidiary of a shareholder of the holding company	**–**	–	**–**	–	**–**	412	**–**	–	**–**	–	**–**	–

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) (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 year.

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

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2010 $'000	**2009 $'000**
Short-term employee benefits	**9,379**	11,094
Performance related bonuses	**4,755**	5,799
Other long-term benefits	**609**	681
Termination benefits	**–**	1,921
	14,743	19,495

Total remuneration is included in "staff costs" (see note 5(b)).

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2010 to be APT Satellite International Company Limited and China Aerospace Science & Technology Corporation, which is incorporated in the British Virgin Islands and the PRC, respectively. Both entities do not produce financial statements available for public use.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

The financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies

The following are some of the more critical judgement areas in the application of the Group's accounting policies that currently affect the Group's financial condition and results of operations.

(i) Depreciation

Depreciation of communication satellites is provided for on the straight-line method over the estimated useful life of the satellite, which is determined by engineering analysis performed at the in-services date and re-evaluated periodically. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used and the skill with which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites have been subjected to certain operational lives, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts periodically. Accordingly, the estimated useful lives of the Group's satellites are reviewed using current engineering data. If a significant change in the estimated useful lives of our satellites is identified, the Group accounts for the effects of such change as depreciation expenses on a prospective basis. Details of the depreciation of communication satellites are disclosed in notes 1(h) and 14.

(ii) Trade receivables and other receivables

The management of the Group estimates the provision of bad and doubtful debts required for the potential non-collectability of trade receivables and other receivables at each balance sheet date based on the ageing of its customer accounts and its historical write-off experience, net of recoveries. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group does not make a general provision on its trade receivables and other receivables, but instead, makes a specific provision on its trade receivables and other receivables. Hence, the Group continuously monitors collections and payments from customers and maintains allowances for bad and doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the customers of the Group were to deteriorate, actual write-offs would be higher than estimated. For the year ended 31 December 2010, the Group had been written back provision for bad debts in the amount of $147,000 (2009: $1,462,000 was recognised).

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (continued)

(ii) Trade receivables and other receivables (continued)

The Group periodically reviews the carrying amounts of provision for bad and doubtful debts to determine whether there is any indication that the provision needs to be written off. If the Group becomes aware of a situation where a customer is not able to meet its financial obligations due to the cessation of business, bankruptcy or debt re-structuring is completed, or the process of litigation or adjudication is completed, or incapability of debt repayment which is supported by objective evidence, the Group will consider to write off the debt.

(iii) Impairment of property, plant and equipment

The Group periodically reviews internal or external resources to identify indications that the assets may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In assessing the recoverable amount of these assets, the Group is required to make assumptions regarding estimated future cash flows and other factors to determine the net realisable value. If these estimates or their related assumptions change in the future, the Group may be required to adjust the impairment charges previously recorded.

The Group applies the foregoing analysis in determining the timing of the impairment test, the estimated useful lives of the individual assets, the discount rate, future cash flows used to assess impairments and the fair value of impaired assets. It is difficult to precisely estimate the price of the transponder capacities and related satellite services and residual values because the market prices for our assets are not readily available. The estimates of future cash flows are based on the terms of existing transponder capacity and service agreements. The dynamic economic environment in which the Group operates and the resulting assumptions used in setting depreciable lives on assets and judgement relating to the utilisation rate of the assets, price and amount of operating costs to estimate future cash flows impact the outcome of all of these impairment tests. If these estimates or their related assumptions change in the future, the Group may be required to record impairment loss for these assets not previously recorded.

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its use value and fair market value as assessed both by the Group and by an independent professional property appraiser. If the use value or fair market value of the property, plant and equipment are lower than their carrying amount, the Group may be required to record additional impairment loss not previously recognised. Details of the impairment loss of property, plant and equipment are disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (continued)

(iv) Amortisation and impairment of intangible assets

The Group assesses the impairment of intangible asset on an annual basis, or whenever events or changes in circumstances indicate that the carrying amount is likely to exceed the recoverable amount. The Group measures for impairment using a projected discounted cash flow method. If the carrying value of the intangible asset is more than its recoverable amount, the carrying amount of the intangible asset is reduced to its recoverable amount. Testing for impairment requires significant subjective judgements by management. Any changes in the estimates used could have a material impact on the calculation of the recoverable amount and result in an impairment charge.

(v) Contingencies and provisions

Contingencies, representing an obligation that are neither probable nor certain at the date of the financial statements, or a probable obligation for which the cash outflow is not probable, are not recorded.

Provisions are recorded when, at the end of period, there is an obligation of the Group to a third party which is probable or certain to create an outflow of resources to the third party, without at least an equivalent return expected from the third party. This obligation may be legal, regulatory or contractual in nature.

To estimate the expenditure that the Group is likely to bear in order to settle an obligation, the management of the Group takes into consideration all of the available information at the closing date for its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded. For details, please refer to note 33 on contingent liabilities.

For the year ended 31 December 2010 (Expressed in Hong Kong dollars unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised IAS/HKAS 24, *Related party disclosures*	1 January 2011
IFRS/HKFRS 9, *Financial Instruments*	1 January 2013
Improvements to IFRSs/HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to IAS/HKAS 12, *Income taxes*	1 January 2012

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

FIVE YEARS FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 December				
	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Turnover	426,988	451,626	403,672	578,115	**719,435**
Cost of services	(338,259)	(314,792)	(277,581)	(322,049)	**(369,359)**
Gross profit	88,729	136,834	126,091	256,066	**350,076**
Other net income	37,542	26,334	68,871	35,535	**5,242**
Administrative expenses	(88,957)	(81,896)	(84,838)	(80,680)	**(76,788)**
Valuation gain/(loss) on investment property	156	226	(12)	(295)	**233**
Other operating expenses and losses	–	(98)	(8,397)	–	**–**
Profit from operations	37,470	81,400	101,715	210,626	**278,763**
Finance costs	(64,140)	(55,345)	(24,844)	(4,868)	**(6,330)**
Share of results of jointly controlled entities	2,182	(894)	2,397	–	**–**
Gain on disposal of a subsidiary	–	–	3,193	–	**–**
Gain on disposal of a jointly controlled entity	–	–	9,590	–	**–**
Gain from liquidation of a subsidiary	–	–	–	6,146	**–**
(Loss)/profit before taxation	(24,488)	25,161	92,051	211,904	**272,433**
Income tax (expense)/credit	(56,128)	(20,445)	(42,551)	42,180	**(73,934)**
(Loss)/profit for the year	(80,616)	4,716	49,500	254,084	**198,499**
Attributable to:					
Equity shareholders of the Company	(79,480)	5,581	49,587	254,084	**198,499**
Minority interests	(1,136)	(865)	(87)	–	**–**
(Loss)/profit for the year	(80,616)	4,716	49,500	254,084	**198,499**

ASSETS AND LIABILITIES

	At 31 December				
	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Total assets	3,407,562	3,135,582	2,546,283	3,118,579	**3,802,982**
Total liabilities	(1,425,329)	(1,146,891)	(505,718)	(829,422)	**(1,315,420)**
Net assets	1,982,233	1,988,691	2,040,565	2,289,157	**2,487,562**