ANNUAL REPORT 2011

APT SATELLITE HOLDINGS LIMITED

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

COMPANY PROFILE

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

APT Group commenced its operation in 1992. It currently owns and operates six in-orbit satellites, namely, APSTAR 1, APSTAR 1A, APSTAR 2R, APSTAR 5, APSTAR 6 and APSTAR 7 ("APSTAR Systems") covering regions in Asia, Europe, Africa, and Australia approximately 75% of the World's population and providing excellent quality "one-stop-shop" transponder, satellite telecommunications and satellite TV broadcasting and transmission services to broadcasters and telecommunication customers of these regions.

The advanced APSTAR Systems of APT Group, being supported with the comprehensive and high quality services, has become very important satellite resources of the Asia Pacific region. APT Group is going to launch APSTAR 7 on 31 March 2012, broadening and enhancing the scope of services and capability of APSTAR Systems.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR 7*	Thales Alenia Space SB-4000C2	76.5˚E	28	Europe, Asia, Africa, Australia, about 75% of World's population	28	China (including Hong Kong, Macau and Taiwan), Middle East, Africa, steerable coverage
APSTAR 6	Thales Alenia Space SB-4100C1	134˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR 5	SS/L FS-1300	138˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8 8	China (including Hong Kong, Macau and Taiwan) China and India
APSTAR 2R	SS/L FS-1300	76.5˚E	28	Europe, Asia, Africa, Australia, about 75% of World's population	16	China (including Hong Kong, Macau and Taiwan) and Korea
APSTAR 1A	Boeing BSS-376	51.5˚E	24	Asia and Africa (operating in inclined orbit)	–	–
APSTAR 1	Boeing BSS-376	142˚E	24	Asia Pacific Region (operating in inclined orbit)	–	–

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

For more information, please contact us:

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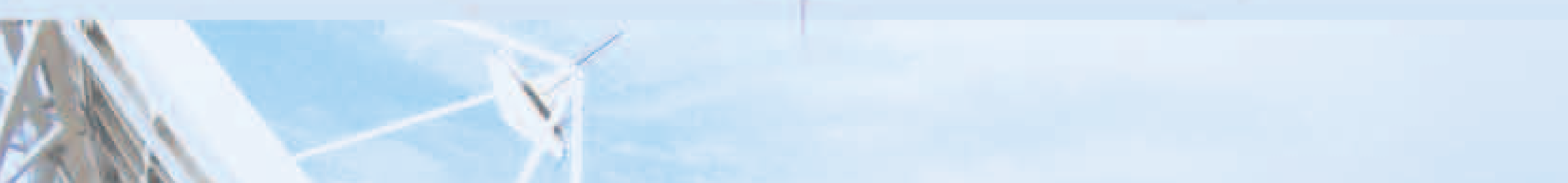

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CORPORATE INFORMATION

DIRECTORS

Executive directors

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

Non-executive directors

Lei Fanpei *(Chairman)*
Lim Toon
Yin Yen-liang
Yong Foo Chong
Zhuo Chao
Fu Zhiheng
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent non-executive directors

Lui King Man
Lam Sek Kong
Cui Liguo

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lo Kin Hang, Brian

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

AUDITORS

KPMG

PRINCIPAL BANKERS

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

LEGAL ADVISORS

Sit, Fung, Kwong & Shum

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bank of Bermuda Building
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Hamilton, HM 11
Bermuda

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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28 Queen's Road East
Hong Kong

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Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

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Tai Po Industrial Estate
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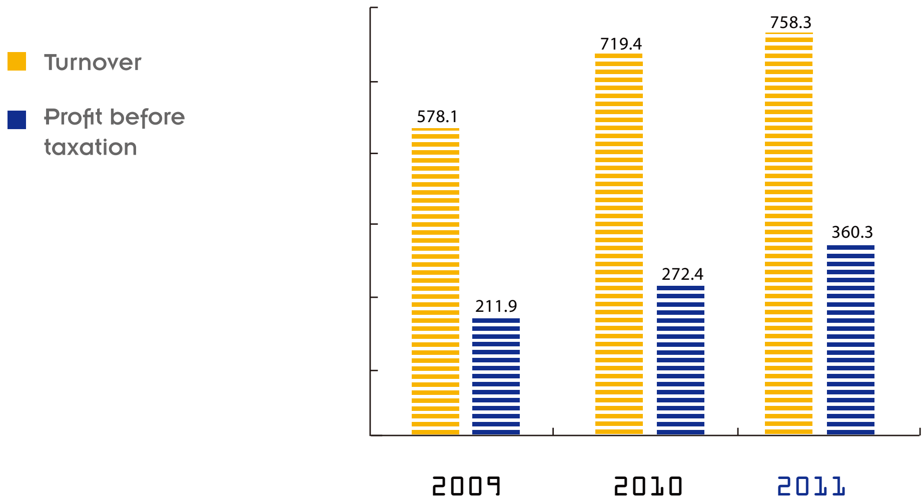
e-mail: aptmk@apstar.com (Marketing)
investors@apstar.com (Investor Relations)

STOCK CODE

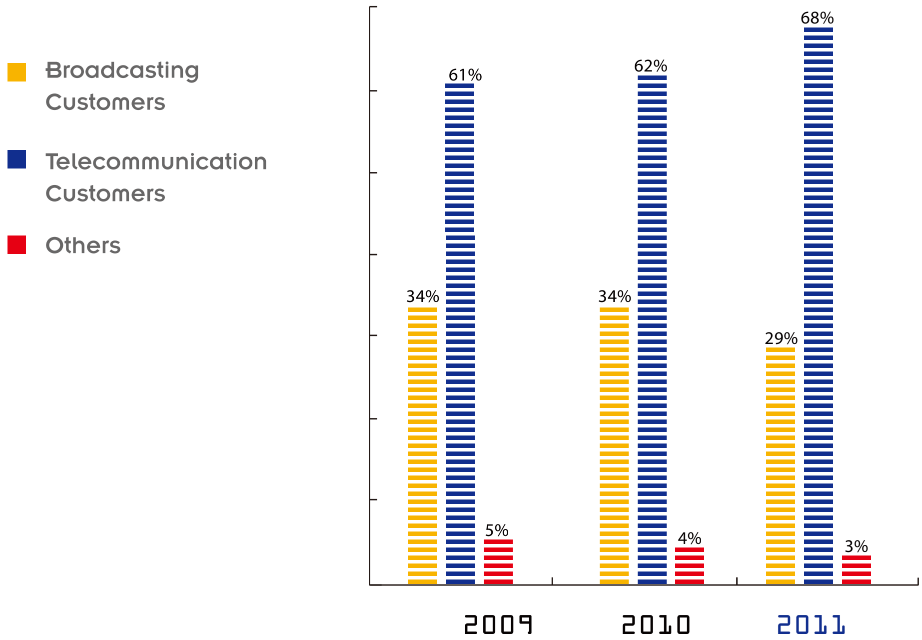
1045

FINANCIAL HIGHLIGHTS

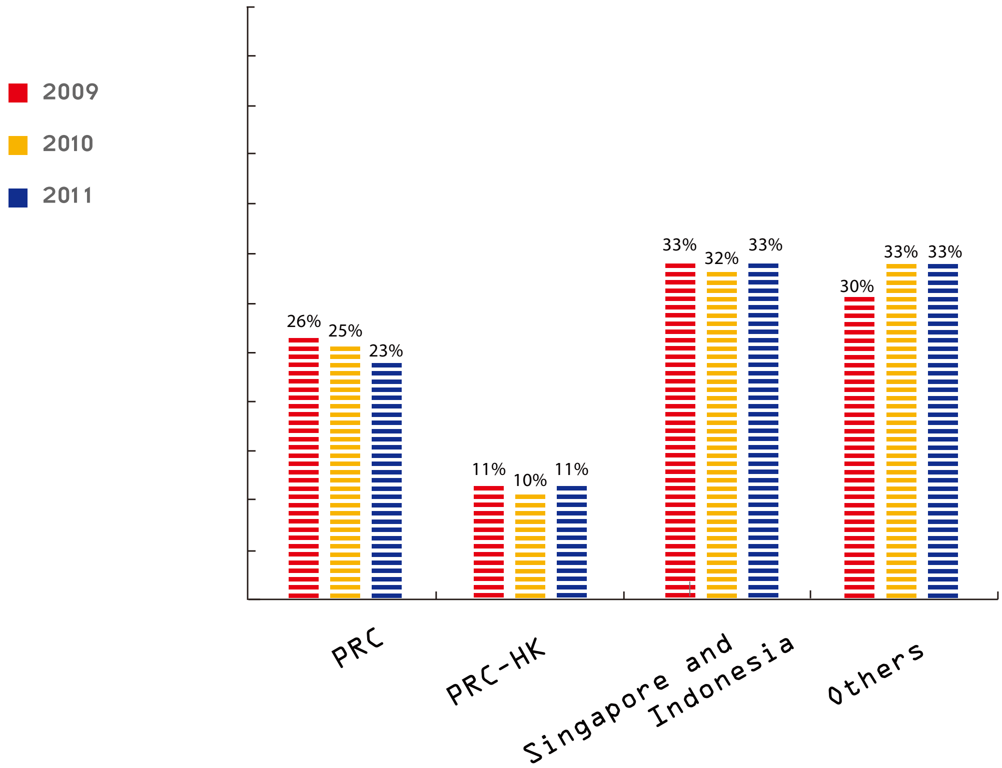
TURNOVER & PROFIT BEFORE TAXATION
(HK$ Million)



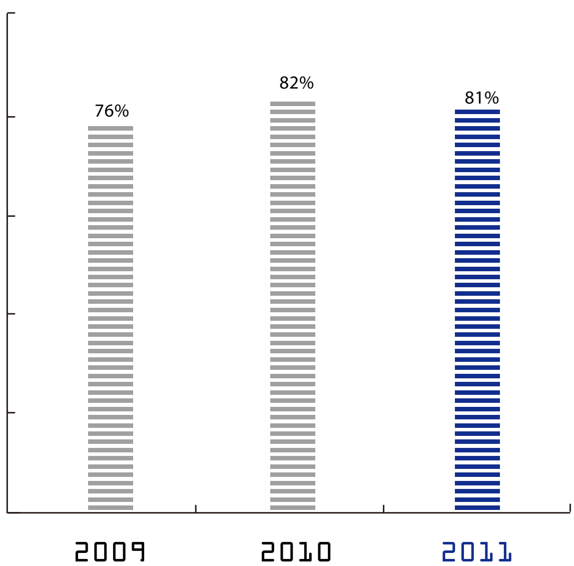
TURNOVER BREAKDOWN BY BUSINESS
(Percentage)



TURNOVER BREAKDOWN BY REGION
(Percentage)



EBITDA MARGINS
(Percentage)



CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2011, which had been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

RESULTS

Turnover

In 2011, the Group's turnover continued to grow tremendously, with annual turnover amounted to HK$758,317,000 (2010: HK$719,435,000), representing an increase of 5.40% amounting to HK$38,882,000 as compared to 2010. The increase of turnover is mainly due to the growth in revenue from the core business of the Group.

Profit before taxation

In 2011, the Group's profit before taxation amounted to HK$360,341,000 (2010: HK$272,433,000), representing an increase of 32.27% amounting to HK$87,908,000 as compared to 2010.

Profit

In 2011, the Group's profit attributable to equity shareholders amounted to HK$280,923,000 (2010: HK$198,499,000), representing an increase of 41.52% amounting HK$82,424,000 as compared to 2010. Basic earnings per share was HK45.18 cents (2010 restated: HK31.96 cents).

DIVIDENDS

During the period, the Company has declared and paid an interim dividend in cash of HK2.00 cents per share and a Bonus issue at a ratio of one bonus share per two existing shares. Given the Group has achieved significant increase in profit during the year of 2011, the Board has resolved to declare a final dividend in cash of HK2.50 cents per share for the financial year ended 31 December 2011 (2010: nil). The final dividend is conditional, upon the passing of the relevant resolutions at the forthcoming annual general meeting which will be held on 25 May 2012. The final dividend will be paid on or about Tuesday, 26 June 2012 to shareholders whose names appear on the register of members at the close of business on Wednesday, 13 June 2012.

BUSINESS REVIEW

In-Orbit Satellites

In 2011, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) system and earth station have been operating under normal condition during the year, and continue in providing quality and reliable service to our customers. The in-orbit satellites, APSTAR 2R, APSTAR 6 and APSTAR 5, being located in their orbital positions at 76.5ºE, 134ºE and 138ºE respectively, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa and Europe and are the most important satellite resources in Asia Pacific region.

APSTAR 2R

APSTAR 2R, which was launched in October 1997, positioned at 76.5ºE orbital slot, contains 28 C-band transponders and 16 Ku-band transponders. As at 31 December 2011, its utilisation was 83.5%.

APSTAR 5

APSTAR 5, which was launched in June 2004, positioned at 138ºE orbital slot, the Group owns 20 C-band transponders and 9 Ku-band transponders of the satellite. As at 31 December 2011, its utilisation was 88.2%.

APSTAR 6

APSTAR 6, which was launched in April 2005, positioned at 134ºE orbital slot, contains 38 C-band transponders and 12 Ku-band transponders. As at 31 December 2011, its utilisation was 81.5%.

Satellites on Construction

APSTAR 7

For the purpose of replacing APSTAR 2R, the Group has invested for the construction of APSTAR 7. APSTAR 7 is a Spacebus 4000 C2 Platform high power geostationary communication satellite with 28 C-band transponders and 28 Ku-band transponders. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7. The Ku-band transponders are built with China Beam, Middle East and North Africa Beam, African Beam and Steerable Beam, so as to further expand the coverage and capacity of satellite resources. The construction progress of APSTAR 7 has been smooth and the satellite was successfully delivered to the Xichang Satellite Launch Centre in Sichuan Province, China, where it will be ready for its final preparation and testing before launch. It is expected that APSTAR 7 will be launched by the Long March LM-3B Enhanced version launch vehicle of China by end of March 2012.

APSTAR 7B (back up satellite for APSTAR 7)

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

TRANSPONDER LEASE SERVICES

During year 2011, the Group has maintained a high utilisation rates. While the Group can keep our foothold in our existing market shares, it has increased new customers and sales in the countries and regions including Australia, Singapore, Malaysia, Mongolia and Taiwan, and renewed long-term transponder service agreements with international renowned TV and media broadcasters. The renewal of APSTAR 2R customers for migrating to APSTAR 7 has also been successful, thereby further enhancing the Group's customer-base and market outreach.

SATELLITE TV BROADCASTING AND UPLINK SERVICES

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

In 2011, the Group has achieved outstanding market development and progress in satellite broadcasting services while securing the existing customers. A substantial number of television broadcasters including the Xinhua TV Channel of China, broadcast their TV content via the Platform of APSTAR 6 to Asia Pacific region.

On 6 September 2011, APT TV, the other vendors and CNC Holdings Limited (formerly known as Tsun Yip Holdings Limited, stock code: 8356) ("Purchaser") entered into the Sales and Purchase Agreement, in which APT TV agreed to sell its 5% interest in Xinhua TV Asia-Pacific Operating Company Limited, which shall be satisfied by the Purchaser issuing the convertible bonds to APT TV, which is approved by the Stock Exchange of Hong Kong on 9 December 2011. The maturity of the convertible bonds is three years with annual interest of 5% and conversion price of HK$0.196. Subject to the compliance of the relevant Listing Rules and Securities and Futures Ordinance, the maximum number of shares of CNC Holdings Limited can be converted is 178,571,429 shares.

SATELLITE TELECOMMUNICATION SERVICES

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

BUSINESS PROSPECTS

The outburst of European financial crisis did not cause any major impact to the transponder market in the Asia Pacific, Middle East and Africa region in 2011, where supply and demand has been maintained at a basically stable level, resulting in the appropriate growth in transponder business.

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

For the purpose of replacing APSTAR 2R, the Group will closely monitor the delivery and launch of APSTAR 7 so as to ensure the successful positioning of the satellite at its designated orbit slot. The Group will also closely monitor the construction progress of APSTAR 7B so as to assure the quality and delivery of the satellite.

The Group is actively promoting the APSTAR 2R Replacement Programme to the market and the market feedback has been excellent. So far there has been a significant number of existing customers on APSTAR 2R who are willing to continue their services with APSTAR 7. While maintaining the existing customers, the Group has been gearing up the promotion and sales in respect of the Ku-band transponders of APSTAR 7 so as to develop the emerging markets in the Middle East, Central Asia, Africa, and Asia Pacific regions and has achieved remarkable result so far. Since the utilisation rate of APSTAR 7 has substantially been secured, the Group will further improve the customer-base structure to ensure better result achieved in 2012.

CORPORATE GOVERNANCE

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

CHAIRMAN'S STATEMENT

NOTE OF APPRECIATION

In 2011, the Group continued to achieve encouraging and excellent results. I would like to take this opportunity to express my sincere gratitude to all the customers of the Group for their support to APT over the years and I would also like to express my grateful gratitude to my fellow Directors and all our staff for their unremitting effort and valuable contribution to the development of the Group.

By Order of the Board
Lei Fanpei
Chairman

Hong Kong, 20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 December 2011, the Group's financial position remains very strong and we have achieved continuous improvement in our operating result. The table below sets out the financial performance for the year ended 31 December 2011 and 31 December 2010:

HK$ thousand	**2011**	2010	Change
Turnover	**758,317**	719,435	+5%
Gross profit	**396,279**	350,076	+13%
Profit before taxation	**360,341**	272,433	+32%
Profit attributable to shareholders	**280,923**	198,499	+42%
Basic earnings per share (HK cents)	**45.18**	31.96 (Restated)	+41%
Total assets	**4,768,445**	3,802,982	+25%
Total liabilities	**2,010,364**	1,315,420	+53%
EBITDA Margin (%)	**81%**	82%	–1%
Gearing ratio (%)	**42%**	35%	+7%
Liquidity ratio	**1.01 times**	0.58 times	+0.43 times

The turnover of the Group in 2011 increased by 5% from 2010 to HK$758,317,000 mainly due to increase of income from satellite transponder capacity and related services. The profit attributable to shareholders increased by 42% to HK$280,923,000 due to the result of the following factors:

Other net income

Other net income for the year ended 31 December 2011 increased to HK$15,652,000, as compared to other net income of HK$5,242,000 for the last year. The increase was mainly due to an exchange gain resulting from the appreciation of Renminbi.

Impairment loss

As at 31 December 2011, an impairment loss in respect of property, plant and equipment of HK$36,660,000 was recognised in 2011 due to the recoverable amount of APSTAR 2R is estimated to be less than its carrying amount. The details of impairment of the Group are set out in note 13(a)(i) to this annual report.

Gain on disposal of available-for-sale financial asset and fair value changes on financial instrument designated at fair value through profit or loss

During the year, a wholly-owned subsidiary of the Group, APT Satellite TV Development Limited has entered into an agreement to sell an available-for-sale security which represents 5% of the issued share capital of Xinhua TV Asia-Pacific Operating Co. Limited to CNC Holding Limited ("CNC") (formerly known as Tsun Yip Holdings Limited).

Fair value of HK$111,413,000 of such available-for-sale security was recorded in the consolidated statement of other comprehensive income until disposal on 9 December 2011. On the same date, such fair value was then reclassified to profit or loss as a result of the settlement by the issuance of convertible bonds issued by CNC. The maturity of the convertible bonds is three years with annual interest of 5% and conversion price of HK$0.196. At the balance sheet date, the fair value of the convertible bonds is remeasured, with a fair value loss of HK$9,989,000 in profit or loss.

Details of this transaction are set out in the announcements dated 9 September 2011, 12 October 2011 and 27 October 2011.

Finance costs

During the year, the Group entered into a swaption contract of notional amount of US$65,000,000. For the year ended 31 December 2011, the change in fair value of the contract of HK$18,533,000 was recognised in profit or loss. Excluding the above finance cost of swaption, the finance cost was HK$3,408,000 for the year ended 31 December 2011, representing a decrease by HK$2,922,000 as compared to finance cost of HK$6,330,000 in 2010.

Finance cost of HK$20,281,000 directly related to the construction of APSTAR 7 and APSTAR 7B has been capitalised during the year.

Income Tax

Income tax expenses for the year ended 31 December 2011 increased to HK$79,418,000, as compared to HK$73,934,000 in 2010. The increase was mainly due to the increase in the operating profit for the year. The details of income tax of the Group are set out in note 6 to this annual report.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group's capital expenditure incurred for fixed assets was HK$1,070,783,000 for 2011 (2010: HK$1,162,641,000). The increase was mainly due to the payment of HK$1,061,752,000 for the construction of the APSTAR 7 and APSTAR 7B and payment of HK$9,031,000 for new addition of equipments. The Group expects to incur significant capital expenditures in the next year during construction of APSTAR 7 and its backup satellite APSTAR 7B. The Group expects to finance the above capital expenditures through internal funding, cash flows from operating activities and bank financing.

During 2010, the Group entered into a term loan facility (the "Banking Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited. The Banking Facility, up to a maximum loan amount of US$200,000,000, was applied to finance APSTAR 7 including its construction, launch costs and their related constructions and insurance premium. The Banking Facility is secured by the assignment of the construction and the termination payments under construction and launching contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7. During the year, the Group has drawn down US$84,200,000 (approximately HK$656,760,000) against the Banking Facility.

In addition, during 2010, the Group entered into a loan agreement ("Loan Agreement") with a fellow subsidiary in relation to the provision of a facility for the progress payments under the APSTAR 7B Satellite Procurement Contract. The Loan Agreement is up to Euro100,000,000 or equivalent amount in United States Dollar. During the year, the Group has drawn down US$26,000,000 (approximately HK$202,800,000) under the Loan Agreement.

As at 31 December 2011, the total borrowings amounted to approximately HK$1,408,470,000 (as at 31 December 2010: approximately HK$687,939,000). The Group recorded an increase of approximately HK$720,531,000 in the total borrowings during the year ended 31 December 2011, which were mainly used for the capital expenditures of APSTAR 7 and APSTAR 7B.

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

Year of Maturity	**HK$**
Repayable within one year or on demand	180,285,000
Repayable after one year but within five years	860,440,000
Repayable after five years	367,745,000
	1,408,470,000

As at 31 December 2011, the Group's total liabilities were HK$2,010,364,000, an increase of HK$694,944,000 as compared to 31 December 2010, which was mainly due to the borrowings as described above. As a result, the gearing ratio (total liabilities/total assets) has increased to 42%, representing a 7% increase as compared to 31 December 2010.

For the year ended 31 December 2011, the Group recorded a net cash inflow of HK$118,579,000 (2010: net cash outflow of HK$154,445,000) which included net cash inflow from operating activities of HK$641,603,000, net cash inflow of HK$683,736,000 generated from financing activities and HK$6,295,000 increase in cash due to the change in foreign exchange rates. This was offset by the net cash of HK$1,213,055,000 used in investing activities.

The increase in cash inflow from operating activities as compared to last year was due to the increase in receipt of transponder income. The decrease in cash used in investing activities was mainly due to decrease in the pledged bank deposits during the year. The increase in net cash inflow from financing activities was mainly due to the increase in net borrowings in 2011 as compared to 2010.

As at 31 December 2011, the Group has approximately HK$240,064,000 cash and cash equivalents, HK$94,187,000 bank deposits with original maturity beyond 3 months and HK$21,007,000 pledged bank deposits. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming year.

Capital structure

The Group consistently adheres to conservative fund management. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future development.

Foreign exchange exposure

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures except for satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated by 4.3% against the Hong Kong Dollar during the year ended 31 December 2011. The management does not foresee a material adverse foreign exchange risk to the Group.

The Group had entered into satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B in a contract price of approximately Euro128,500,000 and Euro114,600,000 respectively. In order to meet the coming progress payment, the Group has entered into the Banking Facility, where the Group is able to purchase foreign currency forward contract up to maximum of US$150,000,000. Given the volatile exchange rates movements experienced, Euro/USD exchange rate in particular, the Group has entered into forward exchange contracts to hedge against its exposure to potential exchange rate risks. As at 31 December 2011, outstanding Euro forward contracts amounted to Euro4,965,000 which will be applied to next progress payment of APSTAR 7 and APSTAR 7B. The Group continues to adopt a conservative approach on monitoring foreign exchange exposure.

Interest rate exposure

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

Charges on group assets

At 31 December 2011, the pledged bank deposits of HK$21,007,000 (2010: HK$76,917,000) are related to certain commercial arrangements and Banking Facilities during the year.

At 31 December 2011, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately HK$4,073,000 (2010: HK$4,189,000).

Capital commitments

As at 31 December 2011, the Group has outstanding capital commitments of HK$1,178,423,000 (2010: HK$2,200,662,000), which were contracted but not provided for and HK$244,672,000 (2010: nil) which were authorised but not contracted for in the Group's financial statements, mainly in respect of the progress payment for the construction of satellites APSTAR 7 and APSTAR 7B.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 33 of this annual report.

Post balance sheet event

The details of post balance sheet event of the Group are set out in note 41 of this annual report.

HUMAN RESOURCES

As at 31 December 2011, the Group had 96 employees. The Group continues to provide on the 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 23 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 (altogether the "Group").

Throughout the year ended 31 December 2011, albeit few exceptions as explained in below paragraph, the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2011, the Company has complied with the Code Provisions save for the following Code Provisions:

A.4.1 – the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-Laws of the Company;

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

E.1.2 – the Chairman of the Board was absent in the Annual General Meeting held on 24 May 2011 as he had to attend a governmental meeting in Beijing. However, other representatives of the Board including Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules. The Board has also adopted the newly amended Model Code which came into effect on 1 January 2009 and 1 April 2009.

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

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

BOARD OF DIRECTORS

Composition of the Board

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

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

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

BOARD OF DIRECTORS (Continued)

Composition of the Board (Continued)

The Board held five meetings in 2011 and the following table shows the individual attendance of each director during their term of office in 2011:

Name of the Director	Number of board meeting held during the director's term of office in 2011	Number of meeting(s) attended*
Executive Directors:		
Cheng Guangren *(President)*	5	5
Qi Liang *(Vice President)*	5	5
Non-Executive Directors:		
Lei Fanpei *(Chairman)* *(appointed on 7 June 2011)*	3	3
Rui Xiaowu *(Chairman)* *(resigned on 7 June 2011)*	2	2
Lim Toon	5	5
Yin Yen-liang (and Tseng Ta-mon, Alternate Director to Yein Yen-liang)	5	5
Wu Zhen Mu	5	3
Yong Foo Chong	5	5
Zhuo Chao	5	4
Independent Non-Executive Directors:		
Lui King Man	5	5
Lam Sek Kong	5	5
Cui Liguo	5	5

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

Chairman and Chief Executive Officer

Mr. Lei Fanpei 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.

BOARD OF DIRECTORS (Continued)

Appointment, Retirement and Re-election of Non-executive Directors

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

Furthermore, to maintain the consistency of making business decisions of the Company, the Chairman (a Non-executive Director) shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87(1) of the Company.

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

Remuneration Committee

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

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

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

BOARD OF DIRECTORS (Continued)

Remuneration Committee (Continued)

The Remuneration Committee held two meetings in 2011 and the following table shows the individual attendance of each member during their term of office in 2011:

Name of the member of the Remuneration Committee	Number of board meeting held during the member's term of office in 2011	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Executive Director:		
Qi Liang	2	2

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

The works performed by the Remuneration Committee in 2011 are summarised as follows:

– reviewing the standard of director's fees payable to Directors in 2011;

– reviewing the agreement revision of certain member of management;

– reviewing the results of incentive scheme of the management for 2011;

– reviewing the incentive structure revision of the management; and

– reviewing the remunerations adjustment of employees and the remuneration structure of senior management.

BOARD OF DIRECTORS (Continued)

Nomination Committee

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

The Nomination Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure, 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 two meetings in 2011 and the following table shows the individual attendance of each member during their term of office in 2011:

Name of the member of the Nomination Committee	Number of board meeting held during the member's term of office in 2011	Number of meeting(s) attended*
Independent Non-Executive Directors:		
Lam Sek Kong *(Chairman)*	2	2
Lui King Man	2	2
Cui Liguo	2	1
Executive Director:		
Qi Liang	2	2

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

BOARD OF DIRECTORS (Continued)

Nomination Committee (Continued)

The works performed by the Nomination Committee in 2011 are summarised as follows:

– making recommendation to the Board on matters relating to the appointment of Mr. Lei Fanpei as Non-executive Director and Chairman of the Company;

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

– reviewing the independence of the INEDs.

Audit Committee

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

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

The Audit Committee held two meetings in 2011 and the following table shows the individual attendance of each member in 2011:

Name of the member of the Audit Committee	Number of meeting held during the member's term of office in 2011	Number of meeting(s) Attended*
Independent Non-Executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2

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

BOARD OF DIRECTORS (Continued)

Audit Committee (Continued)

The works performed by the Audit Committee in 2011 are summarised as follows:

– making recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services;

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

– monitoring integrity of and review significant financial reporting judgments of the half-year and annual financial statements of the Company;

– reviewing the Company's statement on financial controls, internal control system and risk management systems; and

– reviewing the internal audit team's work progress.

Auditors Remuneration

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditors, KPMG, to the Group during 2011:

	HK$
Audit for the Group's financial statements including interim review	1,065,000
Review of the Group's continuing connected transactions	12,000
Tax services	129,000
Total	1,206,000

BOARD OF DIRECTORS (Continued)

Accountability and Audit

Financial Reporting

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

The Board acknowledges that it is the Board's responsibility for preparing the accounts of the Company. As at 31 December 2011, the Directors of the Board were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

Internal Controls

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

The Group aims at establishing and maintaining its internal control system. In 2011, annual review of the effectiveness of the system of internal control of the Company and its subsidiaries was conducted by the Internal Audit Team and the Board through the Company's Internal Control and Risk Management Committee, which is led by the top management of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions; and the results of the review has been reviewed by the Company's Audit Committee.

There was no significant incidence of control failures in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2011. The top management, the Internal Control and Risk Management Committee and the Internal Audit team will continue to monitor and review regularly the effectiveness of the internal control system of the Company and from time to time take action whenever there is any weakness in the financial reporting process.

By order of the Board
Lei Fanpei
Chairman

Hong Kong, 20 March 2012

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

EXECUTIVE DIRECTORS

Mr. CHENG Guangren, aged 49, Doctor, has been appointed as the Executive Director and President of the Company since 20 June 2008. Mr. Cheng is also the authorized representative of the Company. He is responsible for the overall management of the Company. Mr. Cheng graduated from the Harbin Institute of Technology. He has been engaging senior management work in the field of satellite operation since 1994. Mr. Cheng 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. Cheng is the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited, APT Telecom Services Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited and APT Satellite Link Limited, which are subsidiaries of the Company. Mr. Cheng is also the Director of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company, and the Non-Executive Director of China Satellite Communications Company Limited, which is a shareholder of APT International.

Mr. QI Liang, aged 50, has been appointed as the Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi is also the member of each Nomination Committee and Remuneration Committee of the Company. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the 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"). China Satcom is a shareholder of APT Satellite International Company Limited ("APT International"), a substantial shareholder of the Company. Since 1986, Mr. Qi had worked consecutively for the Beijing Planning Committee; the National Agriculture Investment Co.; the Supreme Court; the China Rural Development Trust & Investment Co.; and the China Merchants Bank Beijing Branch. He had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited during the period from 2004 to April 2008. Mr. Qi is also the Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, Acme Star Investment Limited, APT Satellite Telewell Limited, APT Satellite Vision Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, APT Telecom Services Limited, APT Satellite Global Company Limited, APT Satellite Enterprise Limited, APT Satellite Link Limited and Haslett Investments Limited, which are subsidiaries of the Company, and the Chairman of APT Communication Technology Development (Shenzhen) Company Limited, a subsidiary of the Company. Mr. Qi is also the Director of APT International, the substantial shareholder of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

NON-EXECUTIVE DIRECTORS

Mr. LEI Fanpei, aged 49, has been appointed as a Non-Executive Director and the Chairman of the Company with effect from 7 June 2011. Mr Lei graduated from the Northwestern Polytechnical University in 1987 majoring in Solid Rocket Engine, a doctorate degree holder in Engineering, a Research Fellow, and the Winner of "Government Special Allowance" granted by the State Council of China. Currently, Mr Lei is the Deputy General manager of China Aerospace Science & Technology Corporation ("CASC"), the Chairman of Aerospace New Business Networks Co. Ltd., an Executive Director of China Astronautic Publishing House, and the Chairman of Beijing Shenzhou Aerospace Software Technology Company Limited. Mr Lei has been working in the field of China aerospace for a long time. He had been working as the Manager, Deputy Director, and then the Director of the 11th Institute of the 6th Research Academy of CASC, and the Deputy Head, then the Head of the 6th Research Academy. Mr Lei has also been appointed as the Chairman of Sino Satellite Company Limited, and the Chairman of Shenzhen Academy of Aerospace Technology. Mr Lei has extensive experience in company management. Mr Lei has also been appointed as the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. He has also been appointed as Chairman of the Board of Director of APT Satellite International Company Limited, the substantial shareholder of the Company.

Mr. LIM Toon, aged 69, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as the Non-Executive Director of the Company in October 1996. Mr. Lim graduated from the University of Canterbury and University of Singapore. He had worked for Singapore Telecommunications Limited ("SingTel") since 1970. In SingTel, he served in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He had been the Chief Operating Officer of SingTel since April 1999 until he retired in February 2006 and served as SingTel's Advisor. SingTel is the holding company of one of the shareholders of APT Satellite International Company Limited ("APT International"). Mr. Lim is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Lim is also the Director of APT International, the substantial shareholder of the Company.

Dr. YIN Yen-liang, aged 61, 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. Dr. Yin is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Dr. Yin is also the Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. YONG Foo Chong, aged 45, has been appointed as the Non-Executive Director of the Company since March 2007. Mr. Yong graduated from the National University of Singapore. Mr. Yong had worked for Singapore Telecommunications Limited ("SingTel"), the holding company of one of the shareholders of APT Satellite International Company Limited ("APT International") which is the substantial shareholder of the Company, since 1998, serving in various appointments. Currently, Mr. Yong is the Head of Satellite for SingTel overseeing the fixed and mobile satellite business and infrastructure and also the Director of Singasat Private Limited, a wholly owned subsidiary of SingTel, which is one of the shareholders of APT International. Apart from holding the current appointment with SingTel, Mr. Yong is also a board member of Asia Pacific Satellite Communications Council starting January 2007. Mr. Yong is also the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Yong is also the Director of APT International, the substantial shareholder of the Company.

Mr. ZHUO Chao, aged 49, has been appointed as the Non-Executive Director of the Company commencing 10 December 2010. Mr. Zhuo, graduated from the Science & Technology University for National Defense in 1983 specializing in Radiation Physics, and obtained a Master of Business Administration degree from the Beijing Institute of Technology in 2002, a Research Fellow. Mr. Zhuo is currently the Director and General Manager of China Satellite Communications Company Limited ("China Satcom"). China Satcom is one of the shareholders of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company. Mr. Zhuo is concurrently the General Manager of China Telecommunications Broadcast Satellite Corporation; the Chairman & General Manager of China Direct Broadcast Satellite Company Limited; the Chairman of Sino Satellite Communications Company Limited; the Chairman of China Orient Telecomm Satellite Company Limited; and the Director of China DBStar Company Limited. From 1983 to 2006, Mr. Zhuo had been working in the 14th Institute of the China Academy of Launch Vehicle Technology ("CALT") of China Aerospace Science and Technology Corporation ("CASC") as the Deputy Director, then the Director of the 14th Institute; the Director of the Science and Technology Commission. From 2006 to 2009, he had been the Assistant to the Director, then the Deputy Director of CALT. From 2009 to 2010, Mr. Zhuo had been the Head of the Aerospace Technology Application Division of CASC. Since July 2010, he has been appointed as the Director & General Manager of China Satcom. Mr. Zhou has extensive experience in corporate management. Mr. Zhuo has also been appointed as the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Zhuo has also been appointed as the Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. FU Zhiheng, aged 43, 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. CGWIC indirectly holds approximately 14.29% shares of APT Satellite International Company Limited. ("APT International") and 21,600,000 shares of the Company. 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 Fu is currently the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. He is also the Director of APT International, the substantial shareholder of the Company.

Mr. TSENG Ta-mon, aged 54, 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"). Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, the Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company and APT International, the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI King Man, aged 57, 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 28 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 52, 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, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University.

Mr. CUI Liguo, aged 42, has been appointed as the Independent Non-Executive Director of the Company since July 2007. Mr. Cui is also the Member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991, and commenced his legal practice in PRC in 1993. He founded the Guantao Law Firm in 1994, and is acting as a Founding Partner and the officer of its Management Committee. Mr. Cui has over 18 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as SDIC Xinji Energy Co., Ltd (a corporation listed on the Shanghai Securities Exchange in China), CNNC SUFA Technology Industry Co., Ltd. (a corporation listed on the Shenzhen Securities Exchange in China), CNNC International Limited (a corporation listed on The Stock Exchange of Hong Kong Ltd.), and NavInfo Co., Ltd. (a company became listed on The Shenzhen Securities Exchange in China). He is also a member of the Finance & Securities Committee of All China Lawyers Association; a vice general secretary of the Chamber of Financial Street; and the legal counselor in the internal control group of securities issuing of Guodu Securities Limited and Bohai Securities Co., Ltd.

SENIOR MANAGEMENT

Dr. LO Kin Hang, Brian, aged 55, has been the Vice President of the Group since April 2002 and the Company Secretary (since October 1996) of the Company. Dr. Lo graduated in Engineering, with M.Sc. in Information Technology, Master of Professional Accounting, a MBA, and a Doctorate Degree in Business Administration. His professional qualification includes CEng, MIET, FCIS, FCS. Dr. Lo has over 20 years of experience in corporate and project management in listed companies. Dr. Lo is also the Director of Acme Star Investment Limited, APT Satellite Telewell Limited, Ying Fai Realty (China) Limited and Middle East Satellite FZE, subsidiaries of the Company.

Mr. HUANG Baozhong, aged 49, Master's Postgraduate, has been the Vice President of the Company since August 2010, being responsible for the marketing and development of the Company. Mr. Huang graduated from Harbin Institute of Technology and has been engaging in satellite and other space related activities since 1987. Before joining the Company, he was the Vice President of China Satellite Communications Company Limited.

Mr. QI Kezhi, aged 50, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for the business sales of international market of the Company. Mr. Qi graduated from the Tsinghua University, Beijing and Postgraduate Academy of Public Administration Speyer, Germany. Mr. Qi joined the Company in November 1999 and had been the Deputy Director and Director of its International Business Department.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Interim Report 2011 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. Wu Zhen Mu resigned as Non-Executive Director of the Company with effect from 20 March 2012.

– Mr. Fu Zhiheng, was appointed as Non-Executive Director of the Company with effect from 20 March 2012.

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.

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 2011.

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 12 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2011 are set out in the consolidated income statement on page 45 and the accompanying notes to the financial statements.

During the period, the Company has declared and paid an interim dividend in cash of HK2.00 cents per share. The Board has resolved to declare a final dividend in cash of HK2.50 cents per share to shareholders whose names appear on the register of members at the close of business on Wednesday, 13 June 2012.

FIVE YEARS FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2011 are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2011 are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year, a total of 207,269,000 shares of the Company were issued by means of the bonus issue of shares, which was approved by the Annual General Meeting held on 24 May 2011. As a result, the total number of shares and total issued share capital of the Company were increased to 621,807,000 shares and HK$62,180,700 respectively. The authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the Annual General Meeting on 24 May 2011.

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 50 and 51 respectively.

DISTRIBUTABLE RESERVES

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

BORROWINGS

Details of the Group's bank borrowings are set out in note 23 to the financial statements.

FIXED CHARGE

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

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

Lei Fanpei *(Chairman)*	*(appointed on 7 June 2011)*
Rui Xiaowu *(Chairman)*	*(resigned on 7 June 2011)*
Lim Toon	
Yin Yen-liang	
Yong Foo Chong	
Zhuo Chao	
Fu Zhiheng	*(appointed on 20 March 2012)*
Wu Zhen Mu	*(resigned on 20 March 2012)*

Tseng Ta-mon *(alternate director to Yin Yen-liang)*

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo

In accordance with Bye-law 86(2) and Bye-law 87 of the Company's Bye-Laws, Messrs. Lei Fanpei, Lim Toon, Yin Yen-liang, Lui King Man and Fu Zhiheng will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The remaining Directors of the Company continue in office.

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

DIRECTOR'S SERVICE CONTRACT

No service contract was entered into between the Directors and the Company or any of its subsidiaries that is exempt under rule 13.69 of the 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 7 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2011, according to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), 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), or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

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

During the year, no options were granted under the Scheme 2002, which will expire on 21 May 2012.

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

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

SHARE OPTION SCHEMES (Continued)

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

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

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

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

	Options granted on 19 June 2001 and remain outstanding as at 1 January 2011	Options lapsed during 2011	Options cancelled during 2011	Options remain outstanding as at 31 December 2011
Employees in aggregate:				
Employees under continuous Employment contracts	1,737,000	(1,657,000)	(80,000)	–

The above granted options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011, whilst there is no minimum period nor any amount payable on application required before exercising the options. The closing price of the shares immediately before the date on which these options were granted was HK$3.85. Scheme 2001 was expired on 21 May 2011 and all of the outstanding options lapsed thereafter.

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 2011, 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
Yong Foo Chong	Singapore Telecommunications Ltd.	Provision of satellite capacity for telecommunication and video broadcasting services

SUBSTANTIAL SHAREHOLDER

As at 31 December 2011, 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	386,100,000	62.09
China Satellite Communications Co. Ltd.	1(b),(d)	330,300,000	53.12
APT Satellite International Company Limited	1(c)	321,300,000	51.67
Temasek Holdings (Private) Limited	2	34,200,000	5.50
Singapore Telecommunications Limited	2	34,200,000	5.50

Notes:

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

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

SUBSTANTIAL SHAREHOLDER (Continued)

(b) CASC holds 99.75% interest of China Satellite Communications Company Limited ("China Satcom"), which in turn holds 42.86% of APT Satellite International Company Limited ("APT International");

(c) CASC indirectly holds 42.86% interest in APT International, which holds 321,300,000 shares of the Company;

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

(e) CASC indirectly holds 100% interest in CASIL Satellite Holdings Limited, which holds 21,600,000 shares of the Company and 14.29% interest in APT International, by virtue of CASC's 100% interests directly in China Great Wall Industry Corporation, and indirectly in China Great Wall Industry (Hong Kong) Corp. Ltd.

(f) CASC's indirectly holds 100% interests in Sinolike Investments Limited, which holds 25,200,000 shares of the Company, by virtue of its 37.06% shareholding in China Aerospace International Holdings Limited.

2. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its interests through its controlled corporation (being Temasek's 54.39% 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 of the Company.

Save as disclosed above, as at 31 December 2011, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the date of this report, Messrs. Cheng Guangren, Qi Liang, Lei Fanpei, Lim Toon, Yin Yen-liang, Yong Foo Chong, Zhuo Chao, Fu Zhiheng 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 2011.

MAJOR CUSTOMERS AND SUPPLIERS

In 2011, the aggregate turnover attributable to the Group's five largest customers was 38% (2010: 34%) of the total turnover and the aggregate purchase attributable to the Group's five largest suppliers was less than 30% of total purchases. In 2011, the largest customer accounted for 16% of the Group's turnover.

Two of the five largest customers were China Satellite Communicaiton Company Limited ("China Satcom") and Singapore Telecommunications Limited ("SingTel"). China Satcom is a subsidiary of China Aerospace Science & Technology Corporation, the controlling shareholder of the Company. Mr. Lei Fanpei, 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. SingTel was deemed to be interested in the shares of the Company by virtue of its 100% interests in Singasat Private Limited, which in turn holds more than 5% of the Company's share capital. Mr. Lim Toon and Mr. Yong Foo Chong have interests to the extent that they each have equity interest in SingTel. Mr. Yong is a SingTel's officer. Mr. Lim has retired from SingTel on 26 February 2006 and continues to act as a SingTel's advisor.

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

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

According to the facility letter entered into on 29 June 2009 and a facility agreement entered into on 9 July 2010, China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, is required to maintain (directly or indirectly through its subsidiary or associate companies) not less than 30% shareholdings of the Company. As at 31 December 2011, the aggregate amount of the facility subject to such an obligation was HK$1,194,960,000. Such a facility will expire on 28 June 2012 and June 2018 respectively.

CONNECTED TRANSACTIONS

Certain connected transactions also fall under related party transactions in accordance with the Hong Kong Accounting Standards, details are set out in note 39 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.

CO-OPERATION AGREEMENT

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

China Satcom is a subsidiary of CASC and CASC and its associates hold approximately 57.14% interests in APT Satellite International Company Limited ("APT International"), which in turn is a substantial shareholder of the Company holding approximately 51.82% (51.67% as at 31 December 2011) interest in the Company, China Satcom is therefore a connected person of the Company under the Listing Rules.

LOAN AGREEMENT

On 23 April 2010, APT (HK) entered into a loan agreement with China Satellite Communications (Hong Kong) Corporation Limited (the "Lender"), which is a subsidiary of China Satcom and thus a connected person of the Company, in relation to the provision of a facility by the Lender for the milestone payments of the APSTAR 7B Satellite Procurement Contract up to Euro 100,000,000 or equivalent amount in US$ (approximately HK$1,027,300,000).

Owing to the adjustment of the development plan of APSTAR 7B, supplemental agreements were entered into, on 27 October 2011, in respect of the Co-operation Agreement and the Loan Agreement so as to extend the last date of repayment of the loan provided under the Loan Agreement from 31 December 2012 to 31 January 2013 to reflect the deferral of the last date of loan repayment.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions:

As announced on 10 November 2009, the Company entered into the Transponder Service Master Agreement ("Existing Master Agreement") with China Satellite Communications Corporation ("CSCC") (presently known as China Satellite Communications Company Limited) of validity until 31 December 2011 thereby subject to the terms and conditions of the Existing 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 its own satellite transponder capacity to the other party (the "Service Outside Mainland China"). As announced by the Company on 16 April 2009 and 15 September 2009, and subsequent to the completion of the merger, CSCC has become a subsidiary of China Aerospace Science & Technology Corporation ("CASC"), and CASC and its associates hold approximately 57.14% interest of APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.83% (51.67% as at 31 December 2011) 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 17 December 2009, the maximum annual aggregate value (the "Caps") in respect of the Service in Mainland China and the Service Outside Mainland China for the year ending 31 December 2011 are as follows:

(a)	the Caps in respect of the provision of the Service in Mainland China by the Group to CSCC	HK$230,100,000
(b)	the Caps in respect of the provision of the Service Outside Mainland China by the Group to CSCC	HK$18,800,000
(c)	the Caps in respect of the provision of the Service Outside Mainland China by CSCC to the Group	HK$26,600,000

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

(i) the Continuing Connected Transactions have been entered into 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

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions: (Continued)

(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.

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 ending 31 December 2011.

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

As the Existing Master Agreement would expire in December 2011 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between CSCC and the Company, on 3 November 2011, the Company entered into the new Transponder Service Master Agreement (the "New Agreement") with CSCC. Pursuant to the New Agreement, in addition to certain services currently covered under the Existing Agreement, the scope of cooperation between the Company and CSCC will be extended to include the provision to each other value-added services for satellite communication and other related professional service in regions or markets outside Mainland China and the cooperation between the parties will be extended for three years until 31 December 2014. The New 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 ended 31 December 2014 were approved by the independent shareholders of the Company voted by poll in the Special General Meeting held on 12 December 2011.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

RETIREMENT BENEFIT SCHEMES

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

CORPORATE GOVERNANCE

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

AUDITORS

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

By order of the Board
Lei Fanpei
Chairman

Hong Kong, 20 March 2012

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 45 to 121, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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

20 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Turnover	3 & 12	**758,317**	719,435
Cost of services		**(362,038)**	(369,359)
Gross profit		**396,279**	350,076
Other net income	4	**15,652**	5,242
Administrative expenses		**(94,643)**	(76,788)
Impairment loss recognised in respect of property, plant and equipment	13(a)	**(36,660)**	–
Valuation gains on investment property	14	**230**	233
Profit from operations		**280,858**	278,763
Gain on disposal of available-for-sale financial asset	16	**111,413**	–
Fair value changes on financial instrument designated at fair value through profit or loss	16	**(9,989)**	–
Finance costs	5 (a)	**(21,941)**	(6,330)
Profit before taxation	5	**360,341**	272,433
Income tax expenses	6 (a)	**(79,418)**	(73,934)
Profit for the year and attributable to equity shareholders of the Company	9	**280,923**	198,499
Earnings per share	11		
Basic		**45.18 cents**	31.96 cents
			(Restated)
Diluted		**45.18 cents**	31.95 cents
			(Restated)

The notes on pages 53 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	2011 $'000	2010 $'000
Profit for the year	**280,923**	198,499
Other comprehensive income for the year:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**1,622**	(1,380)
Cashflow hedge: movement in hedging reserve	**410**	(2,233)
Available-for-sale financial asset:		
– change in fair value recognised during the year	**111,413**	–
– reclassification adjustment for amounts transferred to profit or loss on disposal	**(111,413)**	–
Net movement in the fair value reserve during the year recognised in other comprehensive income	**–**	–
	2,032	(3,613)
Total comprehensive income for the year	**282,955**	194,886

The notes on pages 53 to 121 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment	13(a)	**4,077,704**	3,363,090
Investment property	14	**2,895**	2,665
Intangible asset	15	**133,585**	133,585
Investment in convertible bonds	16	**101,424**	–
Club memberships		**5,537**	5,537
Prepaid expenses	19	**19,170**	21,890
		4,340,315	3,526,767
Current assets			
Trade receivables, net	20	**53,594**	59,903
Deposits, prepayments and other receivables	19	**17,545**	17,624
Amount due from immediate holding company		**767**	286
Derivative financial instruments	18	**966**	–
Pledged bank deposits	32	**21,007**	76,917
Bank deposits with original maturity beyond 3 months		**94,187**	–
Cash and cash equivalents	21	**240,064**	121,485
		428,130	276,215
Current liabilities			
Payables and accrued charges	22	**72,205**	177,394
Rentals received in advance		**67,456**	58,645
Amount due to a fellow subsidiary		**911**	65
Secured bank borrowings due within one year	23	**180,285**	139,016
Derivative financial instruments	18	**1,823**	2,233
Current taxation	27(a)	**101,078**	99,557
		423,758	476,910
Net current assets/(liabilities)		**4,372**	(200,695)
Total assets less current liabilities carried forward		**4,344,687**	3,326,072

The notes on pages 53 to 121 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Total assets less current liabilities brought forward		**4,344,687**	3,326,072
Non-current liabilities			
Secured bank borrowings due after one year	23	**1,001,985**	525,523
Loan from a fellow subsidiary	24	**226,200**	23,400
Deposits received	25	**57,895**	35,157
Deferred income	26	**139,936**	160,718
Deferred tax liabilities	27(b)	**160,590**	93,712
		1,586,606	838,510
Net assets		**2,758,081**	2,487,562
Capital and reserves			
Share capital	28	**62,181**	41,454
Share premium		**1,273,812**	1,294,539
Contributed surplus	30	**511,000**	511,000
Capital reserve	30	**–**	4,926
Revaluation reserve	30	**368**	368
Exchange reserve	30	**1,962**	340
Hedging reserve	30	**(1,823)**	(2,233)
Other reserves	30	**442**	345
Accumulated profits	30	**910,139**	636,823
Total equity		**2,758,081**	2,487,562

Approved and authorised for issue by the Board of Directors on 20 March 2012

Cheng Guangren
DIRECTOR

Qi Liang
DIRECTOR

The notes on pages 53 to 121 form part of these financial statements.

BALANCE SHEET

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment	13(b)	**–**	–
Interest in subsidiaries	17(a)	**615,862**	615,862
		615,862	615,862
Current assets			
Amounts due from subsidiaries	17(b)	**1,366,832**	1,330,861
Other receivables and prepayments		**205**	322
Cash and cash equivalents	21	**1,855**	100
		1,368,892	1,331,283
Current liability			
Payables and accrued charges	22	**4,884**	6,014
Net current assets		**1,364,008**	1,325,269
Net assets		**1,979,870**	1,941,131
Capital and reserves			
Share capital	28	**62,181**	41,454
Share premium		**1,273,812**	1,294,539
Contributed surplus	30	**584,358**	584,358
Capital reserve	30	**–**	4,926
Accumulated profits	30	**59,519**	15,854
Total equity		**1,979,870**	1,941,131

Approved and authorised for issue by the Board of Directors on 20 March 2012

Cheng Guangren
DIRECTOR

Qi Liang
DIRECTOR

The notes on pages 53 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Revaluation reserve $'000	Exchange reserve $'000	Hedging reserve $'000	Other reserves $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2010	41,327	1,287,536	511,000	9,217	368	1,720	–	212	437,777	2,289,157
Changes in equity for 2010										
Profit for the year	–	–	–	–	–	–	–	–	198,499	198,499
Other comprehensive income	–	–	–	–	–	(1,380)	(2,233)	–	–	(3,613)
Total comprehensive income	–	–	–	–	–	(1,380)	(2,233)	–	198,499	194,886
Cancellation of share options *(note 29)*	–	–	–	(680)	–	–	–	–	680	–
Proceeds from exercise of share options *(note 29)*	127	7,003	–	(3,611)	–	–	–	–	–	3,519
Statutory reserve transfer during the year	–	–	–	–	–	–	–	133	(133)	–
Balance at 31 December 2010	41,454	1,294,539	511,000	4,926	368	340	(2,233)	345	636,823	2,487,562
Balance at 1 January 2011	**41,454**	**1,294,539**	**511,000**	**4,926**	**368**	**340**	**(2,233)**	**345**	**636,823**	**2,487,562**
Changes in equity for 2011										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**280,923**	**280,923**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,622**	**410**	**–**	**–**	**2,032**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,622**	**410**	**–**	**280,923**	**282,955**
Share options lapsed *(note 29)*	**–**	**–**	**–**	**(4,699)**	**–**	**–**	**–**	**–**	**4,699**	**–**
Cancellation of share options *(note 29)*	**–**	**–**	**–**	**(227)**	**–**	**–**	**–**	**–**	**227**	**–**
Bonus issue *(note 28(c))*	**20,727**	**(20,727)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividend declared in respect of current year *(note 10)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,436)**	**(12,436)**
Statutory reserve transfer during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97**	**(97)**	**–**
Balance at 31 December 2011	**62,181**	**1,273,812**	**511,000**	**–**	**368**	**1,962**	**(1,823)**	**442**	**910,139**	**2,758,081**

The notes on pages 53 to 121 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	The Company					
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2010	41,327	1,287,536	584,358	9,217	19,748	1,942,186
Changes in equity for 2010:						
Loss and total comprehensive income	–	–	–	–	(4,574)	(4,574)
Cancellation of share options *(note 29)*	–	–	–	(680)	680	–
Proceeds from exercise of share options *(note 29)*	127	7,003	–	(3,611)	–	3,519
Balance at 31 December 2010	41,454	1,294,539	584,358	4,926	15,854	1,941,131
Balance at 1 January 2011	**41,454**	**1,294,539**	**584,358**	**4,926**	**15,854**	**1,941,131**
Changes in equity for 2011:						
Profit and total comprehensive income	**–**	**–**	**–**	**–**	**51,175**	**51,175**
Share options lapsed *(note 29)*	**–**	**–**	**–**	**(4,699)**	**4,699**	**–**
Cancellation of share options *(note 29)*	**–**	**–**	**–**	**(227)**	**227**	**–**
Bonus issue *(note 28(c))*	**20,727**	**(20,727)**	**–**	**–**	**–**	**–**
Dividend declared in respect of current year *(note 10)*	**–**	**–**	**–**	**–**	**(12,436)**	**(12,436)**
Balance at 31 December 2011	**62,181**	**1,273,812**	**584,358**	**–**	**59,519**	**1,979,870**

The notes on pages 53 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Cash generated from operations	21(b)	**652,622**	623,295
Overseas profits tax paid		**(55)**	(115)
Overseas tax paid		**(10,964)**	(10,179)
Net cash generated from operating activities		**641,603**	613,001
Investing activities			
Payment of the purchase of property, plant and equipment		**(1,177,096)**	(1,164,258)
Proceeds from disposal of property, plant and equipment		**6**	17
Interest received		**2,312**	1,461
Decrease/(increase) in pledged bank deposits		**55,910**	(68,617)
Increase in bank deposits with original maturity beyond 3 months		**(94,187)**	–
Purchases of other financial assets		**–**	(196,591)
Proceeds from other financial assets		**–**	196,591
Net cash used in investing activities		**(1,213,055)**	(1,231,397)
Financing activities			
Interest paid		**(22,988)**	(10,444)
Repayment of bank borrowings		**(140,400)**	(85,800)
Inception of bank borrowings		**656,760**	553,800
Proceeds for loan from a fellow subsidiary		**202,800**	23,400
Payment of loan arrangement fee		**–**	(13,572)
Proceeds from exercise of share option		**–**	3,519
Dividend paid to equity shareholders of the Company		**(12,436)**	–
Net cash generated from financing activities		**683,736**	470,903
Net increase/(decrease) in cash and cash equivalents		**112,284**	(147,493)
Cash and cash equivalents at 1 January	21(a)	**121,485**	275,930
Effect of foreign exchange rates changes		**6,295**	(6,952)
Cash and cash equivalents at 31 December	21(a)	**240,064**	121,485

The notes on pages 53 to 121 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property (see note 1(h)), financial instruments classified as fair value through profit or loss or available-for-sale financial assets (see note 1(e)) and derivative financial instruments (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 39.

(c) Subsidiaries and non-controlling interest

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition at an investment on an associate or jointly controlled entity.

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

(d) Goodwill

Goodwill represents the excess of

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill (continued)

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

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

(e) Other financial assets

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 bond is initially stated at fair value; any attributable transaction costs are recognised in profit or loss as incurred. At the balance sheet date 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 interest earned on the investment as these are recognised in accordance with the policies set out in note 1(t)(iii).

Other investments are classified as available-for-sale financial assets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(t)(iii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

(f) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

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

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

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

(ii) Hedge of net investments in foreign operations

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment property

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

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.

(i) 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(k)):

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

– other items of plant and equipment.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
– Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

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

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

(j) Leased assets

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (continued)

(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(h)); and

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (continued)

(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.

(k) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction in progress;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

(i) Calculation of recoverable amount

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

(ii) Recognition of impairment losses

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

(iii) Reversals of impairment losses

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(l) 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.

(m) 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(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(n) 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.

(o) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) Employee benefits

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (continued)

(ii) Share based payments

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

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

(iii) Termination benefits

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

(r) Income tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (continued)

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

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

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable 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.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (continued)

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

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

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

  – the same taxable entity; or

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

(s) 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)

(t) 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.

(u) Translation of foreign currencies

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies (continued)

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

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

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

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

(v) 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)

(w) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 new HKFRSs and one new Interpretation, consequently issued by the HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

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

– IAS/HKAS 24 (Revised 2009), *Related parties disclosures*

– Improvements to IFRSs/HKFRSs (2010)

– IFRIC/HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

The impacts of other developments are discussed below:

- IAS/HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS/HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to IFRSs/HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS/HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in notes 31 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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:

	2011	2010
	$'000	$'000
Income from provision of satellite transponder capacity and related services	**734,274**	703,374
Income from provision of satellite-based broadcasting and telecommunications services	**21,090**	13,820
Service income	**2,953**	2,241
	758,317	719,435

4 OTHER NET INCOME

Other net income primarily includes the following:

	2011 **$'000**	2010 $'000
Interest income on bank deposits	**2,450**	1,142
Interest income on convertible bonds *(note 16)*	**110**	–
Rental income in respect of properties	**547**	386

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2011 **$'000**	2010 $'000
Interest on bank borrowings and loan from a fellow subsidiary	**23,425**	7,716
Less: amount capitalised into construction in progress*	**(20,281)**	(2,810)
	3,144	4,906
Change in fair value on interest rate swaption *(note 18(a))*	**18,533**	–
Interest expense on deferred consideration	**–**	1,199
Other borrowing costs	**264**	225
	21,941	6,330

* The borrowing costs have been capitalised at a rate of 1.9695% – 3.1350% per annum (2010: 2.0515% – 2.4647%).

(b) Staff costs:

	2011 **$'000**	2010 $'000
Staff costs (including directors' emoluments)		
Pension contributions	**2,299**	7,442
Salaries, wages and other benefits	**48,873**	33,348
	51,172	40,790

5 PROFIT BEFORE TAXATION (Continued)

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

(c) Other items:

	2011 $'000	2010 $'000
Auditors' remuneration		
– audit services	1,113	1,042
– tax services	134	120
– other services	12	112
Depreciation	311,808	319,472
Foreign currency exchange (gain)/loss	(8,623)	2,219
Loss on disposal of fixed assets	40	225
Operating lease charges: minimum lease payments		
– land and buildings and equipment	190	197
– satellite transponder capacity	4,746	2,540
Impairment loss on trade and other receivables recognised/(written back)	125	(147)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 $'000	2010 $'000
Current tax – Overseas		
Provision for the year	12,540	12,849
Deferred tax – Hong Kong		
Origination of temporary differences	66,878	61,085
Actual tax expense	79,418	73,934

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

The provision for Hong Kong Profits Tax was calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profit for the year or tax losses available to offset current year assessable profit. Overseas tax includes the profits tax and withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to the customers which are located outside Hong Kong.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

	2011 $'000	2010 $'000
Profit before taxation	**360,341**	272,433
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**59,355**	45,052
Overseas withholding tax	**12,461**	12,791
Tax effect of non-deductible expenses	**70,390**	60,152
Tax effect of non-taxable revenue	**(62,807)**	(42,879)
Tax effect of unused tax losses not recognised	**467**	1,005
Tax effect of prior year's unrecognised deferred tax utilised this year	**(448)**	(2,187)
Actual tax expense	**79,418**	73,934

7 DIRECTORS' REMUNERATION

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

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2011 Total $'000
Executive directors					
Cheng Guangren *(note (d))*	50	2,500	1,140	307	3,997
Qi Liang *(note (d))*	50	1,710	1,090	215	3,065
Non-executive directors					
Rui Xiaowu *(note (a))*	–	–	–	–	–
Lei Fanpei *(note (b))*	–	–	–	–	–
Lim Toon	50	–	–	–	50
Yin Yen-liang	50	–	–	–	50
Wu Zhen Mu	50	–	–	–	50
Yong Foo Chong	50	–	–	–	50
Zhuo Chao	50	–	–	–	50
Tseng Ta-mon *(note (c))*	–	–	–	–	–
Independent non–executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
	950	4,210	2,230	522	7,912

7 DIRECTORS' REMUNERATION (Continued)

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

Notes:

(a) Mr Rui Xiaowu, a non-executive director, has waived his director's fees for 2011 and 2010.

(b) Mr Lei Fanpei, a non-executive director, has waived his director's fees for 2011.

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

(d) The amounts represented the actual amount paid to or receivable by respective directors for the year. In addition to the amounts disclosed above, directors and key management are entitled to a performance related incentive payment of $2,570,000 (2010: $955,000). The allocation of the said incentive payment has yet to be determined.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group, there are two directors (2010: two) whose remuneration is disclosed in note 7. The aggregate of emoluments in respect of the other three (2010: three) individuals are as follows:

	2011	2010
	$'000	$'000
Salaries and other emoluments	**4,093**	3,426
Performance related incentive payments	**4,320**	1,549
Retirement benefits contributions	**305**	247
	8,718	5,222

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
$1,000,001 to $1,500,000	**–**	2
$2,000,001 to $2,500,000	**1**	1
$3,000,001 to $3,500,000	**2**	–
	3	3

9 PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $51,175,000 (2010: loss of $4,574,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

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

	2011	2010
	$'000	$'000
Interim dividend declared and paid of 2.00 cents per ordinary share (2010: nil)	**12,436**	–
Final dividend proposed after the balance sheet date of 2.50 cents per ordinary share (2010: nil)	**15,545**	–
	27,981	–

For the year ended 31 December 2011 (Expressed in Hong Kong dollars unless otherwise indicated)

10 DIVIDENDS (Continued)

The final dividend proposed after the end of the balance sheet date has not been recognised as a liability at the balance sheet date.

11 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 $280,923,000 (2010: $198,499,000) and the weighted average of 621,807,000 ordinary shares (2010: 621,152,000 shares after adjusting for bonus issue in 2011) in issue during the year ended 31 December 2011.

Weighted average number of ordinary shares

	2011	2010
		(Restated)
	Number	Number
Issued ordinary shares at 1 January	**414,538,000**	413,265,000
Effect of share options exercised *(note 29)*	**–**	836,000
Effect of bonus issues on shares *	**207,269,000**	207,051,000
Weighted average number of ordinary shares at 31 December	**621,807,000**	621,152,000

* The weighted average number of ordinary shares for 2010 has been restated as a result of the bonus issue in 2011 (note 28(c)).

For the year ended 31 December 2011 (Expressed in Hong Kong dollars unless otherwise indicated)

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of $280,923,000 (2010: $198,499,000) and the weighted average of 621,807,000 ordinary shares (2010: 621,283,000 shares after adjusting for bonus issue in 2011) during the year ended 31 December 2011.

Weighted average number of ordinary shares (diluted)

	2011	2010
		(Restated)
	Number	Number
Weighted average number of ordinary shares at 31 December	**621,807,000**	621,152,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 29)*	**–**	131,000
Weighted average number of ordinary shares (diluted) at 31 December	**621,807,000**	621,283,000

12 SEGMENTAL REPORTING

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

The Group's operating business are organised and managed separately according to the nature of satellite services, which each segment representing a strategic business segment that offers different services in the global market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the year ended 31 December 2011 and 2010 were mainly derived from provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

12 SEGMENTAL REPORTING (Continued)

Segment results, assets and liabilities

Geographical segments

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

The following table represents aggregate turnover based on geographical locations of customers for the year ended 31 December 2011 and 2010.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Turnover from external customers	**84,584**	72,161	**174,636**	179,209	**101,271**	78,007	**148,298**	148,254	**249,528**	241,804	**758,317**	719,435

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication satellites $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 January 2010	117,107	17,317	45,946	127,017	5,159,862	243,599	5,710,848
Additions	2,432	348	805	940	–	1,158,116	1,162,641
Disposals	–	(35)	(1,423)	(35,735)	–	–	(37,193)
Effect of cost adjustment *(note (ii))*	–	–	–	–	(15,600)	–	(15,600)
Transfer	–	160	874	64	–	(1,098)	–
At 31 December 2010	119,539	17,790	46,202	92,286	5,144,262	1,400,617	6,820,696
At 1 January 2011	119,539	17,790	46,202	92,286	5,144,262	1,400,617	6,820,696
Additions	–	225	36	522	–	1,070,000	1,070,783
Disposals	–	–	(27)	(375)	–	–	(402)
Effect of cost adjustment *(note (ii))*	–	–	–	–	(7,800)	–	(7,800)
Transfer	–	110	1,588	3,823	–	(5,521)	–
Exchange adjustments	–	122	179	–	–	–	301
At 31 December 2011	119,539	18,247	47,978	96,256	5,136,462	2,465,096	7,883,578
Accumulated depreciation:							
At 1 January 2010	28,319	5,756	41,592	106,586	2,992,574	–	3,174,827
Charge for the year	2,465	1,371	1,721	5,028	308,887	–	319,472
Written back on disposal	–	(35)	(1,217)	(35,441)	–	–	(36,693)
At 31 December 2010	30,784	7,092	42,096	76,173	3,301,461	–	3,457,606
At 1 January 2011	30,784	7,092	42,096	76,173	3,301,461	–	3,457,606
Charge for the year	2,465	1,441	1,580	3,057	303,265	–	311,808
Written back on disposal	–	–	(26)	(316)	–	–	(342)
Impairment loss *(note (i))*	–	–	–	(14)	36,660	–	36,646
Exchange adjustments	–	50	106	–	–	–	156
At 31 December 2011	33,249	8,583	43,756	78,900	3,641,386	–	3,805,874
Net book value:							
At 31 December 2011	**86,290**	**9,664**	**4,222**	**17,356**	**1,495,076**	**2,465,096**	**4,077,704**
At 31 December 2010	88,755	10,698	4,106	16,113	1,842,801	1,400,617	3,363,090

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (continued)

Notes:

(i) Impairment loss

During 2011, the Group conducted a review of its property, plant and equipment and determined that the recoverable amount of APSTAR 2R is estimated to be less than its carrying amount. Based on the results of the review, an impairment loss of $36,660,000 in respect of a communication satellite, APSTAR 2R, has been recognised and charged to profit or loss. It was concluded that no further impairment is required. There was no impairment loss recognised in respect of property, plant and equipment in 2010.

(ii) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001 ("Agreement"), the Group is entitled to a payment of US$1,500,000 (approximately $11,700,000) upon successful delivery of a satellite by Thales to its own customers with technical designs that are identical to APSTAR 6 satellite.

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

(b) The Company

	Motor vehicle $'000
Cost:	
At 1 January 2010, 31 December 2010 and 31 December 2011	411
Accumulated depreciation:	
At 1 January 2010, 31 December 2010 and 31 December 2011	411
Net book value:	
At 31 December 2010 and 31 December 2011	–

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Land and buildings	
	2011	2010
	$'000	$'000
Medium-term leases in Hong Kong	**84,002**	86,395
Medium-term leases outside Hong Kong	**2,288**	2,360
	86,290	88,755

(d) Fixed assets under finance leases

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

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

As at 31 December 2011, the net book value of communication satellites held under finance leases in connection with APSTAR 5 amounted to $435,944,000 (2010: $499,808,000).

(e) Additions of construction in progress

Additions of construction in progress for the year ended 31 December 2011 primarily related to the progress payments in respect of APSTAR 7 and APSTAR 7B of $658,186,000 (2010: $730,417,000) and $403,566,000 (2010: $426,287,000), respectively.

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

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Additions of construction in progress (continued)

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

14 INVESTMENT PROPERTY

The investment property was revalued at 31 December 2011 at $2,895,000 (2010: $2,665,000) by Savills Valuation and Professional Services Limited, an independent professional property appraiser, on an open market value basis by reference to net rental income allowing for reversionary income potential. The valuation gain of $230,000 (2010: gain of $233,000) has be 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 2011. The investment property, which is situated in the PRC under medium-term leases, are rented out under operating leases and the rental income earned from the investment property during the year was $199,000 (2010: $130,000).

15 INTANGIBLE ASSET

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Orbital slot	**133,585**	133,585	**–**	–

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

No impairment of the intangible asset is recorded as of 31 December 2011 and 2010.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation by discounting future cash flows annually. The cash flows used in the calculation is based on the most up-to-date budgets and plans formally approved by management for the year ending 31 December 2012 with subsequent transition to perpetuity. Subsequent to 2012, the estimated income derived from provision of satellite transponder capacity and related services to perpetuity is used which complies with general expectations for the business. The present value of cash flows is calculated by discounting with a discount rate of approximately 8.8 %.

16 INVESTMENT IN CONVERTIBLE BONDS

During the year, a wholly-owned subsidiary of the Company has entered into an agreement to sell an available-for-sale security which represents 5% of the issued share capital of Xinhua TV Asia-Pacific Operating Co. Limited, a Hong Kong incorporated company, to CNC Holding Limited ("CNC") (formerly known as Tsun Yip Holdings Limited), which is a listed company in the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Fair value of $111,413,000 of such available-for-sale security was recorded in the consolidated statement of other comprehensive income until disposal on 9 December 2011. On the same date, such fair value was then reclassified to profit or loss as a result of the settlement by the issuance of convertible bonds issued by CNC. The maturity of the convertible bonds is three years with annual interest of 5% and conversion price of $0.196. At the balance sheet date, the fair value of the convertible bonds is remeasured, with a fair value loss of $9,989,000 in profit or loss.

The movements of the fair value of the convertible bonds are set out below:

	Total **$'000**
At the date of initial recognition on 9 December 2011	111,413
Change in fair value recognised in profit or loss	(9,989)
As at 31 December 2011	101,424

The Group engaged an independent valuer, Greater China Appraisal Limited, to assess the fair value of the debt component and the embedded derivative, which were determined in accordance with the effective interest method and Trinomial Lattice Model, respectively.

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Interest in subsidiaries

	The Company	
	2011 **$'000**	2010 $'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.

For the year ended 31 December 2011 (Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries

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

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

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

17 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(c) Particulars of subsidiaries (continued)

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

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

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Current assets/(liabilities)		
Interest rate swaption, at fair value though profit or loss *(note 18 (a))*	**966**	–
Forward foreign exchange contracts held as cash flow hedging instruments *(note 18 (b))*	**(1,823)**	(2,233)

18 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

During the year ended 31 December 2011, the Group entered into a contract with an option to enter into an interest rate swap on notional amount of US$65,000,000. The latest exercise date of this option is 28 June 2012. Once the option is exercised, the Group will enter into an interest rate swap with effective date on 3 July 2012 by paying a fixed rate interest in return with the right to receive a floating LIBOR rate of such amount on a quarterly basis until 3 July 2017. The contract is recognised initially at fair value in the balance sheet and changes in its fair value are recognised in profit or loss at the end of each reporting period.

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

The Group entered into certain forward exchange contracts to hedge the risk from upcoming progress payment in Euros for procurement. The forward exchange contract would be executed on 29 February 2012 to 30 March 2012 with an option of early execution. At 31 December 2011, the maximum purchase commitment of the Group under this contract amounted to US$6,636,000. The Group has classified the aforementioned forward exchange contracts as cash flow hedge. When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

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

19 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

	The Group	
	2011	2010
	$'000	$'000
Balance at 31 December	**21,890**	25,547
Less: current portion (included in deposits, prepayments and other receivables under current assets)	**(2,720)**	(3,657)
Non-current portion	**19,170**	21,890

20 TRADE RECEIVABLES, NET

	The Group	
	2011	2010
	$'000	$'000
Due from third parties	**48,763**	54,355
Due from fellow subsidiaries	**4,061**	4,442
Due from holding company of a shareholder of the Company	**770**	1,106
	53,594	59,903

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

20 TRADE RECEIVABLES, NET (Continued)

(a) Ageing analysis

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

	The Group	
	2011	2010
	$'000	$'000
0 – 30 days	**43,443**	44,735
31 – 60 days	**6,896**	10,424
61 – 90 days	**1,483**	3,910
91 – 120 days	**198**	204
Over 120 days	**1,574**	630
	53,594	59,903

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

(b) Impairment of trade receivables

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

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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
At 1 January	**14,668**	15,329	**–**	–
Impairment loss recognised/ (written back)	**125**	(147)	**–**	–
Uncollectible amounts written off	**(3,511)**	(514)	**–**	–
At 31 December	**11,282**	14,668	**–**	–

20 TRADE RECEIVABLES, NET (Continued)

(b) Impairment of trade receivables (Continued)

At 31 December 2011, the Group's trade receivables of $11,282,000 (2010: $14,668,000) 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 $125,000 had been recognised (2010: $147,000 was written back). The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Less than 1 month past due	**43,443**	44,735	**–**	–
1 to 3 months past due	**8,379**	14,334	**–**	–
More than 3 months past due	**1,772**	834	**–**	–
At 31 December	**53,594**	59,903	**–**	–

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

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions with maturity less than 3 months	**111,453**	–	**–**	–
Cash at bank and on hand	**128,611**	121,485	**1,855**	100
Cash and cash equivalents in the balance sheet and cash flow statement	**240,064**	121,485	**1,855**	100

21 CASH AND CASH EQUIVALENTS (Continued)

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

	The Group	
	2011	2010
	$'000	$'000
Profit before taxation	**360,341**	272,433
Adjustment for:		
– Depreciation	**311,808**	319,472
– Loss on disposal of property, plant and equipment	**40**	225
– Impairment loss recognised in respect of property, plant and equipment	**36,660**	–
– Valuation gains on investment property	**(230)**	(233)
– Gain on disposal of available-for-sale financial assets	**(111,413)**	–
– Fair value changes on financial instrument designated at fair value through profit or loss	**9,989**	–
– Interest income	**(2,560)**	(1,142)
– Finance costs	**21,941**	6,330
– Impairment loss for trade and other receivables recognised/(written back)	**125**	(147)
Operating profit before changes in working capital:	**626,701**	596,938
– Decrease in trade receivables, net	**6,184**	57,090
– Decrease in prepaid expenses	**2,720**	3,656
– Increase in amount due from immediate holding company	**(481)**	(66)
– Decrease in deposits, prepayments and other receivables	**328**	1,589
– Increase in payables and accrued charges	**5,557**	711
– Increase/(decrease) in rentals received in advance	**8,811**	(766)
– Increase in amount due to a fellow subsidiary	**846**	65
– Decrease in deferred income	**(20,782)**	(34,832)
– Increase/(decrease) in deposits received	**22,738**	(1,090)
Cash generated from operations	**652,622**	623,295

22 PAYABLES AND ACCRUED CHARGES

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
0 – 3 months	**24,899**	149,017	**270**	13
4 – 6 months	**–**	–	**–**	–
7 – 9 months	**–**	–	**–**	–
9 – 12 months	**–**	–	**–**	–
	24,899	149,017	**270**	13
Accrued expenses	**47,306**	28,377	**4,614**	6,001
At 31 December	**72,205**	177,394	**4,884**	6,014

23 SECURED BANK BORROWINGS

	The Group	
	2011	2010
	$'000	$'000
Bank loans	**1,182,270**	664,539
Less: Amount due within one year included under current liabilities	**(180,285)**	(139,016)
Amount due after one year	**1,001,985**	525,523

The bank borrowings are repayable as follows:

	The Group	
	2011	2010
	$'000	$'000
Within one year or on demand	**180,285**	139,016
After one year but within five years	**634,240**	525,523
After five years	**367,745**	–
	1,182,270	664,539

24 LOAN FROM A FELLOW SUBSIDIARY

The balance represents financing provided by a subsidiary of a major shareholder of the Company with respect to the procurement of APSTAR 7B. The loan is secured by the assignment of the procurement contract of APSTAR 7B (including but not limited to all related right and services). As at 31 December 2011, the loan is interest bearing at LIBOR plus 2% to 3.4% (2010: 2%) mark-up and due for payment on 31 January 2013. The Group may make early payment of all or part of the balance at any time before the repayment date without penalty.

25 DEPOSITS RECEIVED

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

26 DEFERRED INCOME

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

27 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2011	2010
	$'000	$'000
Overseas tax payable	**2,126**	4,858
Balance of overseas tax provision relating to prior years	**98,952**	94,699
	101,078	99,557

27 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax liabilities recognised

(i) The Group

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Deferred lease income $'000	Other temporary differences $'000	Total $'000
At 1 January 2010	278,152	(247,571)	3,095	(1,049)	32,627
(Credited)/charged to profit or loss	(7,626)	67,423	1,271	17	61,085
At 31 December 2010	270,526	(180,148)	4,366	(1,032)	93,712
At 1 January 2011	270,526	(180,148)	4,366	(1,032)	93,712
(Credited)/charged to profit or loss	(30,006)	95,649	1,327	(92)	66,878
At 31 December 2011	**240,520**	**(84,499)**	**5,693**	**(1,124)**	**160,590**

	The Group	
	2011 $'000	2010 $'000
Net deferred tax liabilities recognised in the consolidated balance sheet	**160,590**	93,712

(ii) The Company

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

27 INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $108,010,000 (2010: $109,174,000) and other deductible temporary differences of $1,255,000 (2010: $3,270,000) as the realisation of the assets was considered less than probable. The tax losses do not expire under current tax legislation.

28 SHARE CAPITAL

(a) Authorised and issued share capital

	2011		2010	
	Number of shares '000	$'000	Number of shares '000	$'000
Authorised:				
Ordinary shares of $0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Increase in authorised ordinary share capital of $0.10 each *(note (b))*	**1,000,000**	**100,000**	–	–
	2,000,000	**200,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**414,538**	**41,454**	413,265	41,327
Shares issued under share option scheme *(note 29)*	**–**	**–**	1,273	127
Bonus issue *(note (c))*	**207,269**	**20,727**	–	–
At 31 December	**621,807**	**62,181**	414,538	41,454

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) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 24 May 2011, the Company's authorised ordinary share capital was increased to $200,000,000 by creation of an additional 1,000,000,000 ordinary shares of $0.10 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

28 SHARE CAPITAL (Continued)

(c) Bonus issue

On 25 May 2011, an amount of $20,727,000 standing to the credit of the share premium account was applied in paying up in full 207,269,000 ordinary shares of $0.10 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every two shares then held.

(d) Capital management

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

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

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

28 SHARE CAPITAL (Continued)

(d) Capital management (Continued)

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 December 2011 and 2010 was as follows:

	The Group		The Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Current liabilities:				
Payables and accrued charges	**72,205**	177,394	**4,884**	6,014
Amount due to a fellow subsidiary	**911**	65	**–**	–
Secured bank borrowings due within one year	**180,285**	139,016	**–**	–
	253,401	316,475	**4,884**	6,014
Non-current liabilities:				
Secured bank borrowings due after one year	**1,001,985**	525,523	**–**	–
Loan from a fellow subsidiary	**226,200**	23,400	**–**	–
Total debt	**1,481,586**	865,398	**4,884**	6,014
Less: Cash and cash equivalents	**(240,064)**	(121,485)	**(1,855)**	(100)
Bank deposits with original maturity beyond 3 months	**(94,187)**	–	**–**	–
Pledged bank deposits	**(21,007)**	(76,917)	**–**	–
Net debt	**1,126,328**	666,996	**3,029**	5,914
Total equity	**2,758,081**	2,487,562	**1,979,870**	1,941,131
Hedging reserve	**1,823**	2,233	**–**	–
Adjusted capital	**2,759,904**	2,489,795	**1,979,870**	1,941,131
Net debt-to-adjusted capital ratio	**41%**	27%	**1%**	1%

28 SHARE CAPITAL (Continued)

(d) Capital management (Continued)

On 29 June 2009, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, entered into a US$50 million general banking facilities arrangement ("the 2009 Facilities"), secured by certain properties of APT HK, assignment of cash receipts to be generated from contracts relating to APSTAR 2R and APSTAR 5, APSTAR 2R insurance claim proceeds, and charge over a charged account (the "Charged Account") which holds customer deposits and payments received on services provided or to be provided by APSTAR 2R and APSTAR 5 and any accrued interest within the Charged Account. During the year, APT HK has repaid US$18,000,000 (approximately $140,400,000) against the 2009 Facilities. As a result, the outstanding principal balance of the 2009 Facilities was US$18,000,000 (approximately $140,400,000) at 31 December 2011.

On 9 July 2010, APT HK, as borrower and the Company as guarantor entered into a Facilities Agreement with a syndicate of banks in respect of term loan facilities not exceeding the aggregate maximum amount of US$200 million (the "2010 Facilities"). The 2010 Facilities are secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR 7 and the termination payments under construction, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income. The 2010 Facilities shall be repayable by way of semi-annual installments over a six year period commencing from the earlier of 30 months after the first drawdown date for the relevant facility or six months after commencement of commercial operations of APSTAR 7. The 2010 Facilities shall be applied to finance APSTAR 7 including its construction, launch costs and their related construction costs and insurance premium. During the year, APT HK has drawn down US$84,200,000 (approximately $656,760,000) against the 2010 Facilities. As a result, the outstanding principal balance of the 2010 Facilities was US$135,200,000 (approximately $1,054,560,000) at 31 December 2011.

The 2009 and 2010 Facilities are 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 2011, the Group complied with all of the above covenants.

At 31 December 2011, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately $4,073,000 (2010: $4,189,000).

29 SHARE OPTIONS

(a) Share option scheme

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

The total number of shares which may be issued upon exercise of all options to be granted under Scheme 2001 and Scheme 2002 shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at 31 December 2011, 621,807,000 shares of the Company were in issue (2010: 414,538,000).

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

During the year 31 December 2011 and 2010, no options was granted or cancelled under the Scheme 2002.

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

For the year ended 31 December 2011 (Expressed in Hong Kong dollars unless otherwise indicated)

29 SHARE OPTIONS (Continued)

(b) Movements in share options

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

	2011		2010	
	Weighted average exercise price $	Number	Weighted average exercise price $	Number
At 1 January	**2.765**	**1,737,000**	2.765	3,250,000
Lapsed during the year	**2.765**	**(1,657,000)**	–	–
Exercised during the year	**–**	**–**	2.765	(1,273,000)
Cancelled during the year	**2.765**	**(80,000)**	2.765	(240,000)
At 31 December	**–**	**–**	2.765	1,737,000
Options vested at 31 December	**–**	**–**	2.765	1,737,000

During the year ended 31 December 2010, proceeds received from the issuance of 1,273,000 shares as a result of the share options exercised under the Scheme 2001 amounted to $3,519,000 of which $127,000 was credited to share capital and the balance of $3,392,000 was credited to the share premium account. $3,611,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(q)(ii). The exercise price and weighted average closing price per share of the share options exercised is $2.765 and $3.48, respectively.

There were no share options granted or exercised during the year ended 31 December 2011. Scheme 2001 was expired on 21 May 2011 and all of the outstanding options lapsed thereafter.

(c) Fair value of share options and assumptions

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

30 RESERVES

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

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

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

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

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

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

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

At 31 December 2011, the Company's reserves available for distribution amounted to $643,877,000 (2010: $600,212,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group 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, other financial instruments and debt investments. The maximum exposure to credit risk is presented by the carrying amount of those financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, periodic credit evaluations are performed of customers' financial condition. The Group generally does not require collateral because it usually receives trade deposits which represent a quarter/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 purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

At the balance sheet date, the Group has a certain concentration of credit risk as 20% (2010: 18%) and 45% (2010: 48%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the satellite transponder business segment.

In addition, investment in convertible bonds with carrying amount of $101,424,000 as at 31 December 2011 exposes the Group to concentration of credit risk on the counter party. The Group assesses the credit risk of the convertible bonds by reviewing and monitoring the financial performance of the issuer.

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

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

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

The Group

	2011					
	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	72,205	(72,205)	(72,205)	–	–	–
Amount due to a fellow subsidiary	911	(911)	(911)	–	–	–
Secured bank borrowings	1,182,270	(1,299,337)	(207,677)	(126,716)	(585,439)	(379,505)
Loan from a fellow subsidiary	226,200	(235,700)	(4,750)	(230,950)	–	–
Derivative financial instruments	1,823	(1,823)	(1,823)	–	–	–
	1,483,409	(1,609,976)	(287,366)	(357,666)	(585,439)	(379,505)

The Company

	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accrued charges	4,884	(4,884)	(4,884)	–	–	–

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Group

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

The Company

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

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2011, the Group's outstanding bank loans and loan from a fellow subsidiary consisted of variable interest rate loans only. From time to time, the Group may enter into interest rate swap agreements designed to mitigate exposure to interest rate risks. Upward fluctuations in interest rates increase the cost of new loans and 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.

(i) Interest rate profile

The Group	**2011**		**2010**	
	Effective interest rates %	**Amount $'000**	**Effective interest rates %**	**Amount $'000**
Variable rate borrowings:				
Secured bank borrowings and loan from fellow subsidiary	**2.10**	**23,425**	2.09	7,716

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit after taxation and total equity by $11,867,000 (2010: $5,862,000) so far as the effect on interest-bearing financial instruments is concerned.

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

(d) Currency risk

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

(i) Forecast transactions

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

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

At 31 December 2011, the Group had forward exchange contracts hedging forecast transactions with a net fair value of $1,823,000 (2010: $2,233,000), recognised as derivative financial instruments.

(ii) Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in reserve. The net fair value of forward exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2011 was $1,823,000 (2010: $2,233,000), recognised as derivative financial instruments.

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(d) Currency risk (Continued)

(iii) Exposure to currency risk

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

The Group	2011		2010	
	Euro '000	Renminbi '000	Euro '000	Renminbi '000
Trade receivables, net	–	664	–	2,254
Deposits, prepayments and other receivables	–	17	–	18
Bank balance original maturity beyond 3 months	–	76,291	–	–
Pledged bank deposit	–	6	–	51,008
Cash and cash equivalents	–	115,696	32	57,524
Payables and accrued charges	–	(987)	(440)	(527)
Overall net exposure	–	191,687	(408)	110,277

(iv) 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 balance sheet date.

The Group	2011		2010	
	Increase/ decrease in foreign exchange rates %	Effect on profit after tax and accumulated profits $'000	Increase/ decrease in foreign exchange rates %	Effect on profit after tax and accumulated profits $'000
Renminbi	+/-5	+/-9,880	+/-5	+/-5,417
Euro	+/-5	Nil	+/-5	+/-169

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(e) Fair values

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

(i) Financial instruments carried at fair value

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

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

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

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

	The Group	
	2011	2010
	Level 2	Level 2
	$'000	$'000
Assets		
Investment in convertible bonds	**101,424**	–
Derivative financial instruments		
– Interest rate swaption	**966**	–
Liabilities		
Derivative financial instruments		
– Forward exchange contracts	**1,823**	2,233

(ii) Finance lease liabilities

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(f) Equity price risk

The Group is exposed to equity price changes arising from the investment in convertible bonds as disclosed in note 16. At 31 December 2011, it is estimated that an increase/decrease of 20% in the share price of the issuer of the convertible bonds, with all other variables were held constant, the Group's profit for the year would have increased/decreased by $15,732,000, as a result of changes in fair value of the investment in convertible bonds.

32 PLEDGES OF ASSETS

At 31 December 2011, the pledged bank deposits of $21,007,000 (2010: $76,917,000) are related to certain commercial arrangements and Banking Facilities during the year.

At 31 December 2011, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately $4,073,000 (2010: $4,189,000).

33 CONTINGENT LIABILITIES

The Company has given guarantees to bank in respect of the Banking Facilities granted to its subsidiary. The extent of such Banking Facilities utilised by the subsidiary at 31 December 2011 amounted to $1,194,960,000 (2010: $678,600,000).

34 COMMITMENTS

At 31 December 2011, the Group had the following outstanding capital commitments not provided for in the Group's financial statements:

	The Group	
	2011	2010
	$'000	$'000
Contracted for	**1,178,423**	2,200,662
Authorised but not contracted for	**244,672**	–
	1,423,095	2,200,662

35 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2011, 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	
	2011	2010
	$'000	$'000
Within one year	**117**	111
After one year but within five years	**143**	207
	260	318

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

(ii) Satellite transponder capacity:

	The Group	
	2011	2010
	$'000	$'000
Within one year	**4,976**	219

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 $547,000 (2010: $386,000). At the balance sheet date, certain properties with an aggregate carrying value of $8,491,000 (2010: $8,421,000) were held for rental purposes and the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $365,000 (2010: $360,000) and after one but within five years amounting $72,000 (2010: $283,000). Depreciation charged for the year in respect of these properties was $160,000 (2010: $160,000).

35 LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

Service income earned relating to leasing of facilities equipment during the year was $2,953,000 (2010: $2,241,000). At the balance sheet date, the Group had contracted with customers for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $5,482,000 (2010: $2,431,000) and after one but within five years amounting $8,573,000 (2010: $271,000).

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

36 RETIREMENT BENEFITS SCHEMES

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

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

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

37 MATERIAL RELATED PARTY TRANSACTIONS

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

	The Group	
	2011 **$'000**	2010 $'000
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to fellow subsidiaries *(note (i))*	**126,172**	118,404
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company of a shareholder of the Company *(note (i))*	**45,294**	42,726
Management fees paid to a fellow subsidiary *(note (ii))*	**(194)**	(253)
Consultancy fee paid to a fellow subsidiary *(note (ii))*	**(667)**	–
Transponder capacity services cost paid to a fellow subsidiary *(note (iii))*	**–**	(206)

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

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

	Amount due from immediate holding company		Trade receivable, net		Amount due to a fellow subsidiary		Loan from a fellow subsidiary		Rentals in advance and deferred income	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Immediate holding company	**767**	286	**–**	–	**–**	–	**–**	–	**–**	–
Fellow subsidiaries	**–**	–	**4,061**	4,442	**911**	65	**226,200**	23,400	**14,353**	8,026
Holding company of a shareholder of the Company *(note (i))*	**–**	–	**770**	1,106	**–**	–	**–**	–	**24,220**	142,232

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

(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 and consultancy fee are paid to a fellow subsidiary for services rendered during the year.

(iii) Transponder capacity services cost was paid to a fellow subsidiary for services rendered last year.

(c) Key management personnel remuneration

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

	2011	2010
	$'000	$'000
Short-term employee benefits	**10,160**	9,379
Performance related incentive payment	**9,710**	4,755
Other long-term benefits	**890**	609
	20,760	14,743

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

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2011 to be APT Satellite International Company Limited and China Aerospace Science & Technology Corporation, which is incorporated in the British Virgin Islands and the PRC, respectively. Both entities do not produce financial statements available for public use.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

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

Note 31 contains information about the assumptions and their risk factors relating to the fair value of financial instruments.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

(i) Depreciation

Depreciation of communication satellites is provided for on the straight-line method over the estimated useful life of the satellite, which is determined by engineering analysis performed at the in-services date and re-evaluated periodically. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used and the skill with which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites have been subjected to certain operational lives, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts periodically. Accordingly, the estimated useful lives of the Group's satellites are reviewed using current engineering data. If a significant change in the estimated useful lives of our satellites is identified, the Group accounts for the effects of such change as depreciation expenses on a prospective basis. Details of the depreciation of communication satellites are disclosed in notes 1(i) and 13.

(ii) Trade receivables and other receivables

The management of the Group estimates the provision of bad and doubtful debts required for the potential non-collectability of trade receivables and other receivables at each balance sheet date based on the ageing of its customer accounts and its historical write-off experience, net of recoveries. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group does not make a general provision on its trade receivables and other receivables, but instead, makes a specific provision on its trade receivables and other receivables. Hence, the Group continuously monitors collections and payments from customers and maintains allowances for bad and doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the customers of the Group were to deteriorate, actual write-offs would be higher than estimated. For the year ended 31 December 2011, the Group had been recognised provision for bad debts in the amount of $125,000 (2010: written back of $147,000).

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(ii) Trade receivables and other receivables (Continued)

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

(iii) Impairment of property, plant and equipment

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

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

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its use value and fair market value as assessed both by the Group and by an independent professional property appraiser. If the use value or fair market value of the property, plant and equipment are lower than their carrying amount, the Group may be required to record additional impairment loss not previously recognised. Details of the impairment loss of property, plant and equipment are disclosed in note 13.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(iv) Amortisation and 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 the financial statements, or a probable obligation for which the cash outflow is not probable, are not recorded.

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

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

For the year ended 31 December 2011 (Expressed in Hong Kong dollars unless otherwise indicated)

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

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 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 IFRS/HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS/HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS/HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS/HKFRS 9, *Financial instruments*	1 January 2013
IFRS/HKFRS 10, *Consolidated financial statements*	1 January 2013
IFRS/HKFRS 11, *Joint arrangements*	1 January 2013
IFRS/HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS/HKFRS 13, *Fair value measurement*	1 January 2013
IAS/HKAS 27, *Separate financial statements* (2011)	1 January 2013
IAS/HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS/HKAS 19, *Employee benefits*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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.

41 POST BALANCE SHEET EVENT

After the balance sheet date, the directors declared a final dividend of $15,545,000. Further details are disclosed in note 10.

FIVE YEARS FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 December				
	2007	2008	2009	2010	2011
	$'000	$'000	$'000	$'000	$'000
Turnover	451,626	403,672	578,115	719,435	**758,317**
Cost of services	(314,792)	(277,581)	(322,049)	(369,359)	**(362,038)**
Gross profit	136,834	126,091	256,066	350,076	**396,279**
Other net income	26,334	68,871	35,535	5,242	**15,652**
Administrative expenses	(81,896)	(84,838)	(80,680)	(76,788)	**(94,643)**
Valuation gains/(losses) on investment property	226	(12)	(295)	233	**230**
Other operating expenses and losses	(98)	(8,397)	–	–	**(36,660)**
Profit from operations	81,400	101,715	210,626	278,763	**280,858**
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)**
Finance costs	(55,345)	(24,844)	(4,868)	(6,330)	**(21,941)**
Share of results of jointly controlled entities	(894)	2,397	–	–	**–**
Gain on disposal of a subsidiary	–	3,193	–	–	**–**
Gain on disposal of a jointly controlled entity	–	9,590	–	–	**–**
Gain from liquidation of a subsidiary	–	–	6,146	–	**–**
Profit before taxation	25,161	92,051	211,904	272,433	**360,341**
Income tax (expense)/credit	(20,445)	(42,551)	42,180	(73,934)	**(79,418)**
Profit for the year	4,716	49,500	254,084	198,499	**280,923**
Attributable to:					
Equity shareholders of the Company	5,581	49,587	254,084	198,499	**280,923**
Minority interests	(865)	(87)	–	–	**–**
Profit for the year	4,716	49,500	254,084	198,499	**280,923**

ASSETS AND LIABILITIES

	At 31 December				
	2007	2008	2009	2010	2011
	$'000	$'000	$'000	$'000	$'000
Total assets	3,135,582	2,546,283	3,118,579	3,802,982	**4,768,445**
Total liabilities	(1,146,891)	(505,718)	(829,422)	(1,315,420)	**(2,010,364)**
Net assets	1,988,691	2,040,565	2,289,157	2,487,562	**2,758,081**