APSTAR
by APT Satellite

APT SATELLITE HOLDINGS LIMITED

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

Annual Report 2014

COMPANY PROFILE

APT Satellite Holdings Limited (the "Company") is a listed company on 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 operates in-orbit satellites, namely, APSTAR 5, APSTAR 6, APSTAR 7 and APSTAR 9A ("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. In 2013, APT Group has commissioned APSTAR 9, which is to be launched in the fourth quarter of 2015 for in-orbit delivery at 142˚E orbital slot.

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.

APSTAR SYSTEMS

Satellites	Model	Orbital Slot	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR 9A	Lockheed Martin A2100A	142˚E	18	Southeast Asia, Australia, Southwest Pacific Islands	20	Australia, part of Indonesia
APSTAR 9*	CASC DFH-4	142˚E	32	Asia Pacific Region, Southeast Asia	14	West Pacific to the East Indian Ocean Region, steerable 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-4000C1	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	16	China (including Hong Kong, Macau and Taiwan), India

Remark*: APSTAR 9 is in the course of construction and is scheduled to be launched in the fourth quarter of 2015.

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CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Yuan Jie *(Chairman)*
Lim Toon
Yin Yen-liang
Zhuo Chao
Fu Zhiheng
Lim Kian Soon
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

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
Meng Xingguo

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISORS

Sit, Fung, Kwong & Shum

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE

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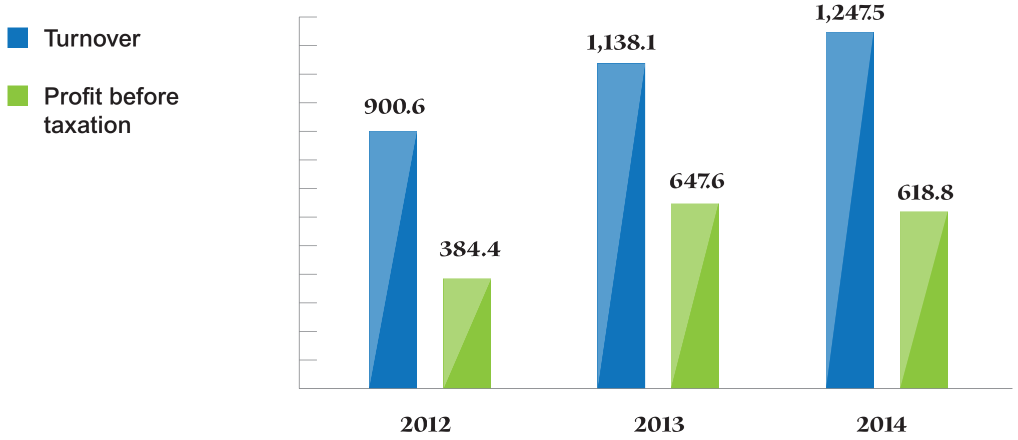
STOCK CODE

1045

FINANCIAL HIGHLIGHTS

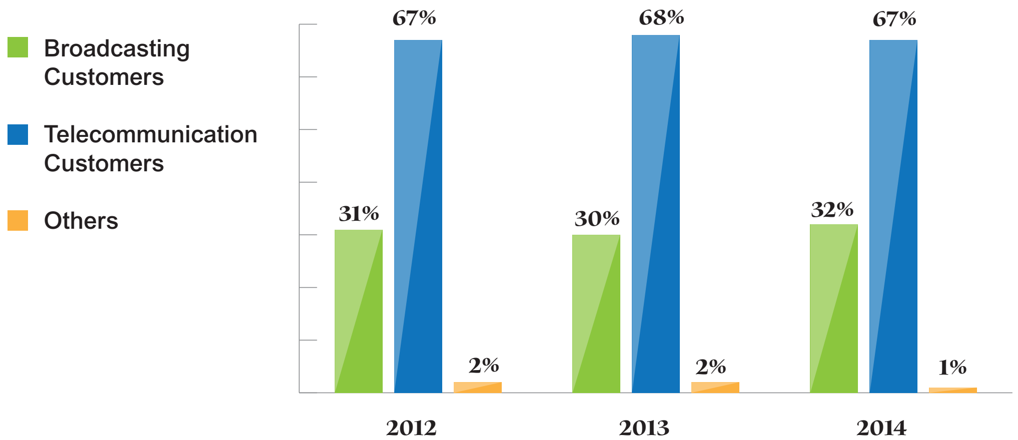
TURNOVER & PROFIT BEFORE TAXATION

(HK$ Million)



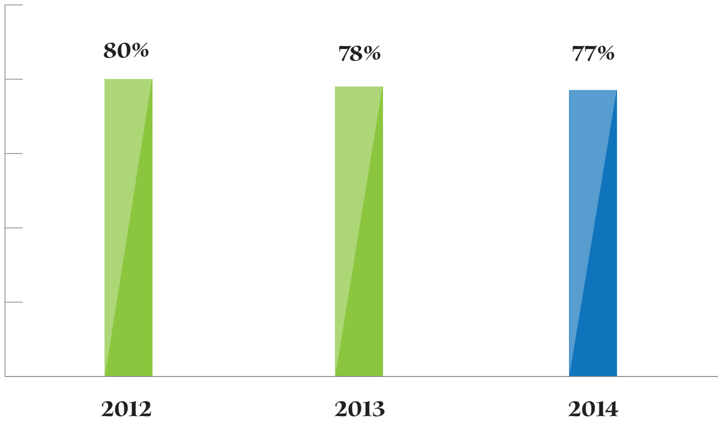
TURNOVER BREAKDOWN BY BUSINESS

(Percentage)



FINANCIAL HIGHLIGHTS

EBITDA MARGIN
(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 2014, which have been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

RESULTS

Turnover

In 2014, the Group's turnover amounted to HK$1,247,518,000 (2013: HK$1,138,055,000), representing an increase of 9.6% amounting to HK$109,463,000 as compared to 2013.

Profit before taxation

In 2014, the Group's profit before taxation amounted to HK$618,789,000 (2013: HK$647,631,000), representing a decrease of 4.5% amounting to HK$28,842,000 as compared to 2013.

Profit attributable to equity shareholders

In 2014, the Group's profit attributable to equity shareholders amounted to HK$508,045,000 (2013: HK$545,471,000). Basic earnings per share and dilute earnings per share were HK81.70 cents (2013: HK87.72 cents).

DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK5.00 cents per share. The Board has resolved to declare a final dividend in cash of HK7.00 cents per share for the financial year ended 31 December 2014 (2013: HK7.00 cents). The final dividend is conditional, upon the passing of the relevant resolution at the forthcoming annual general meeting which will be held on Friday, 22 May 2015. The final dividend will be paid on or about Thursday, 25 June 2015 to shareholders whose names appear on the register of members at the close of business on Tuesday, 2 June 2015.

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 Tuesday, 2 June 2015. 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 Friday, 22 May 2015 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.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In-Orbit Satellites

During the year, 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, providing steady, reliable and qualified service to our customers. As at 31 December 2014, the average transponder utilisation rate of the Group's in-orbit satellites was 76.8%.

APSTAR 5

APSTAR 5 is positioned at 138 degree East geostationary orbital slot, with footprints covering Asia, Australia, New Zealand, Pacific Islands and Hawaii, as well as Mainland China, India, Taiwan and Hong Kong. The Group holds 20 C-band transponders and 9 Ku-band transponders of the APSTAR 5. As at 31 December 2014, its utilisation rate was 77.4%.

APSTAR 6

APSTAR 6 is positioned at 134 degree East geostationary orbital slot, contains 38 C-band transponders and 12 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. As at 31 December 2014, its utilisation rate was 85.6%.

APSTAR 7

APSTAR 7 is positioned at 76.5 degree East geostationary orbital slot with 28 C-band and 28 Ku-band transponders and footprints covering up to 75% of the World's population in Asia Pacific Region, Middle East, Africa and Europe. As at 31 December 2014, its utilisation rate was 65.8%.

APSTAR 7B

APSTAR 7B is the backup satellite for APSTAR 7. Subsequent to the successful launch of APSTAR 7 in 2012, APSTAR 7B has already been transferred to China Satellite Communications Company Limited ("China Satcom"), and was launched and positioned at 87.5 degree East geostationary orbital slot with footprints covering Asia Pacific Region, Middle East and Africa. The Group has started, in the second half of 2013, to sign with China Satcom a lease cooperation agreement for certain transponder capacities of APSTAR 7B to provide transponder services to the market.

APSTAR 9A

The Group has started in the beginning of 2014 the leasing of certain transponders of Chinasat 5A at 142 degree East geostationary orbital slot from China Satcom. The Chinasat 5A was renamed as APSTAR 9A. APSTAR 9A has successfully developed customer base for its replacement satellite, APSTAR 9 Satellite, and achieve growths in business performance and secure market share over the coming two years. As at 31 December 2014, its utilisation rate was 86.0%.

CHAIRMAN'S STATEMENT

Future Satellite

APSTAR 9

APSTAR 9 Satellite is a high power geostationary communication satellite based on DFH-4 series platform, with 32 C-band transponders and 14 Ku-band transponders. APSTAR 9 Satellite is expected to be launched in the fourth quarter of 2015. After the in-orbit delivery of the APSTAR 9 Satellite at 142E degree orbital slot, it will subsequently replace APSTAR 9A. APSTAR 9 Satellite will take up the customer base of APSTAR 9A Satellite upon the completion of the satellite replacement process. The Group believes that APSTAR 9 Satellite will further enhance the Group's capability of transponder services, broadcasting services and telecommunication services in Asia Pacific Region so as to expand the customer base and increase the business revenue and profit. As at 31 December 2014, the construction progress of the satellite has been smooth, and APSTAR 9 Satellite will be launched and positioned at designated orbital slot and replace APSTAR 9A on schedule.

TRANSPONDER LEASE SERVICES

During 2014, notwithstanding the fierce competition due to the oversupply of transponder capacity, the Group has maintained high utilisation rates. With the successful operations of APSTAR 9A Satellite, the Group has maintained its strong market shares as well as increased new customers and sales in the Asia Pacific region, and has further enhanced the Group's customer-base and market outreach paving the way for APSTAR 9 Satellite.

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 TV broadcasting services under its Non-domestic Television Programme Service Licence. Broadcasting services have achieved again new business growth in 2014.

SATELLITE-BASED TELECOMMUNICATION SERVICES

APT Telecom Services Limited, a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT, facilities management services, satellite telecommunication and satellite television uplink services under the Fixed Carrier Licence of Hong Kong to telecommunication operators or customers including satellite operators and Internet service providers in the region.

DATA CENTRE SERVICES

APT Datamatrix Limited, a wholly owned subsidiary of the Group, provides data centre services based on the expansion of the existing facilities station. Data centre service as a newly established telecommunication service for our customers with significant business growth potential and excellent synergic effect with satellite services, broadcasting services and telecommunication services.

CHAIRMAN'S STATEMENT

BUSINESS PROSPECTS

Looking into 2015, the supply of traditional transponders will increase rapidly, and the high-throughput satellite projects will emerge in the market. The market competition of the satellite industry in the Asia Pacific Region, Middle East and African region will become fiercer. We have encountered significant downward trend on the lease price. Under such circumstances, the transponder utilisation rates of the Group's satellites, APSTAR 5, APSTAR 6, APSTAR 7 and APSTAR 9A will still be maintained at a high level, however, the impact on utilisation rates and prices will impose higher pressure to the Group's revenue and profit. To cope with changing market, the Group will strive to develop the transponder capacity business, meanwhile, improve our value-added services in TV broadcasting services, telecommunication services and data centre services to achieve synergic effect to support and enhance the growth in the transponder capacity business. APSTAR 9 Satellite will be launched in the fourth quarter of 2015 and commence commercial operation immediately afterwards, which will enhance the continuing business growth and development potential of the Group.

CORPORATE GOVERNANCE

The Group 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 2014, the Group continued to achieve encouraging and excellent results. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to all our staff for their valuable contribution to the development of the Group.

By Order of the Board
Yuan Jie
Chairman

Hong Kong, 24 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 December 2014, 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 years ended 31 December 2014 and 31 December 2013:

HK$ thousand	2014	2013	Change
Turnover	**1,247,518**	1,138,055	+9.6%
Gross profit	**779,828**	729,980	+6.8%
Profit before taxation	**618,789**	647,631	–4.5%
Profit attributable to shareholders	**508,045**	545,471	–6.9%
Basic earnings per share (HK cents)	**81.70**	87.72	–6.9%
EBITDA	**957,425**	891,338	+7.4%
EBITDA Margin (%)	**76.7%**	78.3%	–1.6%
Total assets	**6,564,257**	5,546,311	+18.4%
Total liabilities	**2,554,755**	1,969,928	+29.7%
Gearing ratio (%)	**38.9%**	35.5%	+3.4%
Liquidity ratio	**2.14 times**	5.28 times	–3.14 times

The turnover of the Group increased by 9.6%, representing an increase of HK$109,463,000, comparing to year of 2013. The growth in turnover was mainly due to the income generating from the new utilisation contracts on APSTAR 9A, which entered commercial service in 2014. The profit attributable to shareholders decreased by 6.9% to HK$508,045,000. The decrease was mainly due to losses on changes in fair value of financial instruments. If the fair value loss is excluded, the net profit generating from core business increased by 8.3% as comparing to year of 2013.

Cost of services

Cost of services increased by 14.6% to HK$467,690,000, which was in line with the income earned from the APSTAR 9A. Gross profit increased by 6.8% to HK$779,828,000.

Other net income

Other net income for the year ended 31 December 2014 decreased to HK$27,681,000, as compared to other net income of HK$43,119,000 for the previous year. The decrease was impacted by a non-cash loss on foreign exchange, which was mainly due to the Renminbi has depreciated against the Hong Kong Dollar as at 31 December 2014.

Finance costs

Finance costs for the year ended 31 December 2014 decreased to HK$25,139,000, as compared to finance costs of HK$27,928,000 for the previous year. The decrease was primarily due to the decrease in borrowing amount after repayment of bank loan.

Fair value changes on financial instrument designated at fair value through profit or loss

In May 2014, the Group converted the convertible bonds issued by CNC Holdings Limited held into 178,571,429 ordinary shares of the issuer and realised a fair value loss of HK$66,683,000 upon conversion. The investment in listed share of CNC Holdings Limited is designated as "financial assets at fair value through profit or loss" with an initial fair value of HK$35,000,000. During the year, 16,220,000 ordinary shares of CNC Holdings Limited was disposed, with gain on disposal of investment of HK$2,172,000 credited to profit or loss. Based on the market price as at 31 December 2014, the balance of 162,351,429 ordinary shares was remeasured at a fair value of HK$51,141,000, with fair value gain of HK$21,088,000 credited to profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 16 of the financial statements contained in the annual report.

Income tax

Income tax expenses for the year ended 31 December 2014 increased to HK$110,744,000, as compared to HK$102,160,000 in 2013. The increase was mainly due to the increase in operating profit in current year. The details of income tax of the Group are set out in note 5 of the financial statements contained in the annual report.

EBITDA

As a result of including the income generated from APSTAR 9A, EBITDA for the year ended 31 December 2014 improved by 7.4% to HK$957,425,000, with the margin slightly decreased to 76.7% from 78.3%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group's capital expenditure incurred for property, plant and equipment was HK$1,076,511,000 (2013: HK$24,676,000). The capital expenditure was mainly for the payments for the purchases of APSTAR 9 and other equipment. The above capital expenditures were financed by internally-generated funds.

The Group entered into a term loan facility (the "2010 Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited in 2010. The 2010 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 2010 Facility is 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 hold receipts of the transponder income. During the year, the Group has repaid US$28,000,000 (approximately HK$218,400,000) against the 2010 Facility. The outstanding principal balance of the 2010 Facility was US$132,000,000 (approximately HK$1,029,600,000) at 31 December 2014.

As at 31 December 2014, the total borrowings amounted to approximately HK$1,025,590,000 (2013: approximately HK$1,241,038,000). The Group recorded a decrease of approximately HK$215,448,000 in the total borrowings during the year ended 31 December 2014, which were due to the decrease of borrowing amount after the repayment of part of the 2010 Facility.

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

Term of repayment	**HK$**
Repayable within one year or on demand	155,819,000
Repayable after one year but within five years	869,771,000
Repayable after five years	–
	1,025,590,000

As at 31 December 2014, the Group's total liabilities were HK$2,554,755,000, an increase of HK$584,827,000 as compared to 31 December 2013, after taking into the payable amount of capital expenditures of APSTAR 9. As a result, the gearing ratio (total liabilities/ total assets) has increased to 38.9%, representing a 3.4 percentage points increase as compared to 31 December 2013.

For the year ended 31 December 2014, the Group recorded a net cash inflow of HK$519,299,000 (2013: net cash outflow of HK$67,004,000) which included net cash inflow of HK$745,530,000 generated from operating activities and HK$111,467,000 generated from investing activities. This was offset by net cash outflow of HK$315,974,000 used in financing activities. The cash flow used in financing activities consisted of HK$218,400,000 for repayment of 2010 Facility. As at 31 December 2014, the Group has approximately HK$1,627,770,000 of cash and bank deposits, 44.2% of which were denominated in United States Dollar, 55.7% in Renminbi and 0.1% in Hong Kong Dollar and other currencies which comprising HK$608,830,000 cash and cash equivalents, HK$1,007,874,000 bank deposits with original maturity beyond 3 months and HK$11,066,000 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 next 12 months.

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 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 depreciated against the Hong Kong Dollar during the year ended 31 December 2014.

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 Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks during the year.

Charges on group assets

At 31 December 2014, the pledged bank deposits of HK$11,066,000 (2013: HK$15,504,000) are related to certain commercial arrangements and 2010 Facility which existed at the end of the reporting period.

At 31 December 2014, 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$3,724,000 (2013: HK$3,840,000).

Capital commitments

As at 31 December 2014, the Group has outstanding capital commitments of HK$593,196,000 (2013: HK$1,653,799,000), which were contracted but not provided for and there were no authorised but not contracted for which were in the Group's financial statements, mainly in respect of progress payment for the purchases of APSTAR 9.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 31 of the financial statements contained in the annual report.

Post statement of financial position event

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 39 of the financial statements contained in the annual report.

HUMAN RESOURCES

As at 31 December 2014, the Group had 117 employees. The Group continues to provide on job training to employees which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

CORPORATE GOVERNANCE REPORT

Pursuant to Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), 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 (collecting the "Group").

Throughout the year ended 31 December 2014, albeit few exceptions as explained below, the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Corporate Governance Code 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, who reports 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 Complaint Handling Procedure and the Whistleblower Protection Policy.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2014, the Company has complied with the Code Provisions 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;

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

A6.7 Mr. Lei Fanpei, being the Chairman of the Board of Directors and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Yong Foo Chong, being Non-executive Directors, and Mr. Cui Liguo and Dr. Meng Xingguo, being the Independent Non-executive Directors, were unable to attend the Special General Meeting held on 9 January 2014 as they were in business trips or attending important matters in overseas. However, other members of the Board including all Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the resolutions.

A6.7 Mr. Lei Fanpei, being the Chairman of the Board of Directors and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Yong Foo Chong, being Non-executive Directors, were unable to attend the Annual General Meeting held on 26 May 2014 as they were in business trips or attending important matters in overseas. However, other members of the Board including all Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

A6.7 Mr. Lei Fanpei, being the Chairman of the Board of Directors and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Lim Kian Soon, being Non-executive Directors, and Mr. Cui Liguo and Dr. Meng Xingguo, being the Independent Non-executive Directors, were unable to attend the Special General Meeting held on 5 December 2014 as they were in business trips or attending important matters in overseas. However, other members of the Board including all Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the resolutions.

CORPORATE GOVERNANCE REPORT

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. 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 four 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.

BOARD OF DIRECTORS (Continued)

Composition of the Board (Continued)

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

The Board held four board meetings and three general meetings in 2014 and the following table shows the individual attendance of each director during their term of office in 2014:

Name of the Director	Number of board meetings entitled to attend during the director's term of office in 2014	Number of meeting(s) attended#	Number of general meetings entitled to attend during the director's term of office in 2014	Number of meeting(s) attended#
Executive Directors:				
Cheng Guangren *(President)*	4	4	3	3
Qi Liang *(Vice President)*	4	4	3	3
Non-executive Directors:				
Lei Fanpei *(Chairman)**	4	4	3	0
Lim Toon	4	4	3	0
Yin Yen-liang	4	4	3	0
Zhuo Chao	4	4	3	0
Fu Zhiheng	4	4	3	0
Lim Kian Soon**	3	3	1	0
Yong Foo Chong**	1	1	2	0
Tseng Ta-mon *(Alternate Director to Yin Yen-liang)*	4	4	3	0
Independent Non-executive Directors:				
Lui King Man	4	4	3	3
Lam Sek Kong	4	2	3	3
Cui Liguo	4	4	3	1
Meng Xingguo	4	4	3	1

It includes the meetings attended by the director via telephone conferences.

* Mr. Lei Fanpei resigned as Chairman of the Company and Mr. Yuan Jie was appointed as Chairman of the Company, on 27 January 2015.

** Mr. Yong Foo Chong resigned as Non-executive Director of the Company and Mr. Lim Kian Soon was appointed as Non-executive Director of the Company, on 27 June 2014.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

Mr. Yuan Jie 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.

Appointment, Retirement and Re-election of 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 which provides that at each annual general meeting one-third of the Directors of the Company shall retire from office by rotation).

To maintain the consistency of making business decisions of the Company, the Chairman and the Executive Director & President shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87(1) of the Company.

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 adopted the Board Diversity Policy on 26 August 2013, pursuant to which the Group recognizes the benefits of having a diverse Board and views increasing diversity at the Board level as an essential element in maintaining the Group's competitive advantage.

The Board believes that these policies, checks and balances mechanism, among other things, 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.

Directors' Training

Upon appointment to the Board, the Directors will receive training in respect of the directors' duty and a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's business by senior executives. The package includes, among others, a copy of "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills, the Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practice. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS (Continued)

Directors' Training (Continued)

During the year ended 31 December 2014, participation of Directors in continuous professional development are as follows:

	Topics of Training	
Directors	Upon Appointment	Chapter 14A Connected Transactions
Cheng Guangren		✓
Qi Liang		✓
Yuan Jie*	✓	✓
Lim Toon		✓
Yin Yen-liang		✓
Zhuo Chao		✓
Fu Zhiheng		✓
Lim Kian Soon**	✓	✓
Yong Foo Chong**		✓
Tseng Ta-mon *(alternate director to Yin Yen-liang)*		✓
Lui King Man		✓
Lam Sek Kong		✓
Cui Liguo		✓
Meng Xingguo		✓

* Mr. Lei Fanpei resigned as Chairman of the Company and Mr. Yuan Jie was appointed as Chairman of the Company, on 27 January 2015.

** Mr. Yong Foo Chong resigned as Non-executive Director of the Company and Mr. Lim Kian Soon was appointed as Non-executive Director of the Company, on 27 June 2014.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee comprises of five members, including four Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo, 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 COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee held one meeting in 2014 and the following table shows the individual attendance of each member during their term of office in 2014:

Name of the member of the Remuneration Committee	Number of committee meeting entitled to attend during the member's term of office in 2014	Number of meeting(s) attended*
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	1	1
Lam Sek Kong	1	1
Cui Liguo	1	1
Meng Xingguo	1	1
Executive Director:		
Qi Liang	1	1

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

The works performed by the Remuneration Committee in 2014 are summarised as follows:

– reviewing the standard of director's fees payable to Directors in 2014;

– reviewing the results of incentive scheme of the management for 2013;

– reviewing the policy and implementation of the incentive scheme of the management;

– reviewing the incentive structure revision of the management; and

– reviewing the adjustment of the remuneration structure of a senior management.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee comprises of five members, including four Independent Non-executive Directors of the Company, namely Dr. Lam Sek Kong (Chairman), Dr. Lui King Man, Mr. Cui Liguo and Dr. Meng Xingguo 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, process and criteria. On receiving 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 2014 and the following table shows the individual attendance of each member during their term of office in 2014:

Name of the member of the Nomination Committee	Number of committee meeting entitled to attend during the member's term of office in 2014	Number of meeting(s) attended*
Independent Non-executive Directors:		
Lam Sek Kong *(Chairman)*	3	3
Lui King Man	3	3
Cui Liguo	3	2
Meng Xingguo	3	3
Executive Director:		
Qi Liang	3	3

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

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The works performed by the Nomination Committee in 2014 are summarised as follows:

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

– reviewing the independence of the INEDs;

– reviewing the appointment of 2 Non-executive Directors; and

– reviewing the appointment of a senior management member.

Audit Committee

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

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 two meetings in 2014 and the following table shows the individual attendance of each member in 2014:

Name of the member of the Audit Committee	Number of committee meeting entitled to attend during the member's term of office in 2014	Number of meeting(s) attended*
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Meng Xingguo	2	2

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

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The works performed by the Audit Committee in 2014 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 independence and objectivity of external auditors 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.

AUDITOR'S REMUNERATION

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditor, to the Group during 2014:

	HK$
Audit for the Group's financial statements including interim review	1,298,847
Review of the Group's continuing connected transactions	13,500
Tax services	371,000
Total	1,683,347

ACCOUNTABILITY AND INTERNAL CONTROL

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 2014, 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 auditor 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 2014, 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 have 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 2014. 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, and perform periodical review on various corporate governance and internal control policies and related procedures, including but not limited to: corporate governance code, whistleblower protection, employee trainings, director trainings, shareholders' rights or investors relations, etc.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Pursuant to the Code Provisions, the chairman of the Board should attend the annual general meeting ("AGM") and arrange for the chairman of the Audit, Remuneration and Nomination Committees (as appropriate) or in the absence of the chairman of such committees, other member of the committee to be available to answer questions at the AGM. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders at least 20 clear business days before the meeting, as in the case of AGM, or at least 10 clear business days, in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

According to Bye-law 58 of the Bye-laws of the Company, the Board may whenever it thinks fit call special general meetings, and members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS (Continued)

Constitutional Documents

In 2014, there was no change in the Company's constitutional documents.

Corporate Governance at the level of the Substantial Shareholder

At the level of APT Satellite International Co. Ltd. ("APT International"), there are certain constitutional mechanisms put in place to protect the shareholders other than the China Aerospace Science & Technology Corporation and/or its subsidiaries (collectively "China Aerospace Group"). Under the articles of association of APT International, essentially:

– The China Aerospace Group alone should not be able to unilaterally pass an affirmative resolution to remove directors of APT International.

– The directors nominated by the China Aerospace Group themselves should not be able to unilaterally pass an affirmative resolution and approve matters that the articles require and specify a "resolution of directors" to be passed.

– The China Aerospace Group alone should not be able to unilaterally form a quorum requisite under the articles for any general meeting of APT International.

– The China Aerospace Group alone should not be able to unilaterally pass an affirmative resolution and approve matters that the articles require and specify a "resolution of members" to be passed.

Also at the level of APT International, there is a shareholders' agreement – covenanted by China Satellite Communications Company Limited (formerly known as China Satellite Communications Corporation) – that sought to regulate certain matters about APT International. It includes contractual provisions which may protect the interests of minority shareholders of APT International such as shareholders other than the China Aerospace Group. For example, minority shareholders are given contractual veto rights in respect of certain essential, reserved matters in relation to APT International, in that it shall not do or carry out any such matter except with the prior written approval of all the shareholders of APT International.

By order of the Board
Yuan Jie
Chairman

Hong Kong, 24 March 2015

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is very concerned about environmental protection, social responsibility, corporate governance. The Corporate Governance Report is separately incorporated in this Annual Report. This report provides the relevant efforts and work in environmental, social and sustainability parameters which have been integrated in the strategic development and operation of the Group.

1. Human Resources

The Group values the employees as one of the important key-success factors for its long-term development. The Group adopts an open policy based on which we recruit the most suitable and capable staff for their posts regardless of gender, race, nationality and religion. The Group also encourages self-development and on-job trainings of its staff.

Key Human Resources Parameters is tabulated below:

		Number of People	(%)
1	**Employees breakdown by nationality/region**		
	HK (HKSAR)	102	87%
	PRC (Mainland)	7	6%
	United Kingdom	3	3%
	Malaysia	1	1%
	Indonesia	1	1%
	India	2	2%
	Pakistan	1	1%
	Sub-total	117	100%
2	**Employee breakdown by gender**		
	Man	78	67%
	Woman	39	33%
	Sub-total	117	100%
3	**Employment Contract**		
	Permanent	117	100%
	Temporary	0	0%
	Sub-total	117	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

1. Human Resources (Continued)

Key Human Resources Parameters is tabulated below:

4 Age distribution of employees

18-29	24	21%
30-39	54	46%
40-49	24	21%
50 & above	15	13%
Sub-total	117	100%

5 Training Data

Average times per employee for 2014 13.69 (times)

6 Turnover Rate 7%

2. Environmental and Community Indicator

a. Carbon Emission

The Group continuously put its effort in environmental protection by measuring the carbon emissions. The Group endeavors to consume less energy by improving its efficiency.

The Carbon Emissions Report for the half year period from 1 July 2014 to 31 December 2014 is tabulated as below:

Carbon Emission Report

Scope	**Description**	**Equivalent CO2 Emissions (Kg CO2 – eq)**	**Percentages**
1	Direct Emission	26,738	1.29%
2	Energy Indirect Emissions	1,942,824	93.81%
3	Other Indirect Emissions	101,560	4.9%
		2,071,122	100%

Performance Indicator Index	Carbon footprint Indicator
Man-power Provided	20.01 Kg CO2/Man-hour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. Environmental and Community Indicator (Continued)

b. Electromagnetic Radiation

The Satellite Control Centre of the Group operates 11 sets of satellite antennae for the Telemetry, Tracking and Control (TT&C) and uplink operations of APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9A. The Group is very concerned on the radiation effect emitting from the satellite antennae. The Group conducts radiation emission measurements regularly to monitor the radiation effect of the antennae so as to ensure that radiation emission will always be less than the threshold limit as provided under the national standards and specification, among them, including GB8702-88, HJ/T2.1-2011, HJ/T10.3-1996, HJ/T10.2-1996 and GB13615-92 (collectively the "Standards") and such that any there will not be harmful effect due to such electromagnetic radiation.

The latest assessments and measurements, which were conducted for the year ended 31 December 2014 the report of which was published in January 2015, show that (a) the calculations indicate and confirm that the electromagnetic radiation emissions of all the satellite antennae of the Group conform to the theoretical threshold safety requirements as required by the Standards and (b) the empirical measurements shows that the highest figures in electromagnetic radiation emissions from the satellite antennae as validly measured at 54 locations (test-points) in the sensitive region in maximal values and average values are 0.0025 W/m^2 and 0.002 W/m^2 respectively, much significantly lower than 0.4 W/m^2, the threshold values under the Standards. The Group's operation is confirmed to be safe and friendly to the employees and community nearby.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

EXECUTIVE DIRECTORS

Mr. CHENG Guangren, aged 52, Doctor, has been appointed as the Executive Director and President of the Company since June 2008. Mr. Cheng is also the authorized representative of the Company. He is responsible for the overall operation and management of the Company. Mr. Cheng has been engaging senior management work in the field of satellite operation since 1994. He had been the Director of Board and President of Sino Satellite Communications Company Limited and the Board Chairman of China Direct Broadcast Satellite Company Limited.

Mr. QI Liang, aged 53, has been appointed as the Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the Postgraduate 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"). Before joining the Company, he had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited.

NON-EXECUTIVE DIRECTORS

Mr. YUAN Jie, aged 50, has been appointed as the Non-Executive Director and the Chairman of the Company with effect from 27 January 2015. Mr. Yuan graduated with university degree in aircraft systems engineering at National University of Defense Technology in 1986. He is a master degree holder, researcher and academician of the International Academy of Astronautics. He was winner of the special government allowances issued by the State Council. Mr. Yuan has long been working in China Aerospace Industry and was appointed consecutively as Deputy Officer and Deputy Director of 805 Institution of the Eighth Academy, Assistant to President, Vice President and the President of the Eighth Academy. Currently, he is the Deputy General Manager of China Aerospace Science and Technology Corporation ("China Aerospace") and the Chief Information Officer of China Aerospace.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. LIM Toon, aged 72, 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.

Dr. YIN Yen-liang, aged 65, 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 ("APT International"), since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd.

Mr. ZHUO Chao, aged 52, 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"). 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 China Orient Telecomm Satellite Company Limited; and the Deputy Chairman 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.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. FU Zhiheng, aged 46, was appointed as a Non-Executive Director of the Company with effect from 20 March 2012. Mr. Fu graduated from the Northwestern Polytechnic University, Xian, China, with a Bachelor of Engineering degree in 1991. He then obtained his Master of Business Administration degree from China University of Mining Technology (Beijing) in 2004. Mr. Fu is currently the Vice President of China Great Wall Industry Corporation ("CGWIC") in charge of launch services business. He has been working with CGWIC since 1993, taking various positions in marketing and program management for international space programs. Before he joined CGWIC, he had worked for China Academy of Launch Vehicle Technology for two years. Apart from his current appointment in CGWIC, Mr. Fu is also a board member of Asia Pacific Satellite Communications Council, headquartered in Seoul, Korea, since January 2011.

Mr. LIM Kian Soon, aged 51, graduated with a Bachelor of Computer Engineering from University of Tsukuba, Japan and obtained MBA from University of Leeds, UK. Mr. Lim had worked for Singapore Telecommunications Limited ("SingTel") since 1997, serving in various appointments. Currently, Mr. Lim is the Head of Satellite for SingTel overseeing the fixed and mobile satellite business and infrastructure and also the Director of SingaSat Private Limited ("SingaSat"), a wholly owned subsidiary of SingTel. Apart from his current appointment in SingTel, Mr. Lim has also been a board member of Asia Pacific Satellite Communications Council, headquartered in Seoul, Korea, since 2013.

Mr. TSENG Ta-mon, aged 57, 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 ("APT International").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI King Man, aged 60, 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 29 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.

Dr. LAM Sek Kong, aged 55, has been appointed as the Independent Non-Executive Director of the Company since July 2007. Dr. Lam is a Member of the Nomination Committee of the Company and since 1 January 2010 has been the Chairman of the Nomination Committee. Dr. Lam is also a 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, the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK) and a fellow of the Hong Kong Institute of Arbitrators. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. CUI Liguo, aged 45, 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 19 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as 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 China National Software & Service Co. Ltd. (a corporation listed on the Shanghai 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 Co., Ltd., Bohai Securities Co., Ltd. and China Investment Securities Co., Ltd.

Dr. MENG Xing Guo, aged 60, has been appointed as the Independent Non-Executive Director and the Member of Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 5 July 2012. Dr. Meng graduated from the Remin University of China with a Bachelor of Economics degree in 1982. He then obtained his Master of Finance degree from the Graduate Institute of The People's Bank of China in 1985. He also graduated from the School of Business of Temple University in 1994, with doctorate degree in Business Management. Dr. Meng had worked consecutively in the Reinsurance department of head-quarter of The People's Insurance Company (Group) of China Limited, branch and head-quarter of The People's Bank of China since 1985. He has also been the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. (currently known as the "Allianz China Life Insurance Company Limited") and senior vice president of Sun Life Everbright Life Insurance Company Limited. Since joining Central Huijin Investment Limited in 2006, Dr. Meng had served as the director of the insurance division in the department of non-banking financial institutions, and was appointed as a director of China Reinsurance Group Co., Ltd. Dr. Meng is currently the non-executive director of New China Life Insurance Company Limited (a corporation concurrently listed on The Stock Exchange of Hong Kong Limited (Stock Code: 01336) and the Shanghai Securities Exchange (Stock Code: 601336)), a director of New China Asset Management Co. Ltd., a member of the academic council of Beijing Financial Education Company Limited, and a council member of the China Research Centre for Insurance and Risk Management, Tsinghua University.

SENIOR MANAGEMENT

Dr. LO Kin Hang, Brian, aged 58, 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 LLB (Hon.), 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 21 years of experience in corporate and project management in listed companies.

Mr. HUANG Baozhong, aged 52, Master's Postgraduate, has been the Executive Vice President of the Company since August 2010, being responsible for the Marketing and Sales 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. CHEN Xun, aged 44, Executive Vice President, Mr. Chen is responsible for technical operations and engineering of the Company, he has over 22 years' experience in satellite and telecommunications industry. Mr. Chen jointed the Company in year 2000. He holds a Bachelor's degree in computer and telecommunications from Chongqing Institute of Post & Telecommunications and a MBA degree from the University of South Australia. Before joining the Company, he worked for China Telecommunications Broadcast Satellite Corporation.

Mr. QI Kezhi, aged 53, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for the management of IDC business 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 International Business Department.

Mr. ZHANG Shilin, aged 47, is appointed as the Vice President of the Company in April 2013. Mr. Zhang is responsible for capacity management and technical support of the Company. Mr. Zhang graduated from Beijing Institute of Posts and Telecommunications with a Master Degree in Electromagnetic Field Theory and Microwave Technology. Mr. Zhang joined the Company in October 2010 and had served as Director of Marketing Department. Mr. Zhang has over 20 years' experience in satellite communication.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Interim Report 2014 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. Lei Fanpei resigned as Non-Executive Director and Chairman of the Company with effect from 27 January 2015.

– Mr. Yuan Jie, was appointed as Non-Executive Director and Chairman of the Company with effect from 27 January 2015.

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 2014.

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 service.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 11 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 50 to 121.

During the year, the Company has declared and paid an interim dividend in cash of HK5.00 cents per share. The Board has resolved to declare a final dividend in cash of HK7.00 cents per share to shareholders whose names appear on the register of members at the close of business on 2 June 2015.

FIVE YEAR FINANCIAL SUMMARY

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

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 2014 are set out in note 12 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2014 are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year, no share of the Company was issued.

There was no purchase, sale or redemption by the Company, or any subsidiaries of the Company's shares during the year.

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

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 55 and 56 respectively.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 29 to the financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in note 24 to the financial statements.

FIXED CHARGE

Details of the Group's fixed charge are set out in note 21 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$Nil (2013: HK$100,000).

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

Yuan Jie *(Chairman) (appointed on 27 January 2015)*
Lei Fanpei *(Chairman) (resigned on 27 January 2015)*
Lim Toon
Yin Yen-liang
Zhuo Chao
Fu Zhiheng
Lim Kian Soon *(appointed on 27 June 2014)*
Yong Foo Chong *(resigned on 27 June 2014)*
Tseng Ta-mon *(alternate director to Yin Yen-liang)*

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

In accordance with Bye-law 86(2) of the Company's Bye-Laws, Mr. Yuan Jie and Mr. Lim Kian Soon who have been appointed by the Board during the year shall hold office until the forthcoming annual general meeting. In accordance with Bye-law 87 of the Company's Bye-Laws, Messrs. Dr. Yin Yen-liang, Dr. Lui King Man and Dr. Lam Sek Kong will retire by rotation at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting. 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.

DIRECTORS' 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 rules governing the listing of securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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 6 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 2014, 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	Numbers of share options
Meng Xingguo	Personal	292,000[1]	–

Notes:

(1) Dr. Meng's wife held 292,000 shares of the Company. By virtue of his spouse's interests, Dr. Meng was deemed to be interested in the same parcel of shares held by his wife pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, as at 31 December 2014, 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 the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

The Company has not approved any new share option scheme after the lapse of its last share option scheme on 21 May 2012. During the year, no option was granted.

DIRECTORS' REPORT

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.

INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, the following director of the Company was also 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
Lim Kian Soon	Singapore Telecommunications Ltd.	Provision of satellite capacity for telecommunication and video broadcasting services

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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	339,300,000	54.57
China Satellite Communications Company Limited	2	330,300,000	53.12
APT Satellite International Company Limited	3	321,300,000	51.67
Temasek Holdings (Private) Limited	4	34,200,000	5.50
Singapore Telecommunications Limited	4	34,200,000	5.50
Singasat Private Limited	4	34,200,000	5.50

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

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

   (a) CASC holds 99.75% interest of China Satellite Communications Company Limited ("China Satcom"), which in turn holds (i) 42.86% of APT Satellite International Company Limited ("APT International"); and (ii) 100% in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 9,000,000 shares (approximately 1.45% interests) of the Company;

   (b) CASC holds 100% interest directly in China Great Wall Industry Corporation, which in turn holds 100% interest indirectly in China Great Wall Industry (Hong Kong) Corp. Limited ("CGWIC-HK")., CGWIC-HK, by virtue of holding 100% equity interest in CASIL Satellite Holdings Ltd, holds indirectly 14.29% interests in APT International; and

   (c) CASC directly holds 9,000,000 shares (approximately 1.45% interests) of the Company; and

   (d) In term of the ownership of or effective interests in the economic benefits available to the CASC and/or its subsidiaries (together, the "CASC Group") which are derived from its direct and indirect investments in APT Group, the CASC Group has a total attributable interest in an approximate 32.37%.

2. China Satcom was deemed to be interested in the shares of the Company by virtue of:

   (a) China Satcom holds 42.86% interests in APT International; and

   (b) China Satcom holds 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 9,000,000 shares (approximately 1.45% interests) of the Company.

3. APT International directly holds 321,300,000 shares (approximately 51.67% interests) of the Company.

4. 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 54.39% 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). Singasat Private Limited holds 28.57% interests in APT International and directly holds 34,200,000 shares (approximately 5.50% interests) of the Company.

Save as disclosed above, as at 31 December 2014, 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, Yuan Jie, Lim Toon, Yin Yen-liang, Zhuo Chao, Fu Zhiheng, Lim Kian Soon 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 at 31 December 2014.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, the aggregate turnover attributable to the Group's five largest customers was 40% (2013: 49%) of the total turnover. In 2014, the largest customer accounted for 17% of the Group's turnover and the largest supplier represented 68% of the Group's total purchases.

One of the five largest customers was China Satellite Communication Company Limited ("China Satcom"). China Satcom is a subsidiary of China Aerospace Science & Technology Corporation, the controlling shareholder of the Company. Mr. Cheng Guangren, Mr. Qi Liang, and Mr. Zhuo Chao have interests to the extent that they have been concurrently directors or senior officers of China Satcom.

The aggregate purchase attributable to the Group's five largest suppliers was less than 94% of total purchases (2013: 77%). One of the five largest suppliers was China Satcom.

Save as disclosed 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 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 2014, the amount of the facility subject to such an obligation was HK$1,029,600,000. The facility will expire on 1 June 2018.

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 35 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.

APSTAR 9

On 22 November 2013, APT Satellite Company Limited ("APT (HK)"), a wholly-owned subsidiary of the Company, entered into a contract ("Satellite Contract") for the procurement, launch and delivery of the APSTAR 9 Satellite Contract with China Great Wall Industry (Hong Kong) Corp. Limited (the "Contractor"), a wholly owned subsidiary of China Great Wall Industry Corporation, in respect of, inter alia, the manufacturing, launching and in-orbit delivery of the APSTAR 9 Satellite, a DFH-4 series platform having 32 C-band transponders and 14 Ku-band transponders high power geostationary communications satellite. APSTAR 9 is scheduled to be launched in the fourth quarter of 2015 and will be located at 142E degree orbital slot after the in-orbit delivery of the satellite.

The total contract price under the Satellite Contract comprises:

(a) the contract baseline price for the in-orbit delivery of the APSTAR 9 Satellite and the performance of the services by the Contractor under the Satellite Contract: US$211,200,000;

(b) the drifting fee of the other satellite: US$3,020,000 and the use by the Contractor or the Contractor's designated party certain non-contagious Extended C-band transponder capacity for a total of 24 months (which is equivalent to US$1,500,000); and

(c) in the event that the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015, APT (HK) will pay to the Contractor for the specific incentive payment of US$1,500,000 within 30 days after the in- orbit delivery.

The Group believes that the satellite will help expand its transponder services, broadcasting services and telecommunication services in Asia Pacific Region especially in South East Asia so as to expand the customer base and increase the business revenue and profit.

During the period, APT (HK) has paid to the Contractor in aggregate US$42,240,000 representing approximately 20% of the total contract baseline price pursuant to the payment terms of the Satellite Contract.

DIRECTORS' REPORT

FUTURE LAUNCH SERVICES

On 17 August 2012, APT (HK), entered into the launch services contract ("Future Contract") with China Great Wall Industry Corporation (the "CGWIC"), a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, in respect of the provision of launch and associated services ("Standard Services") for a satellite to be designated and supplied by APT (HK) on Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC and other launch- related optional services ("Optional Services"). According to the terms and conditions of the Future Contract, APT (HK) has a right to confirm the launch period ("Launch Period") of the launch service within three years from the effective date of the Future Contract, which is subject to the sole extension right of APT (HK) for another two years upon expiry of the said three year term. In the event that the Launch Period is confirmed during the aforesaid term, CGWIC shall provide to APT (HK) the Launch Service pursuant to the terms and conditions of the Future Contract, which shall remain valid until all obligations of the parties under the Future Contract are fulfilled.

On 26 September 2012, APT (HK) has paid the price to CGWIC pursuant to the provisions of the Future Contract.

CONSULTANCY CONTRACTS

On 18 August 2014, APT (HK) entered into a consultancy contract ("Consultancy Contract") with 中国亞太移动通信衛星有限責任公司 ("China APMT") in respect of the provision of advisory and consultancy services for the construction of LAOSAT-1 Satellite by APT (HK) to China APMT on terms and conditions stipulated in the Consultancy Contract. The aggregate consultancy fee is HK$3,300,000 including incentive payment, and the term of the contract commenced from 1 August 2014 and will expire on the date of completion of the in-orbit acceptance of LAOSAT-1 Satellite, or on 31 March 2016, whichever is earlier.

On 21 November 2014, 亞訊通信技術開發（深圳）有限公司 ("APT (Shenzhen)") entered into a new consultancy contract ("New Consultancy Contract") with China APMT in respect of the provision of advisory and consultancy services for the construction of LAOSAT-1 Satellite by APT (Shenzhen) to China APMT on terms and conditions stipulated in the New Consultancy Contract. The aggregate consultancy fee is RMB2,612,620 including incentive payment, and the term of the contract commenced from 1 August 2014 and will expired on the date of completion of the in-orbit acceptance of LAOSAT-1 Satellite, or on 31 March 2016, whichever is earlier. The purpose of the New Consultancy Contract is to supersede the Consultancy Contract, which was terminated on 21 November 2014.

CONTINUING CONNECTED TRANSACTIONS

On 3 November 2011, the Company entered into the Transponder Service Master Agreement ("Existing Master Agreement") with China Satellite Communications Company Limited ("CSCC") of validity until 31 December 2014 thereby subject to the terms and conditions of the Master Agreement, the Company and its subsidiaries (the "Group") and CSCC 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 CSCC (the "Service in Mainland China"); and that (b) in the market outside Mainland China, either the Group or CSCC shall provide on a preferential basis its own satellite transponder capacity and satellite telecommunication value-added services and other related professional service to the other party (the "Service Outside Mainland China"). Since CSCC is 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 51.67% (51.67% as at 31 December 2014) of the issued share capital of the Company. CSCC is therefore a connected party of the Company under the Listing Rules.

As approved by the independent shareholders of the Company on 12 December 2011, 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 2014 are as follows:

(a)	the Caps in respect of the provision of the Service in Mainland China by the Group to CSCC	HK$370,000,000
(b)	the Caps in respect of the provision of the Service Outside Mainland China by the Group to CSCC	HK$25,000,000
(c)	the Caps in respect of the provision of the Service Outside Mainland China by CSCC to the Group	HK$360,000,000

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 under 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 Existing Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

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 Transaction 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 Accountants. KPMG has issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which has been provided by the Company to the Stock Exchange in accordance with Listing Rules 14A.38 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 ended 31 December 2014.

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

As the Existing Master Agreement expired in December 2014 and in view of the need of maintaining the provision of services to customers and to strengthen the benefits of synergy between CSCC and the Company, on 27 October 2014, the Company entered into a new Transponder Service Master Agreement (the "New Master Agreement") with CSCC. Pursuant to the New Master Agreement, the scope of service cooperation between the Company and CSCC will be substantially the same and the term will be extended for three years until 31 December 2017. The New Master Agreement, the Non-exempt Continuing Connected Transactions and the Caps in respect of the provisions of such transponder services, value-added services and related services between CSCC and APT over the three years to be ended 31 December 2017 were approved by the shareholders of the Company voted by poll in the Special General Meeting held on 5 December 2014.

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 34 to the financial statements.

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 auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
Yuan Jie
Chairman

Hong Kong, 24 March 2015

INDEPENDENT AUDITOR'S REPORT

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 50 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, 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 disclosure requirements of 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 consolidated 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.

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 2014 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 disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

24 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Turnover	3&11	**1,247,518**	1,138,055
Cost of services		**(467,690)**	(408,075)
Gross profit		**779,828**	729,980
Other net income	4(a)	**27,681**	43,119
Administrative expenses		**(118,377)**	(133,578)
Valuation gains on investment property	13	**391**	1,568
Profit from operations		**689,523**	641,089
Fair value changes on financial instrument designated at fair value through profit or loss	16	**(45,595)**	34,470
Finance costs	4(b)	**(25,139)**	(27,928)
Profit before taxation	4	**618,789**	647,631
Income tax	5(a)	**(110,744)**	(102,160)
Profit for the year and attributable to equity shareholders of the Company	8	**508,045**	545,471
Earnings per share	10		
Basic and diluted		**81.70 cents**	87.72 cents

The notes on pages 59 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	2014 $'000	2013 $'000
Profit for the year	**508,045**	545,471
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss	**–**	–
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	**(309)**	299
	(309)	299
Other comprehensive income for the year	**(309)**	299
Total comprehensive income for the year	**507,736**	545,770

The notes on pages 59 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	12(a)	**3,964,040**	3,183,673
Investment property	13	**5,750**	5,359
Intangible asset	14	**133,585**	133,585
Interest in joint venture	15	**490**	490
Club memberships		**5,537**	5,537
Prepaid expenses	18	**110,926**	459,741
Loan receivables	19	**24,180**	–
Deferred tax assets	27(b)	**2,030**	–
		4,246,538	3,788,385
Current assets			
Investment in convertible bonds	16	**–**	101,683
Financial assets at fair value through profit or loss	16	**51,141**	–
Trade receivables, net	20	**112,007**	60,511
Deposits, prepayments and other receivables		**502,621**	31,591
Loan receivables	19	**24,180**	–
Pledged bank deposits	21	**11,066**	15,504
Bank deposits with original maturity beyond 3 months		**1,007,874**	1,459,106
Cash and cash equivalents	22	**608,830**	89,531
		2,317,719	1,757,926
Current liabilities			
Payables and accrued charges	23	**821,068**	117,049
Rentals received in advance		**63,605**	61,812
Secured bank borrowings due within one year	24	**155,819**	107,980
Current taxation	27(a)	**44,507**	46,045
		1,084,999	332,886
Net current assets		**1,232,720**	1,425,040
Total assets less current liabilities carried forward		**5,479,258**	5,213,425

The notes on pages 59 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Total assets less current liabilities brought forward		**5,479,258**	5,213,425
Non-current liabilities			
Secured bank borrowings due after one year	24	**869,771**	1,133,058
Deposits received	25	**82,648**	88,350
Deferred income	26	**90,911**	92,132
Deferred tax liabilities	27(b)	**426,426**	323,502
		1,469,756	1,637,042
Net assets		**4,009,502**	3,576,383
Capital and reserves			
Share capital	28	**62,181**	62,181
Share premium	29	**1,273,812**	1,273,812
Contributed surplus	29	**511,000**	511,000
Revaluation reserve	29	**368**	368
Exchange reserve	29	**2,169**	2,478
Other reserves	29	**442**	442
Accumulated profits	29	**2,159,530**	1,726,102
Total equity		**4,009,502**	3,576,383

Approved and authorised for issue by the Board of Directors on 24 March 2015.

Cheng Guangren
Director

Qi Liang
Director

The notes on pages 59 to 121 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Investments in subsidiaries	17(a)	**615,862**	615,862
		615,862	615,862
Current assets			
Amounts due from subsidiaries	17(b)	**1,298,863**	1,071,101
Other receivables and prepayments		**892**	1,075
Bank deposits with original maturity beyond 3 months		**93,805**	309,917
Cash and cash equivalents	22	**806**	795
		1,394,366	1,382,888
Current liabilities			
Payables and accrued charges	23	**9,017**	18,707
Net current assets		**1,385,349**	1,364,181
Net assets		**2,001,211**	1,980,043
Capital and reserves			
Share capital	28	**62,181**	62,181
Share premium	29	**1,273,812**	1,273,812
Contributed surplus	29	**584,358**	584,358
Accumulated profits	29	**80,860**	59,692
Total equity		**2,001,211**	1,980,043

Approved and authorised for issue by the Board of Directors on 24 March 2015.

Cheng Guangren	**Qi Liang**
Director	*Director*

The notes on pages 59 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Revaluation reserve $'000	Exchange reserve $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2013	62,181	1,273,812	511,000	368	2,179	442	1,236,593	3,086,575
Changes in equity for 2013:								
Profit for the year	–	–	–	–	–	–	545,471	545,471
Other comprehensive income	–	–	–	–	299	–	–	299
Total comprehensive income	–	–	–	–	299	–	545,471	545,770
Dividend approved in respect of the previous year *(note 9(ii))*	–	–	–	–	–	–	(24,872)	(24,872)
Dividend declared in respect of the current year *(note 9(i))*	–	–	–	–	–	–	(31,090)	(31,090)
Balance at 31 December 2013	62,181	1,273,812	511,000	368	2,478	442	1,726,102	3,576,383
Balance at 1 January 2014	**62,181**	**1,273,812**	**511,000**	**368**	**2,478**	**442**	**1,726,102**	**3,576,383**
Changes in equity for 2014:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**508,045**	**508,045**
Other comprehensive income	**–**	**–**	**–**	**–**	**(309)**	**–**	**–**	**(309)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(309)**	**–**	**508,045**	**507,736**
Dividend approved in respect of the previous year *(note 9(ii))*	**–**	**–**	**–**	**–**	**–**	**–**	**(43,526)**	**(43,526)**
Dividend declared in respect of the current year *(note 9(i))*	**–**	**–**	**–**	**–**	**–**	**–**	**(31,091)**	**(31,091)**
Balance at 31 December 2014	**62,181**	**1,273,812**	**511,000**	**368**	**2,169**	**442**	**2,159,530**	**4,009,502**

The notes on pages 59 to 121 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	The Company				
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2013	62,181	1,273,812	584,358	59,628	1,979,979
Changes in equity for 2013:					
Profit and total comprehensive income	–	–	–	56,026	56,026
Dividend approved in respect of the previous year *(note 9(ii))*	–	–	–	(24,872)	(24,872)
Dividend declared in respect of the current year *(note 9(i))*	–	–	–	(31,090)	(31,090)
Balance at 31 December 2013	62,181	1,273,812	584,358	59,692	1,980,043
Balance at 1 January 2014	**62,181**	**1,273,812**	**584,358**	**59,692**	**1,980,043**
Changes in equity for 2014:					
Profit and total comprehensive income	**–**	**–**	**–**	**95,785**	**95,785**
Dividend approved in respect of the previous year *(note 9(ii))*	**–**	**–**	**–**	**(43,526)**	**(43,526)**
Dividend declared in respect of the current year *(note 9(i))*	**–**	**–**	**–**	**(31,091)**	**(31,091)**
Balance at 31 December 2014	**62,181**	**1,273,812**	**584,358**	**80,860**	**2,001,211**

The notes on pages 59 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Cash generated from operations	22(b)	**756,919**	968,543
Overseas tax paid		**(11,388)**	(14,514)
Net cash generated from operating activities		**745,531**	954,029
Investing activities			
Payment for the purchase of property, plant and equipment		**(339,761)**	(28,617)
Proceeds from disposal of investment		**7,157**	–
Proceeds from disposal of property, plant and equipment		**11**	49
Investment in joint venture		**–**	(490)
Interest received		**36,750**	20,841
Decrease in pledged bank deposits		**4,438**	41,383
Decrease/(increase) in bank deposits with original maturity beyond 3 months		**451,232**	(886,747)
Increase in loan receivables		**(48,360)**	–
Net cash generated from/(used in) investing activities		**111,467**	(853,581)
Financing activities			
Interest paid		**(22,958)**	(26,160)
Repayment of bank borrowings		**(218,400)**	(93,600)
Dividends paid to equity shareholders of the Company		**(74,617)**	(55,962)
Net cash used in financing activities		**(315,975)**	(175,722)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Net increase/(decrease) in cash and cash equivalents		**541,023**	(75,274)
Cash and cash equivalents at 1 January	22(a)	**89,531**	156,535
Effect of foreign exchange rates changes		**(21,724)**	8,270
Cash and cash equivalents at 31 December	22(a)	**608,830**	89,531

The notes on pages 59 to 121 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 ("HKFRS"), 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. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and 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 and revised HKFRSs, 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. 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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss (see note 1(e)), investments in convertible bonds (see note 1(e)) and investment property (see note 1(f)) are stated at fair value, as explained in the accounting policies set out below.

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 37.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 cash flows 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

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 of an investment in an associate or a joint venture (see note 1(d)).

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

(d) Joint ventures

A joint venture is an entity whereby the Group or company and other parties contractually agree to share control of the entity, and have rights to the net assets of the entity.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the Consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint ventures (Continued)

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a joint venture is stated at cost less impairment losses (see note 1(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investment in convertible bonds and financial assets at fair value through profit or loss

Investment in convertible bonds is designated at fair value through profit or loss as the asset is managed, evaluated and reported to internally on a fair value basis.

Investment in convertible bonds and other financial assets at fair value through profit or loss are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(r)(iii).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) 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(r)(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(h)), 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(h).

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 accumulated profits upon the retirement and disposal of the relevant properties.

(g) 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(i)):

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

– other items of plant and equipment.

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost 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.

– Leasehold improvements	Over the lease term
– Furniture and equipment, motor vehicles, and computer equipment	5 years
– Communication satellite equipment and data centre equipment	5 to 15 years
– Communication satellites	13.5 to 18.5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost 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.

(h) 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 based 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(f)); and

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

– 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.

(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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that come 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;

– 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 investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

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

– 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets; and

– investments in subsidiaries and joint ventures in the Company's statement of financial position.

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

(i) Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

(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.

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.

(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(i)(i) and (ii)).

(j) 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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less impairment losses for bad and doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

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

Certain employees of the Group participate in retirement plans managed by the respective local governments of the municipalities in the People's Republic of China (the "PRC") in which the Group operates. 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 relevant 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.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment benefits of termination benefits.

(p) 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 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.

(q) 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)

(r) 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.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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 end of the reporting period.

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. Statement of financial position items are translated into Hong Kong Dollars at the closing foreign exchange rates at the end of the reporting period. 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.

(t) 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)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

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, 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:

– Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, *Investment entities*

– Amendments to IAS/HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to IAS/HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

The impacts of the developments are discussed below:

Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS/HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS/HKAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS/HKAS 32 clarify the offsetting criteria in IAS/HKAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS/HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS/HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments do not have any material impact on the fair value measurement of the Group's assets and liabilities.

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:

	2014 **$'000**	2013 $'000
Income from provision of satellite transponder capacity and related services	**1,213,627**	1,099,829
Income from provision of satellite-based broadcasting and telecommunications services	**26,216**	29,886
Service income	**7,675**	8,340
	1,247,518	1,138,055

4 PROFIT BEFORE TAXATION

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

		2014 $'000	2013 $'000
(a)	**Other net income**		
	Interest income on bank deposits	**36,808**	23,069
	Interest income on convertible bonds	**708**	1,750
	Other interest income	**6,978**	709
	Foreign currencies exchange (loss)/gain	**(26,302)**	12,564
	Rental income in respect of properties	**794**	579
	Other service income	**6,085**	4,001
	Gain on disposal of property, plant and equipment	**–**	24
	Gain on disposal of investment	**2,210**	–
	Other income	**400**	423
		27,681	43,119

		2014 $'000	2013 $'000
(b)	**Finance costs**		
	Interest on bank borrowings	**22,899**	25,807
	Other borrowing costs	**2,240**	2,121
		25,139	27,928

		2014 $'000	2013 $'000
(c)	**Staff costs**		
	Staff costs (including directors' emoluments)		
	Retirement scheme contributions	**2,983**	3,057
	Salaries, wages and other benefits	**66,678**	85,135
		69,661	88,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT BEFORE TAXATION (Continued)

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

	2014 $'000	2013 $'000
(d) Other items		
Auditors' remuneration		
– audit services	**1,299**	1,249
– tax services	**371**	145
– other services	**14**	148
Depreciation	**295,974**	294,936
Loss on disposal of property, plant and equipment	**143**	–
Operating lease charges: minimum lease payments		
– land and buildings and equipment	**234**	232
– satellite transponder capacity	**129,062**	39,913
Impairment loss on trade and other receivables recognised	**3,437**	5,918

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 $'000	2013 $'000
Current tax – Outside Hong Kong		
Provision for the year	**17,791**	17,041
Over-provision in respect of prior years	**(7,941)**	(6,364)
	9,850	10,677
Deferred taxation – Hong Kong	**100,894**	91,483
Actual tax expense	**110,744**	102,160

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

No provision has been made for Hong Kong Profits Tax as the Company and its subsidiaries either has tax losses available to offset current year assessable profits or has no estimated assessable profits for the year.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

Overseas tax includes profits tax and withholding tax paid or payable in respect of the Group's income from the provision of satellite transponder capacity to customers who are located outside Hong Kong.

Over-provision in respect of prior years represents reversal of provision for withholding taxes. Management considers the likelihood of the Group being required to pay such withholding taxes has become remote and therefore made the reversal during the year.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2013: 16.5%) of the estimated temporary differences for the year.

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

	2014 $'000	2013 $'000
Profit before taxation	**618,789**	647,631
Notional tax on profit before tax, calculated at the rates applicable to assessable profits in the countries concerned	**102,119**	106,844
Over-provision in respect of prior years	**(7,941)**	(6,364)
Overseas withholding tax	**17,784**	17,011
Tax effect of non-deductible expenses	**22,978**	31,608
Tax effect of non-taxable revenue	**(20,246)**	(45,849)
Tax effect of unused tax losses not recognised	**(74)**	(383)
Tax effect of prior year's unrecognised deferred tax utilised this year	**(1,846)**	(707)
Tax effect of temporary differences previously not recognised now recognised	**(2,030)**	–
Actual tax expense	**110,744**	102,160

(c) There is no tax effect relating to the components of the other comprehensive income for the year (2013: $nil).

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2014 Total $'000
Executive directors					
Cheng Guangren *(note (c))*	50	2,640	1,872	432	4,994
Qi Liang *(note (c))*	50	1,885	1,180	313	3,428
Non-executive directors					
Lei Fanpei *(note (a))*	–	–	–	–	–
Lim Toon	100	–	–	–	100
Yong Foo Chong (resigned on 27 June 2014)	48	–	–	–	48
Lim Kian Soon (appointed on 27 June 2014)	52	–	–	–	52
Yin Yen-liang	100	–	–	–	100
Zhuo Chao	100	–	–	–	100
Fu Zhiheng	100	–	–	–	100
Tseng Ta-mon *(note (b))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	–	–	–	–	–
	1,200	4,525	3,052	745	9,522

6 DIRECTORS' REMUNERATION (Continued)

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2013 Total $'000
Executive directors					
Cheng Guangren *(note (c))*	50	2,640	2,203	418	5,311
Qi Liang *(note (c))*	50	1,885	1,844	299	4,078
Non-executive directors					
Lei Fanpei *(note (a))*	–	–	–	–	–
Lim Toon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Yong Foo Chong	100	–	–	–	100
Zhuo Chao	100	–	–	–	100
Fu Zhiheng	100	–	–	–	100
Tseng Ta-mon *(note (b))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,400	4,525	4,047	717	10,689

Notes:

(a) Mr Lei Fanpei, a non-executive director, has waived his director's fees for 2014 and 2013.

(b) Mr Tseng Ta-mon is 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 the executive directors for the year. In addition to the amounts disclosed above, the executive directors and key management are entitled to a performance related bonuses of $2,865,000 (2013: $8,316,000). The allocation of the said bonuses to the executive directors and key management has yet to be determined.

7 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, there are two directors (2013: two) whose remuneration is disclosed in note 6. The aggregate of emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 $'000	2013 $'000
Salaries and other emoluments	**5,356**	5,154
Performance related bonuses	**3,085**	4,468
Retirement scheme benefits contributions	**493**	473
	8,934	10,095

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	Number of individuals 2014	 2013
$1,000,001 to $1,500,000	**–**	–
$1,500,001 to $2,000,000	**–**	–
$2,000,001 to $2,500,000	**–**	–
$2,500,001 to $3,000,000	**2**	–
$3,000,001 to $3,500,000	**1**	2
$3,500,001 to $4,000,000	**–**	1
	3	3

8 PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $95,785,000 (2013: $56,026,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 **$'000**	2013 $'000
Interim dividend declared and paid of 5.00 cents per ordinary share (2013: 5.00 cents)	**31,091**	31,090
Final dividend proposed after the end of the reporting period of 7.00 cents per ordinary share (2013: 7.00 cents)	**43,526**	43,526
	74,617	74,616

As the final dividend is proposed after the end of the reporting period, such dividend has not been recognised as a liability at the end of the reporting period.

At a board meeting held on 24 March 2015, 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 2 June 2015, on the basis of 1 bonus share for every 2 shares held.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 **$'000**	2013 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.00 cents per share (2013: 4.00 cents)	**43,526**	24,872

10 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 $508,045,000 (2013: $545,471,000) and the weighted average of 621,807,000 ordinary shares (2013: 621,807,000 shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2014 and 2013.

11 SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect 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. Since over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2014 and 2013 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 December 2014, revenue of approximately $346,502,000 (2013: $273,325,000) were derived from these customers and attributable to the provision of satellite transponder capacity and related services.

Geographical segments

The Group's operating assets consist primarily of its satellites which are put into services for transmission to multiple countries, and are not based within a specific geographical location. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

The Group is domiciled in Hong Kong. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the year ended 31 December 2014 were $120,589,000, $275,205,000, $531,708,000 and $320,016,000 respectively (2013: $105,112,000, $282,891,000, $418,706,000 and $331,346,000 respectively).

In prior years, the place of incorporation of customers were deemed the geographical location from where the Group derived its revenues for segment reporting purpose. Management has reconsidered this basis during the current period in light of the Group's expanding customer portfolio and is of the view that the geographical regions where the Group's satellites are providing coverage would be a more appropriate basis to categorise the geographical locations from which the Group derives revenues. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the basis of presentation for the above geographical revenue information, including the comparatives, have been changed from country-based to region-based.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer $'000	Communication satellite equipment $'000	Communication satellites $'000	Data centre equipment $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2013	119,539	19,044	49,641	90,098	6,777,276	–	8,790	7,064,388
Additions	–	194	749	5,993	–	1,203	16,537	24,676
Disposals	–	–	(1,508)	(18,374)	–	–	–	(19,882)
Transfer	–	375	2,599	3,446	–	16,480	(22,900)	–
Exchange adjustments	–	43	69	–	–	–	–	112
At 31 December 2013	119,539	19,656	51,550	81,163	6,777,276	17,683	2,427	7,069,294
At 1 January 2014	119,539	19,656	51,550	81,163	6,777,276	17,683	2,427	7,069,294
Additions	–	415	1,166	2,511	–	198	1,072,221	1,076,511
Disposals	–	(1,708)	(402)	–	(2,022,072)	–	–	(2,024,182)
Transfer	–	938	22	2,183	–	17	(3,160)	–
Exchange adjustments	–	(43)	(69)	–	–	–	–	(112)
At 31 December 2014	119,539	19,258	52,267	85,857	4,755,204	17,898	1,071,488	6,121,511
Accumulated depreciation:								
At 1 January 2013	35,714	9,947	43,689	65,219	3,455,874	–	–	3,610,443
Charge for the year	2,465	1,765	2,271	6,308	280,530	1,597	–	294,936
Written back on disposal	–	–	(1,505)	(17,874)	–	–	–	(19,379)
Impairment loss written back of disposal	–	–	–	(478)	–	–	–	(478)
Exchange adjustments	–	41	58	–	–	–	–	99
At 31 December 2013	38,179	11,753	44,513	53,175	3,736,404	1,597	–	3,885,621
At 1 January 2014	38,179	11,753	44,513	53,175	3,736,404	1,597	–	3,885,621
Charge for the year	2,465	976	2,418	7,479	280,530	2,106	–	295,974
Written back on disposal	–	(1,554)	(402)	–	(1,866,471)	–	–	(1,868,427)
Impairment loss written back of disposal	–	–	–	–	(155,601)	–	–	(155,601)
Exchange adjustments	–	(39)	(57)	–	–	–	–	(96)
At 31 December 2014	40,644	11,136	46,472	60,654	1,994,862	3,703	–	2,157,471
Net book value:								
At 31 December 2014	**78,895**	**8,122**	**5,795**	**25,203**	**2,760,342**	**14,195**	**1,071,488**	**3,964,040**
At 31 December 2013	81,360	7,903	7,037	27,988	3,040,872	16,086	2,427	3,183,673

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Land and buildings	
	2014	2013
	$'000	$'000
Medium-term leases in Hong Kong	**76,821**	79,216
Medium-term leases outside Hong Kong	**2,074**	2,144
	78,895	81,360

(c) Fixed assets under finance leases

As at 31 December 2014, the net book value of communication satellites held under finance leases in connection with APSTAR 5 amounted to $244,351,000 (2013: $308,216,000).

13 INVESTMENT PROPERTY

The investment property was revalued at 31 December 2014 at $5,750,000 (2013: $5,359,000) on an open market value basis by reference to net rental income allowing for reversionary income potential by Savills Valuation and Professional Services Limited, an independent professional property appraiser who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. A valuation gain of $391,000 (2013: $1,568,000) has been recognised in the profit or loss during the year.

There was no addition, disposal or transfer of investment property during the year ended 31 December 2014. The investment property, which is situated in the PRC under medium term leases, is rented out under operating leases and the rental income earned from the investment property during the year was $505,000 (2013: $358,000).

14 INTANGIBLE ASSET

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

	The Group	
	2014	2013
	$'000	$'000
Orbital slot	**133,585**	133,585

During 2009, the Group obtained the right to operate a satellite at an orbital slot. Such intangible asset is considered to have an indefinite life.

No impairment of the intangible asset was recorded as of 31 December 2014 and 2013.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projections based on budget and business plan approved by management for the year ending 31 December 2014. Cash flows beyond 2014 are derived based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at a growth rate generally expected for the industry.

15 INTEREST IN JOINT VENTURE

	The Group	
	2014	2013
	$'000	$'000
Unlisted shares, at cost	**490**	490

During the year, the Group established with a third party and contributed a sum of $490,000 to a joint venture called Beijing Tong Ten Tang Mass Media (Hong Kong) Co. Limited, in exchange for 49% equity interest in the joint venture. The joint venture is at start-up stage and has no material operation during the year.

16 INVESTMENT IN CONVERTIBLE BONDS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In May 2014, the Group converted the convertible bonds issued by CNC Holdings Limited into 178,571,429 ordinary shares of the issuer and realised a fair value loss of $66,683,000 upon conversion. The investment in listed shares of CNC Holdings Limited is designated as "financial assets at fair value through profit or loss" with an initial fair value of $35,000,000. As at 31 December 2014, the investment in listed securities was remeasured at a fair value of $51,141,000, based on the market price as at period end, with fair value gain of $21,088,000 credited to profit or loss.

17 INVESTMENTS IN SUBSIDIARIES

(a) Investment in subsidiaries

	The Company	
	2014	2013
	$'000	$'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 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (Continued)

Name of company	Place of incorporation/ operation*	Particulars of issued and paid up capital	Proportion of ownership interest: 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 ("APTHK")	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 Global Company Limited	Cayman Islands	US$2	100%	–	100%	Investment holding
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 programme services
APT Datamatrix Limited (Formerly known as "APT Satellite Vision Limited")	Hong Kong	HK$2	100%	–	100%	Provision of data centre services
APT Telecom Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of tele-communication 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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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (Continued)

Name of company	Place of incorporation/ operation*	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: 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.

\# The company was under voluntary liquidation and was dissolved during 2014.

18 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid expenses represent the advance payment of launch services contract and licence 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	
	2014	2013
	$'000	$'000
Balance at 31 December	**459,741**	461,854
Add: additions	**109,934**	409
Less: current portion (included in deposits, prepayments and other receivables under current assets)	**(458,749)**	(2,522)
Non-current portion	**110,926**	459,741

On 17 August 2012, APT Satellite Company Limited ("APTHK"), a subsidiary of the Company, entered into a launch services contract, amounting to $452,400,000, with China Great Wall Industry Corporation, a fellow subsidiary of the Group, in respect of the provision of launch and associated services for a satellite. The contract will be expired in September 2015 and the sum of $452,400,000 prepaid by APTHK will be refunded upon the expiry of the contract. Therefore the prepayment is classified as current assets as at 31 December 2014 accordingly.

During the year ended 31 December 2014, APTHK entered into a license agreement with a third party for the exclusive right to use certain orbital slot positions at an upfront premium of US$28,000,000. APTHK has prepaid US$15,000,000 during the year regarding this agreement.

19 LOAN RECEIVABLES

Loan receivable of $48,360,000 from a third party is unsecured and interest bearing at London Inter Bank Offered Rate plus 5% per annum. A sum of $24,180,000 out of the loan receivable is due after one year but within five years from the end of the reporting period and is neither past due nor impaired.

20 TRADE RECEIVABLES, NET

	The Group	
	2014	2013
	$'000	$'000
Due from third parties	**91,903**	50,951
Due from fellow subsidiaries	**19,814**	9,560
Due from holding company of a shareholder of the Company	**290**	–
	112,007	60,511

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

(a) Ageing analysis

The Group normally allows a credit period of 30 days from the date of revenue recognition to its trade customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of revenue recognition, at the end of the reporting period:

	The Group	
	2014	2013
	$'000	$'000
1 – 30 days	**45,388**	24,783
31 – 60 days	**16,204**	8,412
61 – 90 days	**11,673**	5,920
91 – 120 days	**7,039**	3,455
Over 120 days	**31,703**	17,941
	112,007	60,511

The Group's credit policy is set out in note 30(a).

20 TRADE RECEIVABLES, NET (Continued)

(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(i)).

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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
At 1 January	**5,653**	3,345	**–**	–
Impairment loss recognised	**2,829**	2,308	**–**	–
Uncollectible amounts written off	**(1,086)**	–	**–**	–
At 31 December	**7,396**	5,653	**–**	–

At 31 December 2014, the Group's trade receivables of $7,396,000 (2013: $5,653,000) 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 $2,829,000 (2013: $2,308,000) were recognised in the profit or loss during the year ended 31 December 2014.

20 TRADE RECEIVABLES, NET (Continued)

(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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Neither past due nor impaired	**26,480**	36,047	**–**	–
Less than 1 month past due	**37,961**	8,394	**–**	–
1 to 3 months past due	**35,129**	14,445	**–**	–
More than 3 months past due	**12,437**	1,625	**–**	–
At 31 December	**112,007**	60,511	**–**	–

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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.

21 PLEDGES OF ASSETS

At 31 December 2014, bank deposits of $11,066,000 (2013: $15,504,000) were pledged to bank borrowings made during the year.

At 31 December 2014, 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 $3,724,000 (2013: $3,840,000).

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions with maturity less than 3 months	**562,837**	–	**–**	–
Cash at bank and on hand	**45,993**	89,531	**806**	795
Cash and cash equivalents in the statement of financial position and cash flow statement	**608,830**	89,531	**806**	795

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(Expressed in Hong Kong dollars unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS (Continued)

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

	The Group	
	2014	2013
	$'000	$'000
Profit before taxation	**618,789**	647,631
Adjustment for:		
– Depreciation	**295,974**	294,936
– Loss/(gain) on disposal of property, plant and equipment	**143**	(24)
– Valuation gain on investment property	**(391)**	(1,568)
– Gain on disposal of investment	**(2,210)**	–
– Fair value changes on financial instrument designated at fair value through profit or loss	**45,595**	(34,470)
– Interest income	**(44,494)**	(25,528)
– Finance costs	**25,139**	27,928
– Impairment loss for trade and other receivables recognized	**3,437**	5,918
Operating profit before changes in working capital:	**941,982**	914,823
– (Increase)/decrease in trade receivables, net	**(54,325)**	33,594
– (Increase)/decrease in prepaid expenses	**(103,585)**	2,113
– Increase in deposits, prepayments and other receivables	**(6,433)**	(11,689)
– (Decrease)/increase in payables and accrued charges	**(15,590)**	48,357
– Increase in rentals received in advance	**1,793**	1,071
– Decrease in deferred income	**(1,221)**	(23,603)
– (Decrease)/increase in deposits received	**(5,702)**	3,877
Cash generated from operations	**756,919**	968,543

23 PAYABLES AND ACCRUED CHARGES

The ageing analysis of accounts payable and accrued charges as of the end of the reporting period, based on due date, is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
0 – 3 months	**15,592**	36,770	**195**	279
4 – 6 months	**–**	–	**–**	–
7 – 9 months	**–**	–	**–**	–
9 – 12 months	**–**	–	**–**	–
	15,592	36,770	**195**	279
Accrued expenses	**805,476**	80,279	**8,822**	18,428
At 31 December	**821,068**	117,049	**9,017**	18,707

24 SECURED BANK BORROWINGS

	The Group	
	2014	2013
	$'000	$'000
Bank loans	**1,025,590**	1,241,038
Less: amount due within one year included under current liabilities	**(155,819)**	(107,980)
	869,771	1,133,058

Secured bank borrowings (net of unamortised finance cost) are repayable as follows:

	The Group	
	2014	2013
	$'000	$'000
Within one year or on demand	**155,819**	107,980
After one year but within five years	**869,771**	1,133,058
After five years	**–**	–
	1,025,590	1,241,038

25 DEPOSITS RECEIVED

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

26 DEFERRED INCOME

Deferred income represents unrecognised revenue in respect of payments received in advance for the provision of transponder utilisation services and related services in future periods. Deferred income is recognised in profit or loss according to the revenue recognition policy for transponder utilisation income and related services set out in note 1(r)(i).

27 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014	2013
	$'000	$'000
Overseas tax payable	**8,482**	6,629
Balance of overseas tax provision relating to prior years	**36,025**	39,416
	44,507	46,045

27 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION (Continued)

(b) Deferred tax liabilities/(assets) recognised

(i) The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Other temporary differences $'000	Total $'000
At 1 January 2013	455,419	(222,185)	(1,215)	232,019
(Credited)/charged to profit or loss	(16,093)	107,686	(110)	91,483
At 31 December 2013	439,326	(114,499)	(1,325)	323,502
At 1 January 2014	**439,326**	**(114,499)**	**(1,325)**	**323,502**
Charged/(credited) to profit or loss	**80,930**	**19,988**	**(24)**	**100,894**
At 31 December 2014	**520,256**	**(94,511)**	**(1,349)**	**424,396**

	The Group 2014 $'000	The Group 2013 $'000
Represented by:		
Deferred tax assets	**(2,030)**	–
Deferred tax liabilities	**426,426**	323,502
	424,396	323,502

(ii) The Company

The Company did not have any deferred tax assets/liabilities recognised in the statement of financial position.

27 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $90,108,000 (2013: $114,330,000) and other deductible temporary differences of $10,235,000 (2013: $11,438,000) as the utilisation of these temporary differences was considered to be less than probable. The tax losses do not expire under current tax legislation.

28 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares '000	$'000
Authorised:		
Ordinary shares of $0.10 each	**2,000,000**	**200,000**
Ordinary shares, issued and fully paid:		
At 31 December 2013 and 31 December 2014	**621,807**	**62,181**

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.

(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.

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.

28 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

During 2014, the Group's strategy, which remain unchanged from 2013, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 30%. Pursuant to this practice, 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.

The net debt-to-adjusted capital ratio at 31 December 2014 was as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current liabilities:				
Payables and accrued charges	**821,068**	117,049	**9,017**	18,707
Secured bank borrowings due within one year	**155,819**	107,980	**–**	–
	976,887	225,029	**9,017**	18,707
Non-current liabilities:				
Secured bank borrowings due after one year	**869,771**	1,133,058	**–**	–
Total debt	**1,846,658**	1,358,087	**9,017**	18,707
Less: Cash and cash equivalents	**(608,830)**	(89,531)	**(806)**	(795)
Bank deposits with original maturity beyond 3 months	**(1,007,874)**	(1,459,106)	**(93,805)**	(309,917)
Pledged bank deposits	**(11,066)**	(15,504)	**–**	–
Net debt	**218,888**	(206,054)	**(85,594)**	(292,005)
Total equity	**4,009,502**	3,576,383	**2,001,211**	1,980,043
Adjusted capital	**4,009,502**	3,576,383	**2,001,211**	1,980,043
Net debt-to-adjusted capital ratio	**5%**	N/A	**N/A**	N/A

28 SHARE CAPITAL (Continued)

(b) Capital management (Continued)

On 9 July 2010, APTHK, 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 an aggregate amount of US$200 million (the "2010 Facility"). The 2010 Facility is applied to finance APSTAR 7 including its construction, launch costs and their related construction costs and insurance premium. The 2010 Facility is secured by the assignment of the construction, launch 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 Facility is repayable by way of semi-annual installments over a six-year period from 1 December 2012. During the year, APTHK has repaid US$28,000,000 (approximately $218,400,000) in this regard. As a result, the outstanding principal balance of the 2010 Facility was US$132,000,000 (approximately $1,029,600,000) at 31 December 2014.

The 2010 Facility is subject to the fulfillment of covenants related 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 year ended 31 December 2014, the Group complied with all of the above covenants.

29 RESERVES

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of the Bermuda (as amended).

(ii) Contributed surplus

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.

29 RESERVES (Continued)

(iii) Revaluation reserve

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

(iv) Exchange reserve

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

(v) Other reserves

Other reserves represent various reserves set aside by certain subsidiaries in accordance with the relevant laws and regulations. These reserves are not available for distribution.

(vi) At 31 December 2014, the Company's reserves available for distribution amounted to $665,218,000 (2013: $644,050,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

30 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 is also exposed to equity price risk arising from its investment in convertible bonds.

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, and the Group's financial assets at fair value through profit or loss. 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 on customers' financial condition. The Group generally does not require collateral because it usually receives trade deposits which represent a quarter/a month 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.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purpose.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

At the end of the reporting period, the Group has a certain concentration of credit risk in respect of trade and other receivables as 29% (2013: 29%) and 59% (2013: 64%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, which is 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.

The following table details the remaining contractual maturities at the end of the reporting period 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group	2014					
	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	821,068	(821,068)	(821,068)	–	–	–
Secured bank borrowings	1,025,590	(1,081,274)	(176,180)	(344,723)	(560,371)	–
	1,846,658	(1,902,342)	(997,248)	(344,723)	(560,371)	–
The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	9,017	(9,017)	(9,017)	–	–	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Group	2013					
	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	117,049	(117,049)	(117,049)	–	–	–
Secured bank borrowings	1,241,038	(1,327,472)	(134,035)	(287,862)	(905,575)	–
	1,358,087	(1,444,521)	(251,084)	(287,862)	(905,575)	–

The Company	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	18,707	(18,707)	(18,707)	–	–	–

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2014, the Group's outstanding bank loans consisted of variable interest rate loans only. During the year ended 31 December 2014, the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks. Upward fluctuations in interest rates increase the interest cost of outstanding loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

During the year, secured bank borrowing had an effective interest rate of 1.96% (2013: 1.99%).

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit after taxation and total equity by $8,597,000 (2013: $10,421,000) so far as the effect on interest-bearing financial instruments is concerned. The impact on the Group's profit after taxation (and accumulated profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

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

(d) Currency risk

The Group's reporting currency is the Hong Kong Dollar. The Group's revenue, premiums for satellite insurance coverage and debt service and substantially all capital expenditures were denominated in United States Dollars or Renminbi. The Group's remaining expenses were primarily denominated in Hong Kong Dollars.

Given the fact that the exchange rate of United States Dollars and Hong Kong Dollars are currently pegged, management does not expect that there will be any significant currency risk associated with financial statement items denominated in United States Dollars.

The Group has not hedged the foreign currency exposure in relation to financial statement items denominated in Renminbi.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure to foreign currencies (expressed in Hong Kong Dollars)	
	2014	2013
	Renminbi	Renminbi
	'000	'000
Trade receivables, net	**20,299**	7,219
Deposits, prepayments and other receivables	**4,873**	3,338
Bank balance original maturity beyond 3 months	**597,771**	853,273
Cash and cash equivalents	**308,575**	15,687
Payables and accrued charges	**(631)**	(1,000)
Overall net exposure	**930,887**	878,517

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and accumulated 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 end of the reporting period.

The Group

	2014		2013	
	Increase/ decrease in foreign exchange rates	**Effect on profit after tax and accumulated profits**	Increase/ decrease in foreign exchange rates	Effect on profit after tax and accumulated profits
	%	**$'000**	%	$'000
Renminbi	**+/-5**	**+/-38,865**	+/-5	+/-36,678

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group entities' profit after tax measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(e) Equity price risk

The Group is exposed to equity price changes arising from the investment in convertible bonds as disclosed in note 16. As at 31 December 2013, it is estimated that an increase/decrease of 50% in the share price of the issuer of the convertible bonds, with all other variables held constant, would have increased/decreased the Group's post-tax profit for the year (and accumulated profits) by $39,483,000, as a result of changes in fair value of the investment in convertible bonds.

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and accumulated profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values

HKFRS 13, Fair value measurement categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group

	2014			2013		
	Level 1 $'000	**Level 2 $'000**	**Level 3* $'000**	Level 1 $'000	Level 2 $'000	Level 3* $'000
Assets						
Investment property *(note 13)*	**–**	**–**	**5,750**	–	–	5,359
Financial assets at fair value through profit or loss *(note 16)*	**51,141**	**–**	**–**	–	–	–
Investment in convertible bonds *(note 16)*	**–**	**–**	**–**	–	101,683	–

During the years ended 31 December 2013 and 2014, there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

* Details required under IFRS/HKFRS 13 in respect of investment property's Level 3 valuations are not particularly disclosed as the value of investment property is not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APTHK (see note 24). The extent of such banking facilities utilised by the subsidiary at 31 December 2014 amounted to $1,029,600,000 (2013: $1,248,000,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 21.

32 COMMITMENTS

At 31 December 2014, the Group had the following outstanding capital commitments not provided for in the Group's financial statements:

	The Group	
	2014	2013
	$'000	$'000
Contracted for	**593,196**	1,653,799
Authorised but not contracted for	**–**	–
	593,196	1,653,799

33 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2014, 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	
	2014	2013
	$'000	$'000
Within one year	**39**	129
After one year but within five years	**–**	18
	39	147

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.

33 LEASING ARRANGEMENTS (Continued)

The Group as lessee (Continued)

(ii) Satellite transponder capacity:

	The Group	
	2014	2013
	$'000	$'000
Within one year	**74,338**	15,570
After one year but within five years	**58,304**	6,393
	132,642	21,963

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 $794,000 (2013: $579,000). At the end of the reporting period, certain properties with an aggregate carrying value of $10,866,000 (2013: $10,635,000) were held for rental purposes and the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $253,000 (2013: $106,000), and after one but within five years amounting to $nil (2013: $nil). Depreciation charged for the year in respect of these properties was $160,000 (2013: $160,000).

Service income earned relating to leasing of facilities equipment during the year was $nil (2013: $5,761,000). At the end of the reporting period, the Group had contracted with customers for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $nil (2013: $3,871,000), and after one but within five years amounting to $nil (2013: $1,040,000).

The Company

The Company did not have any leasing arrangements at the end of the reporting period.

34 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 $30,000 (period before 31 May 2014: monthly relevant income of $25,000) 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 the respective municipal governments under which they are governed. Employees in the PRC are entitled to retirement benefits equal to 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 participates in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group is 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.

35 MATERIAL RELATED PARTY TRANSACTIONS

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

	The Group	
	2014 **$'000**	2013 $'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))**	**148,841**	156,654
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based elecommunication services *(note (i))*	**44,965**	45,311
Management fees paid to a fellow subsidiary *(note (ii))*	**(230)**	(607)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (iii))**	**(116,825)**	(30,498)
Payment to a fellow subsidiary for drifting service of an in-orbit satellite *(note (iv))*	**–**	(23,556)

* These transactions also constitute connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Connected transactions" in the Directors' Report of the annual report for the year ended 31 December 2014.

(b) Except for the balances disclosed elsewhere in these financial statements, at the end of the reporting period, the Group had the following amounts included in the consolidated statement of financial position in respect of amounts owed by and to related parties:

	Deposits, prepayment and other receivables		Trade Receivables		Payables and accrued charges		Rentals in advance and deferred income	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Immediate holding company	**–**	100	**–**	–	**–**	–	**–**	–
Fellow subsidiaries	**–**	–	**19,814**	9,560	**750,242**	38,974	**7,653**	9,835
Holding company of a shareholder of the Company *(note (i))*	**–**	–	**290**	–	**–**	–	**64,353**	84,082

35 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 were paid to a fellow subsidiary for services received during the year.

(iii) Transponder capacity services cost was paid to a fellow subsidiary of the Company for services received during the year.

(iv) Drifting service of an in-orbit satellite was paid to a fellow subsidiary 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 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	2014	2013
	$'000	$'000
Short-term employee benefits	**13,522**	13,350
Performance related bonuses	**10,207**	18,652
Retirement scheme contributions	**1,461**	1,387
	25,190	33,389

Total remuneration is included in "staff costs" (see note 4(c)).

(Expressed in Hong Kong dollars unless otherwise indicated)

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

Emoluments of the senior managers of the Group fell within the following bands:

	Number of individuals 2014	Number of individuals 2013
$1,000,001 to $1,500,000	**–**	–
$1,500,001 to $2,000,000	**1**	–
$2,000,001 to $2,500,000	**1**	2
$2,500,001 to $3,000,000	**2**	–
$3,000,001 to $3,500,000	**2**	2
$3,500,001 to $4,000,000	**–**	1
$4,000,001 to $4,500,000	**–**	1
$4,500,001 to $5,000,000	**1**	–
$5,000,001 to $5,500,000	**–**	1
	7	7

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2014 to be APT Satellite International Company Limited and China Aerospace Science and Technology Corporation, which are incorporated in the British Virgin Islands and the PRC, respectively. Both entities do not produce financial statements available for public use.

37 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 13, 16 and 30 contain information about the assumptions and their risk factors relating to the fair value of financial instruments.

37 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 assessment performed at the in-services date and re-evaluated regularly. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used, and the skills over which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites also have a finite number of years in operation, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts. Accordingly, the estimated useful lives of the Group's satellites are reviewed based on latest 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(g) and 12.

(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 the end of each reporting period 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 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 2014, the Group had been recognised provision for bad debts in the amount of $3,437,000 (2013: $5,918,000 was recognised).

37 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 writing 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.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(iii) Impairment of property, plant and equipment (Continued)

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its value in use and fair value less cost of disposal as assessed by either the Group or 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 12, if any.

(iv) Impairment of intangible asset

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 issue 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 the reporting 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 date of issue of its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded. For details, please refer to note 31 on contingent liabilities.

(Expressed in Hong Kong dollars unless otherwise indicated)

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 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
Amendments to IAS/HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRS/HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRS/HKFRSs 2011-2013 cycle	1 July 2014
Amendments to IFRS/HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS/HKAS 16 and IAS/HKAS 38, *Clarification of accountable methods of depreciation and amortisation*	1 January 2016
IFRS/HKFRS15, *Revenue from contracts with customers*	1 January 2017
IFRS/HKFRS 9, *Financial Instruments*	1 January 2018

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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

39 POST STATEMENT OF FINANCIAL POSITION EVENTS

After the end of the reporting period, the directors declared a final dividend of $43,526,000. Further details are disclosed in note 9.

FIVE YEARS FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 December				
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	**2014 $'000**
Turnover	719,435	758,317	900,611	1,138,055	**1,247,518**
Cost of services	(369,359)	(362,038)	(372,363)	(408,075)	**(467,690)**
Gross profit	350,076	396,279	528,248	729,980	**779,828**
Other net income	5,242	15,652	25,515	43,119	**27,681**
Administrative expenses	(76,788)	(94,643)	(114,779)	(133,578)	**(118,377)**
Valuation gains on investment property	233	230	896	1,568	**391**
Other operating expenses and losses	–	(36,660)	–	–	**–**
Profit from operations	278,763	280,858	439,880	641,089	**689,523**
Gain on disposal of available-for-sale financial asset	–	111,413	–	–	**–**
Fair value changes on financial instrument designated at fair value through profit or loss	–	(9,989)	(34,211)	34,470	**(45,595)**
Finance costs	(6,330)	(21,941)	(21,250)	(27,928)	**(25,139)**
Profit before taxation	272,433	360,341	384,419	647,631	**618,789**
Income tax	(73,934)	(79,418)	(29,984)	(102,160)	**(110,744)**
Profit for the year and attributable to equity shareholders of the Company	198,499	280,923	354,435	545,471	**508,045**

ASSETS AND LIABILITIES

	At 31 December				
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	**2014 $'000**
Total assets	3,802,982	4,768,445	5,027,948	5,546,311	**6,564,257**
Total liabilities	(1,315,420)	(2,010,364)	(1,941,373)	(1,969,928)	**(2,554,755)**
Net assets	2,487,562	2,758,081	3,086,575	3,576,383	**4,009,502**