APT SATELLITE HOLDINGS LIMITED

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

INTERIM REPORT 2011

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 advance 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	
			NO.	Coverage	Number	Coverage
APSTAR 7*	Thale 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	Thale Alenia Space SB-4100C1	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 and Africa (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.

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CORPORATE INFORMATION

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

Non-executive directors

Lei Fanpei *(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

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STOCK CODE

1045

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011.

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

INTERIM RESULTS

For the first half of 2011, the Group's turnover and profit attributable to equity shareholders amounted to HK$372,125,000 (six months ended 30 June 2010: HK$363,157,000) and HK$103,134,000 (six months ended 30 June 2010: HK$97,507,000) representing 2.47% and 5.77% increases respectively as compared with corresponding periods in the previous financial year. Basic earnings per share was HK16.59 cents (six months ended 30 June 2010: HK15.71 cents) and diluted earnings per share was HK16.59 cents (six months ended 30 June 2010: HK15.71 cents).

INTERIM DIVIDEND

Given the Group has achieved an increase of 5.77% in profit attributable to equity shareholders for the first half of 2011 and the need of the implementation of APSTAR 7 and APSTAR 7B satellites for the replacement of APSTAR 2R, the Board has resolved to declare an interim dividend of HK2.00 cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: nil). The interim dividend will be paid on or about Thursday, 6 October 2011 to shareholders whose names appear on the register of members at the close of business on Wednesday, 28 September 2011.

BUSINESS REVIEW

In-Orbit Satellites

The Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition during the period and continue providing reliable service to the Group's customers. As at 30 June 2011, the total transponder utilisation rate of the Group was 77.64%. During the period, the Group has maintained 81.8% in EBITDA Margin (profit before interest, income tax, depreciation and amortisation).

APSTAR 2R

APSTAR 2R satellite, which was based on the FS1300 model and launched in October 1997, contains 28 C-band transponders and 16 Ku-band transponders. The C-band transponders cover Europe, Asia, Africa and Australia, approximately 75% of the world's population and Ku-band transponders mainly cover China and some adjacent countries and regions. As of 30 June 2011, its utilisation rate was 84.13%.

APSTAR 5

APSTAR 5 satellite, which was based on FS1300 model and launched in June 2004, is also one of the latest advanced high power satellites in the region. As at 30 June 2011, the Group has interest in 20 C-band transponders and 9 Ku-band transponders and its utilisation rate was 78.87%.

APSTAR 6

APSTAR 6 satellite, which was based on SB4100 C1 model and launched in April 2005, is one of the latest advanced high power satellites in the region with 38 C-band transponders and 12 Ku-band transponders. As of 30 June 2011, its utilisation rate was 72.58%.

The Group's in-orbit satellites, APSTAR 2R, APSTAR 5 and APSTAR 6, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa, Europe, and Asia Pacific region.

Satellites on Construction

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

APSTAR 7

For the purpose of replacing APSTAR 2R in the end of 2012, the Group has invested for the construction of APSTAR 7, which 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, for even better coverage and capacity of satellite resources.

The construction progress of APSTAR 7 has been smooth and the satellite has entered into the final assembly, integration and test stage. It is expected that APSTAR 7 will be delivered in January 2012 and launched by the Long March LM-3B Enhanced version launch vehicle of China in the first quarter of 2012.

The pre-launch sales of APSTAR 7 has been successful, subsequent to the signing of service agreement with HBO, the Group has successfully signed new service agreements with customers for APSTAR 7 during the period.

APSTAR 7B

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 replacing APSTAR 2R. Once APSTAR 7 is launched and replace APSTAR 2R successfully, the Group will transfer APSTAR 7B to China Satellite Communications Company Limited. This back-up satellite is a very successful arrangement because the Group can save up enormous amount of back-up satellite investment.

The construction progress of APSTAR 7B has been smooth and the satellite has entered into the subsystem's assembly, integration and test stage. It is expected APSTAR 7B can be delivered in June 2012, if necessary.

Launch Insurances

The Group has secured the launch insurance for the launch of APSTAR 7 and APSTAR 7B (if necessary) at a very satisfactory insurance premium rate.

Satellite TV Broadcasting and Uplink Services

The Group's broadcasting services is delivered through its wholly-owned subsidiary, APT Satellite TV Development Limited, which will continue to provide broadcasting TV services under the Non-domestic Television Programme Service Licence. Broadcasting services are very important value-added services for transponder services. During the period, the Group has signed new channels through the existing MCPC Television Platform in APSTAR 6.

Satellite-based Telecommunications Services

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

The Group has re-formulated the business strategies of both TV broadcasting services and telecommunication services and has been strengthening the business activities and development of these two companies.

BUSINESS PROSPECTS

The demand of transponder services in both broadcasting and telecommunication sectors have maintained high utilisation rates in the first half of 2011. While the Group will endeavor to maintain the high utilisation rates of APSTAR 2R, APSTAR 5 and APSTAR 6, we will continue to achieve growth potential raised from APSTAR 2R and APSTAR 7 for maximising profit and future business growth.

APSTAR 7 is scheduled to be launched in the first quarter of 2012. APSTAR 7B will be the back up satellite of APSTAR 7. The Group will closely monitor the implementation of these two satellites ensuring business continuity of the Group.

FINANCE

As at 30 June 2011, the Group's financial position remains sound. Please refer to financial section for detailed analysis.

CORPORATE GOVERNANCE

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

NOTE OF APPRECIATION

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

Lei Fanpei
Chairman

Hong Kong, 29 August 2011

FINANCIAL REVIEW

As at 30 June 2011, 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 during the period:

HK$ thousand	Six months ended 30 June 2011	Six months ended 30 June 2010	Change
Turnover	**372,125**	363,157	+2%
Gross profit	**190,837**	173,306	+10%
Profit before taxation	**139,989**	133,437	+5%
Profit attributable to shareholders	**103,134**	97,507	+6%
Basic earnings per share (HK cents)	**16.59 cents**	15.71 cents	+6%
	At 30 June 2011	At 31 December 2010	
Total assets	**4,311,634**	3,802,982	+13%
Total liabilities	**1,716,156**	1,315,420	+30%
EBITDA Margin (%)	**82%**	82%	–
Gearing ratio (%)	**40%**	35%	+5%
Liquidity ratio	**1.05 times**	0.58 times	+0.47 times

The turnover of the Group in the first half of 2011 slightly increased by 2% from the same period of 2010 to HK$372,125,000 mainly due to increase of income from satellite transponder capacity and related services. The profit attributable to shareholders increased by 6% to HK$103,134,000 due to an increase of gross profit during the period.

FINANCE COSTS

During the period, the Group entered into a swaption contract of notional amount of US$65,000,000. For the period ended 30 June 2011, the change in fair value of the contract of HK$9,768,000 was recognised in profit or loss. Excluding the above finance cost of swaption, the finance cost was HK$1,991,000 for the period ended 30 June 2011, representing a decrease by HK$1,691,000 as compared to finance cost of HK$3,682,000 for the same period in last year.

Finance cost of HK$7,342,000 directly related to the construction of APSTAR 7 and APSTAR 7B has been capitalised during the period.

INCOME TAX

Income tax expenses for the period ended 30 June 2011 increased to HK$36,855,000, as compared to HK$35,930,000 for the same period in 2010. The increase was mainly due to the increase in the profit for the period. The details of income tax of the Group are set out in note 6 of this interim financial report.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for fixed assets was HK$467,553,000 (six months ended of 30 June 2010: HK$375,365,000). The increase was mainly due to the payment of HK$465,276,000 for the construction of the APSTAR 7 and APSTAR 7B and payment of HK$2,277,000 for addition of equipment. The Group expects to incur significant capital expenditures in the next year 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 2010, 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. During the period, the Group has drawn down US$61,700,000 (approximately HK$481,260,000) against the Banking Facility.

In addition, during 2010, 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. During the period, the Group has drawn down US$8,000,000 (approximately HK$62,400,000) under the Loan Agreement.

As at 30 June 2011, the total borrowings amounted to approximately HK$1,169,718,000 (as at 31 December 2010: approximately HK$687,939,000). The Group recorded an increase of approximately HK$481,779,000 in the total borrowings during the period ended 30 June 2011, 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	216,350,000
Repayable after one year but within five years	918,805,000
Repayable after five years	34,563,000
	1,169,718,000

As at 30 June 2011, the Group's total liabilities were HK$1,716,156,000, an increase of HK$400,736,000 as compared to 31 December 2010, which was mainly due to the borrowings as described above. As a result, the gearing ratio (total liabilities/total assets) has increased to 40%, representing a 5% increase as compared to 31 December 2010.

For the period ended 30 June 2011, the Group recorded a net cash inflow of HK$190,419,000 (six months ended 30 June 2010: net cash outflow of HK$89,601,000) which included net cash inflow from operating activities of HK$270,410,000, net cash inflow of HK$472,308,000 generated from financing activities and HK$29,000 increase in cash due to the change in foreign exchange rates. This was offset by the net cash outflow of HK$552,328,000 used in investing activities.

The increase in cash inflow from operating activities as compared to the same period in last year was due to the increase in receipt of transponder income. The increase in cash used in investing activities was mainly due to progress payment made for the construction of APSTAR 7 and APSTAR 7B during the period. The increase in net cash inflow from financing activities was mainly due to the increase in net borrowings in 2011 as compared to the same period in 2010.

As at 30 June 2011, the Group has approximately HK$311,904,000 cash and cash equivalents and HK$51,710,000 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 to the Group as the Hong Kong dollar is pegged to the United States dollar. The foreign exchange rate of the Renminbi has appreciated by 2.0% against the Hong Kong dollar during the period ended 30 June 2011. The management does not foresee a material adverse foreign exchange risk to the Group.

The Group had entered into satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B in a contract price of approximately Euro128,500,000 and Euro114,600,000 respectively. In order to meet the coming progress payment, the Group 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 30 June 2011, outstanding Euro forward contracts amounted to Euro6,339,000 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.

INTEREST RATE EXPOSURE

In respect of the Group's cash flow exposure to interest rate risk arising primarily from long-term borrowings at floating LIBOR rate, the management's strategy is to use financial instruments to manage its exposure to the floating LIBOR rate. During the period, the Group has entered into a contract which is a swaption to enter into a swap transaction to fix the 3-month LIBOR interest rate at 1.4% p.a of notional amount of US$65,000,000 for the period from 3 July 2012 to 3 July 2017. The latest exercise date of this swaption is 28 June 2012. The Group continues to adopt a conservative approach on monitoring interest rate exposure.

CHARGES ON GROUP ASSETS

At 30 June 2011, the Group's pledged bank deposits of HK$51,710,000 (31 December 2010: HK$76,917,000) are related to certain commercial arrangements and banking facilities during the period.

At 30 June 2011, a letter of guarantee issued by a bank to a subsidiary of the Group is secured by the Group's land and buildings with a net book value of approximately HK$4,131,000 (31 December 2010: HK$4,189,000).

CAPITAL COMMITMENTS

As at 30 June 2011, the Group has outstanding capital commitments of HK$1,853,519,000 (31 December 2010: HK$2,200,662,000), 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 21 of this interim financial report.

POST BALANCE SHEET EVENT

The details of post balance sheet event of the Group are set out in note 25 of this interim financial report.

HUMAN RESOURCES

As at 30 June 2011, the Group had 92 employees (2010: 90). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. During the period, the Group has increased the salary of employees. On 19 June 2001, the Company first granted share options ("Scheme 2001") to its employees including executive directors. The Scheme 2001 was lapsed after 21 May 2011. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme. The Group provides on the job training to employees to update and upgrade their knowledge on related job fields.

INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2011	2010
		$'000	$'000
Turnover	3,4	**372,125**	363,157
Cost of services		**(181,288)**	(189,851)
Gross profit		**190,837**	173,306
Other net income		**2,847**	3,062
Valuation gains on investment property	10	**84**	53
Administrative expenses		**(42,020)**	(39,302)
Profit from operations		**151,748**	137,119
Finance costs	5(a)	**(11,759)**	(3,682)
Profit before taxation	5	**139,989**	133,437
Income tax	6	**(36,855)**	(35,930)
Profit for the period and attributable to equity shareholders of the Company		**103,134**	97,507
Earnings per share	8		
– Basic		**16.59 cents**	15.71 cents
– Diluted		**16.59 cents**	15.71 cents

The notes on pages 18 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Profit for the period	**103,134**	97,507
Other comprehensive income for the period		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**1,562**	(46)
Cash flow hedge: movement in hedging reserve	**3,220**	(4,979)
Total comprehensive income for the period	**107,916**	92,482

The notes on pages 18 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED BALANCE SHEET

At 30 June 2011

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000	At 31 December 2010 $'000
Non-current assets			
Property, plant and equipment	9	**3,667,054**	3,363,090
Investment property	10	**2,749**	2,665
Intangible asset	11	**133,585**	133,585
Club memberships		**5,537**	5,537
Derivative financial instrument	12	**9,732**	–
Prepaid expenses		**20,530**	21,890
		3,839,187	3,526,767
Current assets			
Trade receivables, net	13	**89,691**	59,903
Deposits, prepayments and other receivables		**17,805**	17,624
Amount due from immediate holding company		**350**	286
Derivative financial instrument	12	**987**	–
Pledged bank deposits	14	**51,710**	76,917
Cash and cash equivalents	15	**311,904**	121,485
		472,447	276,215
Current liabilities			
Payables and accrued charges	16	**67,679**	177,394
Rentals received in advance		**65,841**	58,645
Amount due to a fellow subsidiary		**97**	65
Secured bank borrowings due within one year	17	**216,350**	139,016
Derivative financial instrument	12	**–**	2,233
Current taxation		**101,061**	99,557
		451,028	476,910
Net current asset/(liabilities)		**21,419**	(200,695)
Total assets less current liabilities carried forward		**3,860,606**	3,326,072

The notes on pages 18 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2011

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000	At 31 December 2010 $'000
Total assets less current liabilities brought forward		**3,860,606**	3,326,072
Non-current liabilities			
Secured bank borrowings due after one year	17	**867,568**	525,523
Loan from a fellow subsidiary	18	**85,800**	23,400
Deposits received		**44,049**	35,157
Deferred income		**143,302**	160,718
Deferred tax liabilities		**124,409**	93,712
		1,265,128	838,510
NET ASSETS		**2,595,478**	2,487,562
Capital and reserves			
Share capital	19	**62,181**	41,454
Share premium		**1,273,812**	1,294,539
Contributed surplus		**511,000**	511,000
Capital reserve		**–**	4,926
Revaluation reserve		**368**	368
Exchange reserve		**1,902**	340
Hedging reserve		**987**	(2,233)
Other reserves		**345**	345
Accumulated profits		**744,883**	636,823
TOTAL EQUITY		**2,595,478**	2,487,562

The notes on pages 18 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011
(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 2010	41,327	1,287,536	511,000	9,217	368	1,720	–	212	437,777	2,289,157
Changes in equity for the six months ended 30 June 2010										
Profit for the period	–	–	–	–	–	–	–	–	97,507	97,507
Other comprehensive income	–	–	–	–	–	(46)	(4,979)	–	–	(5,025)
Total comprehensive income	–	–	–	–	–	(46)	(4,979)	–	97,507	92,482
Cancellation of share options	–	–	–	(368)	–	–	–	–	368	–
Proceeds from exercise of share options	120	6,601	–	(3,404)	–	–	–	–	–	3,317
Balance at 30 June 2010	41,447	1,294,137	511,000	5,445	368	1,674	(4,979)	212	535,652	2,384,956
Balance at 1 January 2011	**41,454**	**1,294,539**	**511,000**	**4,926**	**368**	**340**	**(2,233)**	**345**	**636,823**	**2,487,562**
Changes in equity for the six months ended 30 June 2011										
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**103,134**	**103,134**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,562**	**3,220**	**–**	**–**	**4,782**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,562**	**3,220**	**–**	**103,134**	**107,916**
Share options lapsed (note 20)	**–**	**–**	**–**	**(4,699)**	**–**	**–**	**–**	**–**	**4,699**	**–**
Cancellation of share options (note 20)	**–**	**–**	**–**	**(227)**	**–**	**–**	**–**	**–**	**227**	**–**
Bonus issue (note 19(iii))	**20,727**	**(20,727)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2011	**62,181**	**1,273,812**	**511,000**	**–**	**368**	**1,902**	**987**	**345**	**744,883**	**2,595,478**

The notes on pages 18 to 33 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2011	2010
		$'000	$'000
Cash generated from operations		**275,064**	238,176
Tax paid		**(4,654)**	(1,263)
Net cash generated from operating activities		**270,410**	236,913
Net cash used in investing activities		**(552,328)**	(459,611)
Net cash generated from financing activities		**472,308**	153,773
Net increase/(decrease) in cash and cash equivalents		**190,390**	(68,925)
Cash and cash equivalents at 1 January	15	**121,485**	275,930
Effect of foreign exchange rates changes		**29**	(20,676)
Cash and cash equivalents at 30 June	15	**311,904**	186,329

The notes on pages 18 to 33 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2011.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. The equivalent amendments to HKFRSs and interpretation, consequently issued by the HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. Of these, the following developments are relevant to the Group's financial statements:

- IAS/HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs/HKFRSs (2010)
- IFRIC/HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

IFRIC/HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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

3. SEGMENTAL REPORTING

The Group 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 period ended 30 June 2011 and 2010 were mainly derived from provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

3. SEGMENTAL REPORTING (Continued)

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 six months ended 30 June 2011 and 2010.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Total	
For the six months ended 30 June	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Turnover from external customers	**36,735**	37,147	**86,844**	86,022	**50,985**	43,697	**73,844**	72,910	**123,717**	123,381	**372,125**	363,157

4. SEASONALITY OF OPERATIONS

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

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	$'000	$'000
(a) Finance costs		
Interest on bank borrowings and loan from a fellow subsidiary	**9,185**	2,733
Less: amount capitalised into construction in progress*	**(7,342)**	(300)
	1,843	2,433
Change in fair value on interest rate swaption (note 12(a))	**9,768**	–
Other borrowing costs	**148**	61
Interest expense on deferred consideration	**–**	1,188
	11,759	3,682

* The borrowing costs have been capitalised at a rate of 1.9695% – 2.5090% per annum (six months ended 30 June 2010: 2.4647%).

5. PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June	
	2011	2010
	$'000	$'000
(b) Other items		
Depreciation	**155,744**	163,154
Interest income	**(802)**	(420)
Rental income	**(264)**	(151)
Loss/(gain) on disposal of property, plant and equipment	**39**	(5)
Foreign currency exchange loss	**1,643**	7,836

6. INCOME TAX

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Current tax – Overseas	**6,158**	6,267
Deferred tax	**30,697**	29,663
Actual tax expenses	**36,855**	35,930

The provision for Hong Kong Profits Tax was calculated at 16.5% (six months ended 30 June 2010: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the interim financial report as the subsidiaries operating in Hong Kong utilised tax losses brought forward from prior years. Taxation for the overseas subsidiaries is calculated using the estimated annual effective tax rates of taxation that are expected to be applicable in the relevant countries. Overseas tax includes the withholding tax paid or payable in respect of the Group's income derived from the provision of satellite transponder capacity to customers which are located outside Hong Kong.

7. DIVIDENDS

Subsequent to the end of the interim period, the Board has declared the payment of 2.00 cents (six months ended 30 June 2010: $nil) per ordinary share totaling $12,436,000 (six months ended 30 June 2010: $nil) as the interim dividend in respect of 2011. As the interim dividend is declared after the balance sheet date, such dividend has not been recognised as a liability as at 30 June 2011.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $103,134,000 (six months ended 30 June 2010: $97,507,000) and the weighted average of 621,807,000 ordinary shares (30 June 2010: 620,549,000 shares after adjusting for the bonus issue in 2011) in issue during the interim period, calculated as follows:

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2011	2010 (Restated)
	Number of shares	Number of shares
Issued ordinary shares at 1 January	**414,538,000**	413,265,000
Effect of share options exercised (note 20)	**–**	434,000
Effect of bonus issues on shares (note 19(iii))	**207,269,000**	206,850,000
Weighted average number of ordinary shares at 30 June	**621,807,000**	620,549,000

(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 $103,134,000 (six months ended 30 June 2010: $97,507,000) and the weighted average of 621,807,000 ordinary shares (30 June 2010: 620,760,000 shares after adjusting for the bonus issue in 2011) during the interim period, calculated as follows:

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

	Six months ended 30 June	
	2011	2010 (Restated)
	Number of shares	Number of shares
Weighted average number of shares at 30 June	**621,807,000**	620,549,000
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration (note 20)	**–**	211,000
Weighted average number of ordinary shares (diluted) as at 30 June	**621,807,000**	620,760,000

9. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of $467,553,000 (six months ended 30 June 2010: $375,365,000). Property, plant and equipment with a net book value of $46,000 was disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: $12,000), resulting in a loss on disposal of $39,000 (six months ended 30 June 2010: gain of $5,000).

(b) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001 ("Agreement"), 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.

Pursuant to an amendment to the Agreement entered into with Thales on 21 April 2010 ("Amended Agreement"), the Group is entitled to payment in respect of satellites contracts entered into by Thales which have the identical technical design to APSTAR 6 satellite. During the six months ended 30 June 2011, $7,800,000 (six months ended 30 June 2010: $15,600,000) was recognised from Thales and treated as a reduction to the cost of property, plant and equipment – communication satellites.

(c) Impairment loss

During the six months period ended 30 June 2011 and 2010, the Group conducted a review of its property, plant and equipment and it was concluded that no impairment is required.

10. INVESTMENT PROPERTY

Investment properties carried at fair value was revalued at 30 June 2011 at $2,749,000 (31 December 2010: $2,665,000) 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 $84,000 (six months ended 30 June 2010: $53,000) has been recognised in the profit or loss during the six months ended 30 June 2011.

During the period ended 30 June 2010, an investment property was transferred to property, plant and equipment at the fair value at the date of the transfer, when the Group commenced its self-occupancy of such property. There was no addition, disposal or transfer of investment property during the period ended 30 June 2011.

11. INTANGIBLE ASSET

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

During the six months ended 30 June 2011 and 2010, the Group conducted a review for indicators of impairment of the intangible asset and concluded no impairment is required.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2011 $'000	At 31 December 2010 $'000
Non-current asset		
Interest rate swaption, at fair value through profit or loss (note 12 (a))	**9,732**	–
Current assets/(liabilities)		
Forward foreign exchange contracts held as cash flow hedging instruments (note 12 (b))	**987**	(2,233)

(a) Interest rate swaption, at fair value through profit or loss

During the six months period ended 30 June 2011, the Group entered into a contract with an option to enter into an interest rate swap on notional amount of US$65,000,000. The latest exercise date of this option is 28 June 2012. Once the option is exercised, the Group will enter into an interest rate swap with effective date on 3 July 2012 by paying a fixed rate interest in return with the right to receive a floating LIBOR rate of such amount on a quarterly basis until 3 July 2017. The contract is recognised initially at fair value in the balance sheet and changes in its fair value are recognised in profit or loss at the end of each reporting period.

12. **DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

(b) **Forward foreign exchange contracts held as cash flow hedging instruments**

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 30 November 2011 to 30 March 2012 with an option of early execution. At 30 June 2011, the maximum purchase commitment of the Group under this contract amounted to US$8,982,000. The Group has classified the aforementioned forward exchange contracts as cash flow hedge. When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

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

13. **TRADE RECEIVABLES, NET**

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

	At 30 June 2011 $'000	At 31 December 2010 $'000
0 – 30 days	**61,173**	44,735
31 – 60 days	**21,285**	10,424
61 – 90 days	**2,510**	3,910
91 – 120 days	**124**	204
Over 120 days	**4,599**	630
	89,691	59,903

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

14. PLEDGED BANK DEPOSITS

At 30 June 2011, the pledged bank deposits of $51,710,000 (31 December 2010: $76,917,000) are primarily related to certain commercial arrangements and secured bank borrowings during the period.

15. CASH AND CASH EQUIVALENTS

	At 30 June 2011 $'000	At 31 December 2010 $'000
Deposits with bank	**76,024**	–
Cash at bank and on hand	**235,880**	121,485
Cash and cash equivalents in the cash flow statement	**311,904**	121,485

16. PAYABLES AND ACCRUED CHARGES

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

17. SECURED BANK BORROWINGS

	At 30 June 2011 $'000	At 31 December 2010 $'000
Bank loans	**1,083,918**	664,539
Less: amount due within one year included under current liabilities	**(216,350)**	(139,016)
Amount due after one year	**867,568**	525,523
The bank borrowings are repayable as follows:		
Within one year or on demand	**216,350**	139,016
After one year but within five years	**833,005**	525,523
After five years	**34,563**	–
	1,083,918	664,539

17. SECURED BANK BORROWINGS (Continued)

On 29 June 2009, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, 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 Charge 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 period, APT HK has repaid US$8,000,000 (approximately $62,400,000) against the 2009 Facilities. As a result, the outstanding principal balance of the 2009 Facilities was US$28,000,000 (approximately $218,400,000) at 30 June 2011.

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. During the period, APT HK has drawn down US$61,700,000 (approximately $481,260,000) against the 2010 Facilities. As a result, the outstanding principal balance of the 2010 Facilities was US$112,700,000 (approximately $879,060,000) at 30 June 2011.

The 2009 and 2010 Facilities ('the Banking Facilities") are subject to the fulfillment of covenants relating to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the period ended 30 June 2011, the Group complied with all of the above covenants.

At 30 June 2011, 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 $4,131,000 (31 December 2010: $4,189,000).

18. 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 30 June 2011, the loan is interest bearing at LIBOR plus 2% to 2.2% mark-up and due for payment on 31 December 2012. Early payment of all or part of the balance may be made at any time before the repayment date without penalty.

19. SHARE CAPITAL

(i) Authorised and issued share capital

	At 30 June 2011		At 31 December 2010	
	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
Increase in authorised share capital	**1,000,000,000**	**100,000**	–	–
	2,000,000,000	**200,000**	1,000,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January 2011/2010	**414,538,000**	**41,454**	413,265,000	41,327
Shares issued under share option scheme	**–**	**–**	1,273,000	127
Bonus issue	**207,269,000**	**20,727**	–	–
At 30 June 2011/31 December 2010	**621,807,000**	**62,181**	414,538,000	41,454

(ii) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 24 May 2011, the Company's authorised ordinary share capital was increased to $200,000,000 by creation of an additional 1,000,000,000 ordinary shares of $0.1 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

(iii) Bonus issue

On 25 May 2011, an amount of $20,727,000 standing to the credit of the share premium account was applied in paying up in full 207,269,000 ordinary shares of $0.1 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every two shares then held.

20. SHARE OPTIONS

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

During the six months ended 30 June 2011 and 2010, no options were granted or cancelled under the Scheme 2002.

Movements in share options

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

	2011		2010	
	Weighted average exercise price $	**Number**	Weighted average exercise price $	Number
At 1 January	**2.765**	**1,737,000**	2.765	3,250,000
Lapsed during the period	**2.765**	**(1,657,000)**	–	–
Exercised during the period	**–**	**–**	2.765	(1,200,000)
Cancelled during the period	**2.765**	**(80,000)**	2.765	(130,000)
At 30 June	**–**	**–**	2.765	1,920,000
Options vested at 30 June	**–**	**–**	2.765	1,920,000

During the period ended 30 June 2010, proceeds received from the issuance of 1,200,000 shares as a result of the share options exercised under the Scheme 2001 amounted to $3,317,000. The exercise price and weighted average closing price per share of the share option exercised is $2.765 and $3.50, respectively.

There were no share options granted or exercised during the period ended 30 June 2011. Scheme 2001 was expired on 21 May 2011 and all of the outstanding options lapsed thereafter.

20. SHARE OPTIONS (Continued)

Fair value of share options and assumptions

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

21. CONTINGENT LIABILITIES

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

(b) The Company has given bank guarantees in respect of certain secured banking facilities granted to a subsidiary of the Company. The extent of such facilities utilised at 30 June 2011 amounted to $1,097,460,000 (31 December 2010: $678,600,000).

22. COMMITMENTS

(a) Capital commitments

At 30 June 2011 and 31 December 2010, the Group had the following outstanding capital commitments not provided for in the Group's interim financial report and financial statements:

	At 30 June 2011 $'000	At 31 December 2010 $'000
Contracted for	**1,853,519**	2,200,662

22. **COMMITMENTS (Continued)**

(b) **Operating lease commitments**

At 30 June 2011 and 31 December 2010, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings, and equipment $'000	Satellite transponders capacity $'000	Total $'000
At 30 June 2011			
Within one year	**97**	**55**	**152**
After one year but within five years	**175**	**–**	**175**
	272	**55**	**327**
At 31 December 2010			
Within one year	111	219	330
After one year but within five years	207	–	207
	318	219	537

23. **MATERIAL RELATED PARTY TRANSACTIONS**

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

	Six months ended 30 June	
	2011 $'000	2010 $'000
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to fellow subsidiaries (note i)	**60,701**	56,372
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company of a shareholder of the Company (note i)	**21,536**	21,440
Management fees paid to fellow subsidiaries (note ii)	**(270)**	(957)
Consultancy fee paid to a fellow subsidiary (note iii)	**(667)**	–
Transponder capacity services cost paid to a fellow subsidiary (note iv)	**–**	(112)

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

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

(ii) Management fees are paid to fellow subsidiaries for services rendered during the period.

(iii) Consultancy fees are paid to a fellow subsidiary for services rendered during the period.

(iv) Transponder capacity services cost is paid to a fellow subsidiary for services rendered during the period.

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Short-term employee benefits	**4,423**	4,044
Other long-term benefits	**384**	287
	4,807	4,331

24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2011

Up to the date of issue of this interim financial report, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2011 and which have not been adopted in this interim financial report.

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

	Effective for accounting periods beginning on or after
Amendments to IAS/HKAS 1, *Presentation of financial statements –"Presentation of items of other comprehensive income"*	1 July 2012
IFRS/HKFRS 9, *Financial Instruments*	1 January 2013
IFRS/HKFRS 13, *Fair value measurement*	1 January 2013

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

25. POST BALANCE SHEET EVENT

Subsequent to the end of the interim period, the directors declared an interim dividend of $12,436,000. Further details are disclosed in note 7.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, according to the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	386,100,000	62.09
China Satellite Communications Company Limited	1(b),(c)	330,300,000	53.12
APT Satellite International Company Limited		321,300,000	51.67
China Aerospace International Holdings Limited	1(d)	46,800,000	7.53
Temasek Holdings (Private) Limited	2	34,200,000	5.50
Singapore Telecommunications Limited	2	34,200,000	5.50

Note:

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

   (a) CASC directly holds 9,000,000 shares of the Company;

   (b) CASC indirectly holds 42.86% interest of APT Satellite International Company Limited ("APT International") by virtue of its 99.75% shareholding in China Satellite Communications Company Limited (中國衛星通信集團有限公司) ("China Satcom");

   (c) CASC indirectly holds 100% interest of China Satellite Communications (Hong Kong) Corporation Limited which holds 9,000,000 shares of the Company by virtue of its 99.75% shareholding in China Satcom; and

   (d) CASC indirectly holds 100% interests in each (i) Sinolike Investments Limited, which holds 25,200,000 shares of the Company, and (ii)CASIL Satellite Holdings Limited, which holds 21,600,000 shares of the Company and 14.29% interest in APT International, by virtue of its 37.06% shareholding in China Aerospace International Holdings Limited.

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).

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 30 June 2011, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTOR AND CHIEF EXECUTIVE

As at 30 June 2011, according to the register maintained by the Company pursuant to section 352 of the SFO, none of the director or the chief executive of the Company had or was deemed to have an interest or short position in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO), or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the Annual Report 2010 of the Company or, as the case may be, the date of announcement for the change of director issued by the Company subsequent to the date of the Annual Report 2010, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below.

– Mr. Rui Xiaowu resigned as Chairman and Non-Executive Director of the Company with effect from 7 June 2011.

– Mr. Lei Fanpei was appointed as Chairman and Non-Executive Director of the Company with effective from 7 June 2011.

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

SHARE OPTION SCHEME

Owing to the enforcement of the new requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in September 2001, the Company adopted a new share option scheme (the "Scheme 2002") at its annual general meeting on 22 May 2002, whereupon the Board of Directors of the Company shall only grant new options under the Scheme 2002.

During the period from 1 January 2011 to 30 June 2011, no option was granted under the Scheme 2002, which will expire on 21 May 2012.

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001. The Scheme 2001 was lapsed after 21 May 2011. The total number of shares available for issue under the Scheme 2001 cancelled and expired is 1,737,000 shares, which represents 0.42% of the issued shares of the Company (414,538,000 shares as of 21 May 2011).

The total number of shares available for issue under the existing share option schemes (Scheme 2002) is not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at 30 June 2011, the total number of shares of the Company in issue was 621,807,000 shares.

SHARE OPTION SCHEME (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 2011	Options lapsed during the period	Options cancelled during the period	Options outstanding as at 30 June 2011
Employees in aggregate:				
Employees under continuous employment contract	1,737,000	(1,657,000)	(80,000)	–

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. Scheme 2001 has expired on 21 May 2011 and all of the outstanding options lapsed thereafter.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, the Company has met the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

A4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-laws of the Company; and

A4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company in maintaining its consistency of making business decisions.

E1.2: the then Chairman of the Board, Mr. Rui Xiaowu, was unable to attend the Company's annual general meeting held on 24 May 2011 (which was required under the Code Provision E1.2) as he had to attend a governmental meeting in Beijing. However, other representatives of the Board including Executive Directors and the Chairman of Audit Committee (Independent Non-executive Directors) attended the meeting to answer any possible questions in relation to the Group's affairs.

MODEL CODE

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

Having made specific enquiry of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from 1 January 2011 to 30 June 2011.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

In the meeting on 26 August 2011, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2011, and discussed auditing and internal control matters. The Audit Committee comprises of three independent non-executive directors including Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguo.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 33 which comprises the consolidated balance sheet of APT Satellite Holdings Limited (the "Company") as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes.

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

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting" or Hong Kong Accounting Standard 34, "Interim financial reporting".

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

29 August 2011