



**APT SATELLITE HOLDINGS LIMITED**

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



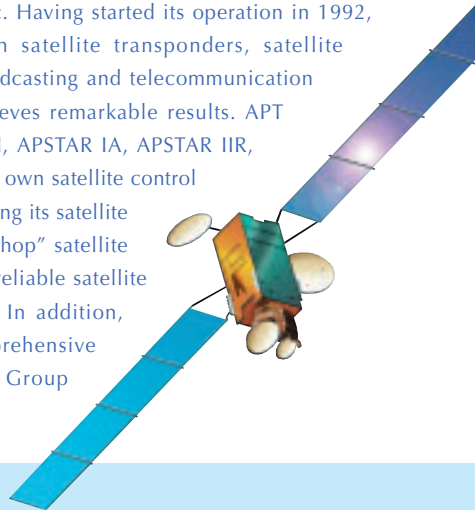
INTERIM REPORT 2007



APSTAR VI

## COMPANY PROFILE

APT SATELLITE HOLDINGS LIMITED (“APT Group”) is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Having started its operation in 1992, APT Group mainly provides high quality services in satellite transponders, satellite communication and satellite TV broadcasting to the broadcasting and telecommunication sectors in Asia, Europe and the United States, and achieves remarkable results. APT Group currently operates five satellites namely APSTAR I, APSTAR IA, APSTAR IIR, APSTAR V and APSTAR VI (“APSTAR SYSTEMS”) through its own satellite control centre in Tai Po, Hong Kong. APT Group has finished building its satellite TV broadcasting platform for the provision of “one-stop-shop” satellite TV broadcasting services, providing the best quality and reliable satellite TV uplink and broadcasting services to the customers. In addition, strengthened by APSTAR V and ARSTAR VI, and comprehensive broadcasting and telecommunications services, APT Group provides quality solutions to satisfy our customers’ needs.



## APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-VI	Alcatel SB-4100 C1	134°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR-V	SS/L FS-1300	138°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8	China (including Hong Kong, Macau and Taiwan)
					8	China and India
APSTAR-IIR	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-IA	Boeing BSS-376	–	24	–	–	–
APSTAR-I	Boeing BSS-376	142°E	24	–	–	–

## FORWARD-LOOKING STATEMENTS

This interim report contains certain forward-looking statements, such as those that express with words “believes,” “anticipates,” “plans” and similar wordings. Such forward-looking statements involve inherent risks and uncertainties, and actual results could be materially different from those expressed or implied by them. As regards the factors, uncertainties as well as the risks, they are identified in the Company’s most recently filed Form 20-F and reports on Form 6-K furnished to the US Securities and Exchange Commission.

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## CORPORATE INFORMATION

### DIRECTORS

#### EXECUTIVE DIRECTORS

Ni Yifeng (*President*)  
Tong Xudong (*Vice President*)

#### NON-EXECUTIVE DIRECTORS

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

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Huan Guocang  
Lui King Man  
Lam Sek Kong  
Cui Ligu

#### COMPANY SECRETARY

Lo Kin Hang, Brian

#### AUTHORISED REPRESENTATIVES

Ni Yifeng  
Lo Kin Hang, Brian

#### MEMBERS OF AUDIT COMMITTEE

Lui King Man (*Chairman*)  
Huan Guocang  
Lam Sek Kong  
Cui Ligu

#### MEMBERS OF NOMINATION COMMITTEE

Huan Guocang (*Chairman*)  
Tong Xudong  
Lui King Man  
Lam Sek Kong  
Cui Ligu

#### MEMBERS OF REMUNERATION COMMITTEE

Lui King Man (*Chairman*)  
Tong Xudong  
Huan Guocang  
Lam Sek Kong  
Cui Ligu

### QUALIFIED ACCOUNTANT

Lau Mei Bik

### AUDITORS

KPMG

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

### ADR DEPOSITARY

The Bank of New York  
Depositary Receipt Division  
101 Barclay Street 22 W  
New York NY 10286  
USA

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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(*Investor Relations*)

### STOCK CODE

1045 (in Hong Kong)  
ATS (in New York)

# CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007.

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

## INTERIM RESULTS

The Group's turnover and profit attributable to equity shareholders amounted to HK\$230,685,000 (2006: HK\$207,996,000) and HK\$5,023,000 (2006: HK\$21,139,000 loss attributable to equity shareholders) respectively. Basic earnings per share was HK1.22 cents (2006: loss per share HK5.12 cents).

## INTERIM DIVIDEND

Although the Group has started to make profit again for the first half of 2007, owing to the need of the Group's future development, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2007 (2006: Nil).

## BUSINESS REVIEW

The Group's five satellites, APSTAR V, APSTAR VI, APSTAR IIR, APSTAR I, and APSTAR IA, together with their corresponding telemetry, tracking and control systems, have been operating under normal condition during the period. The commencement of APSTAR VI further strengthened the competitive edge of the Group in market competition. As of 30 June 2007, the utilization rates of APSTAR V and APSTAR VI were at 67% and 66% respectively.

### **APSTAR VI**

APSTAR VI satellite is one of the latest advanced high power satellite launched in April 2005 with 38 C-band transponders and 12 Ku-band transponders. Its utilization has been increased to 66% as at 30 June 2007 from 40.4% of the same period in 2006 indicating the satellite has been well received by customers and the improvement of the competitive edge of APT in the region.

### **APSTAR V**

APSTAR V has recorded its utilization rate at 67% as at 30 June 2007.

With the commencements of APSTAR V and APSTAR VI, the Group can provide the latest advanced and comprehensive satellite communication and broadcasting services to our customers. The effective improvement of transponder resources and market competition has boosted the sales of transponder services of the Group in Asia Pacific region.

### ***New Satellites in China Market***

Two new satellites were launched consecutively in June 2007 and July 2007 for China Market. As a result, the market competition of the China Market is more intense. While APT has been transferring the transmission of satellite television program in response to the request of some customers, it has also obtained new customers and new utilizations off setting part of the customer loss. Meanwhile, the Group will during the period continuously strengthen and optimize its services to timely satisfy customers' need. As a result, the Board believes such transfer arrangement as a whole will not adversely affect the Group's revenue. With regard to the impact of the new satellites in the region, the Group will continuously monitor the demand and supply situation of the transponder market in China. The Group will also try its best to further improve its quality of service so as to satisfy customers' needs, and expand the Group's services in overseas markets and appropriate satellite-related value-added services.

### ***Satellite TV Broadcasting and Uplink Services***

The Group provides satellite TV uplink and broadcasting services through its wholly-owned subsidiary, APT Satellite TV Development Limited ("APT TV") and successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. As at 30 June 2007, the number of satellite TV channels up-linked and broadcast by APT TV was increased to 70 channels, representing an increase of approximately 9.4% as compared to the same period in 2006.

### ***Satellite-based Telecommunications Services***

APT Telecom Services Limited ("APTS"), a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services to telecommunication operators of the region under the Fixed Carrier Licence of Hong Kong VSAT, facilities management services, and teleport uplink services to telecommunication operators, satellite operators, and ISPs players in the region.

Both uplink and broadcasting services and telecommunication services enable the Group to expand its customer base.

## **BUSINESS PROSPECTS**

We expect the demand of transponder services to grow steadily in 2007. However, owing to the new satellites coming to the China market, there will be supply over demand and fierce market competition. The Group will leverage its competitive advantages and high quality services to reinforce its foothold in China market and expand its overseas market and strengthen its value-added services so as to further increase the utilizations of satellites and business growth.

## FINANCE

As at 30 June 2007, the Group's financial position remains sound with gearing of 40% (total liabilities/total assets). The Liquidity Ratio (current assets/current liabilities) is 1.61 times. The total equity of the Group is HK\$1,985,878,000. The Group has cash and cash equivalents amounting HK\$375,394,000 and pledged bank deposits HK\$76,863,000. The capital expenditure incurred for the six months ended 30 June 2007 was approximately HK\$7,066,000.

## CORPORATE GOVERNANCE

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

## NOTE OF APPRECIATION

I would like to take this opportunity to thank all our customers and friends for their support, as well as to all staff members of the Group for their contributions to the Group during the period.

**Rui Xiaowu**  
*Chairman*

Hong Kong, 7 September 2007

## FINANCIAL REVIEW

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

Highlights:

	Six months ended 30 June 2007	Six months ended 30 June 2006	Changes
HK\$ thousand			
Turnover	<b>230,685</b>	207,996	↑22,689
Profit/(Loss) after taxation	<b>4,361</b>	(21,782)	↑26,143
Profit/(Loss) attributable to equity shareholders of the Company	<b>5,023</b>	(21,139)	↑26,162
Basic earnings/(Loss) per share	<b>1.22 cents</b>	(5.12 cents)	↑6.34 cents
	<b>At 30 June 2007</b>	<b>At 31 December 2006</b>	<b>Changes</b>
HK\$ thousand			
Total assets	<b>3,319,548</b>	3,407,562	↓(88,014)
Total liabilities	<b>1,333,670</b>	1,425,329	↓(91,659)
Gearing ratio (%)	<b>40%</b>	42%	↓2%

The Group recorded a profit for the period of HK\$4,361,000, mainly as a result of increase of turnover and increase of other net income due to increase of the bank deposit interest rate and bank balance as compared to the same period in 2006. The Group's turnover for the period ended 30 June 2007 was HK\$230,685,000 increased by 11% as compared to the same period in 2006 mainly attributable to the followings:

### SATELLITE TRANSPONDER CAPACITY SERVICES AND RELATED SERVICES

Revenue from Satellite Transponder Capacity Services and Related Services for the period ended 30 June 2007 increased approximately 8% to HK\$195,580,000. The increase of revenue was mainly due to commencement of some new utilization services contracts for APSTAR VI.

### SATELLITE-BASED BROADCASTING AND TELECOMMUNICATIONS SERVICES

Revenue from Satellite-based Broadcasting and Telecommunications Services for the period ended 30 June 2007 increased approximately 30% to HK\$35,050,000. The increase of revenue was mainly due to an increase in usage in wholesale voice business.

The detail of the Group's turnover, which is analyzed by business segments, is disclosed in note 3 of the interim financial report.



## SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 30 June 2007. As at 30 June 2007, the Group's share of loss of APT Telecom was HK\$560,000.

## CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period ended 30 June 2007, the Group's principal use of capital was the expenditure related to the purchasing of new equipments and office equipments which had been funded by internally generated cash. The capital expenditure incurred for the period ended 30 June 2007 amounted to HK\$7,066,000.

During the period ended 30 June 2007, the Group repaid bank loan of HK\$69,030,000 (equivalent to US\$8,850,000), the funding for which came from internally generated cash. As a result of the above repayment, total outstanding of bank loan reduced from HK\$936,069,000 to HK\$867,039,000. The debt maturity profile (excluding the borrowing transaction cost) of the Group was as follows:

Year of Maturity	HK\$
Repayable within 1 year or on demand	189,540,000
Repayable after one year but within five years	677,499,000
	867,039,000

As at 30 June 2007, the Group's total liabilities were HK\$1,333,670,000, a decrease of HK\$91,659,000 as compared to 31 December 2006, which was mainly due to partly repayment of bank loan as described above. As a result, the gearing ratio (total liabilities/total assets) has slightly decreased to 40%, representing a 2% decrease as compared to 31 December 2006.

As at 30 June 2007, the Group has approximately HK\$375,394,000 free cash and HK\$76,863,000 pledged deposit. Together with cash flow generated from operations, the Group could meet with ease all the debt repayment schedules in the coming year.

## CAPITAL STRUCTURE

The Group continues to maintain a prudent treasury policy and manage currency and interest risks on a conservative basis. During the period, the Group made no hedging arrangement in respect of exchange rate fluctuation as the majority of its business transactions were settled in United States dollars. Interest on Bank Loans was computed at the London Inter-Bank Offering Rate plus a margin. The Group considers the fluctuation risk of the floating interest rate and may take appropriate measure in due course to hedge against interest rate fluctuation, if necessary.

## CHARGES ON GROUP ASSETS

As at 30 June 2007, the assets of APSTAR V and APSTAR VI of HK\$2,411,846,000 (31 December 2006: HK\$2,506,454,000) and bank deposit of HK\$76,863,000 (31 December 2006: HK\$89,190,000) were pledged to secure a bank loan facility. The bank loan facility is also secured by the assignment of APSTAR V and APSTAR VI and their related insurance claims proceeds, and the assignment of all their present and future agreements of provision of transponder utilization services.

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK\$4,596,000 (31 December 2006: HK\$4,655,000)

## CAPITAL COMMITMENTS

As at 30 June 2007, the Group has outstanding capital commitments of HK\$4,806,000 (31 December 2006: HK\$4,852,000), which were contracted but not provided for in the Group's financial statements, mainly in respect of purchases of equipment.

## CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in note 12 of the interim financial report.

## HUMAN RESOURCES

As at 30 June 2007, the Group had 150 employees (2006: 159). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme.

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

# UNAUDITED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007  
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2007	2006
		\$'000	\$'000
	Note		
<b>Turnover</b>	3	<b>230,685</b>	207,996
Cost of services		<b>(165,263)</b>	(167,497)
<b>Gross profit</b>		<b>65,422</b>	40,499
Other net income		<b>12,698</b>	9,074
Revaluation gain on investment properties		–	78
Administrative expenses		<b>(37,117)</b>	(35,358)
<b>Profit from operations</b>	3	<b>41,003</b>	14,293
Finance costs	4	<b>(28,764)</b>	(31,055)
Share of results of jointly controlled entities		<b>(560)</b>	(445)
<b>Profit/(Loss) before taxation</b>	4	<b>11,679</b>	(17,207)
Income tax	5	<b>(7,318)</b>	(4,575)
<b>Profit/(Loss) after taxation</b>		<b>4,361</b>	(21,782)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>5,023</b>	(21,139)
Minority interests		<b>(662)</b>	(643)
<b>Profit/(Loss) after taxation</b>		<b>4,361</b>	(21,782)
Earnings/(Loss) per share	6		
– Basic		<b>1.22 cents</b>	(5.12 cents)
– Diluted		<b>1.22 cents</b>	(5.12 cents)

The notes on pages 13 to 22 form part of this interim financial report.

# UNAUDITED CONSOLIDATED BALANCE SHEET

at 30 June 2007

(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 \$'000	At 31 December 2006 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	7	2,615,060	2,721,582
Interest in leasehold land held for own use under an operating lease		15,007	15,195
Investment properties	7	4,945	2,496
Interest in jointly controlled entities		3,863	4,423
Amounts due from a jointly controlled entity		69,839	72,294
Club memberships		5,537	5,537
Prepaid expenses		19,747	25,207
Deferred tax assets		9,365	8,747
		<b>2,743,363</b>	<b>2,855,481</b>
<b>Current assets</b>			
Trade receivables	8	93,226	80,261
Deposits, prepayments and other receivables		24,782	38,482
Amount due from immediate holding company		20	82
Amount due from a jointly controlled entity		5,900	2,741
Pledged bank deposits		76,863	89,190
Cash and cash equivalents		375,394	341,325
		<b>576,185</b>	<b>552,081</b>
<b>Current liabilities</b>			
Payables and accrued charges		35,836	53,777
Rentals received in advance		33,516	34,155
Loan from a minority shareholder		7,488	7,488
Secured bank borrowings due within one year	9	187,327	156,820
Current taxation		93,583	93,080
		<b>357,750</b>	<b>345,320</b>
<b>Net current assets</b>		<b>218,435</b>	<b>206,761</b>
<b>Total assets less current liabilities carried forward</b>		<b>2,961,798</b>	<b>3,062,242</b>

# UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2007

(Expressed in Hong Kong dollars)

		At 30 June 2007 \$'000	At 31 December 2006 \$'000
	Note		
<b>Total assets less current liabilities brought forward</b>		<b>2,961,798</b>	3,062,242
<b>Non-current liabilities</b>			
Secured bank borrowings due after one year	9	675,293	773,534
Deposits received		27,857	20,419
Deferred income		210,869	222,141
Deferred tax liabilities		61,901	63,915
		<b>975,920</b>	1,080,009
<b>Net assets</b>		<b>1,985,878</b>	1,982,233
<b>Capital and reserves</b>			
Share capital	10	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus		511,000	511,000
Capital reserve		9,614	9,614
Revaluation reserve		368	–
Exchange reserve		1,555	2,639
Other reserves		109	109
Accumulated profits		133,240	128,217
		<b>1,984,749</b>	1,980,442
<b>Minority interests</b>		<b>1,129</b>	1,791
<b>Total equity</b>		<b>1,985,878</b>	1,982,233

The notes on pages 13 to 22 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007  
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the parent								Minority interests	Total equity	
	Share capital	Share premium	Contributed surplus	Capital reserve	Revaluation reserve	Exchange reserve	Other reserves	Accumulated profits/(losses)			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2006	41,327	1,287,536	511,000	11,996	-	1,347	104	205,315	2,058,625	2,927	2,061,552
Exchange differences	-	-	-	-	-	(1,204)	-	-	(1,204)	-	(1,204)
Cancellation of share options	-	-	-	(1,361)	-	-	-	1,361	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(21,139)	(21,139)	(643)	(21,782)
Balance at 30 June 2006	41,327	1,287,536	511,000	10,635	-	143	104	185,537	2,036,282	2,284	2,038,566
At 1 January 2007	41,327	1,287,536	511,000	9,614	-	2,639	109	128,217	1,980,442	1,791	1,982,233
Exchange differences	-	-	-	-	-	(1,084)	-	-	(1,084)	-	(1,084)
Revaluation surplus	-	-	-	-	368	-	-	-	368	-	368
Net Profit for the period	-	-	-	-	-	-	-	5,023	5,023	(662)	4,361
Balance at 30 June 2007	41,327	1,287,536	511,000	9,614	368	1,555	109	133,240	1,984,749	1,129	1,985,878

The notes on pages 13 to 22 form part of this interim financial report.

# UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Net cash from/(used in) operating activities	126,802	(15,764)
Net cash from investing activities	16,456	6,307
Net cash used in financing activities	(108,104)	(88,210)
Net increase/(decrease) in cash and cash equivalents	35,154	(97,667)
Cash and cash equivalents at 1 January	341,325	326,440
Effect of foreign exchange rates changes	(1,085)	(1,204)
Cash and cash equivalents at 30 June	375,394	227,569
Analysis of the balances of cash and cash equivalents:		
Deposits with banks and other financial institutions	364,886	221,622
Cash at bank and in hand	10,508	5,947
Cash and cash equivalents at the end of the period	375,394	227,569

The notes on pages 13 to 22 form part of this interim financial report.

# NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## 1. BASIS OF PREPARATION

This interim financial report of APT Satellite Holdings Limited (“the Company”) and its subsidiaries (“the Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issuance on 7 September 2007.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The interim financial report is unaudited, but has been reviewed by Company’s Audit Committee and the Company’s auditors, KPMG, in accordance with Hong Kong Standards on Review Engagements 2410, review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 27.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company’s principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 April 2007.



## 2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. Management has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007 on the basis of HKFRSs currently in issue, which the Management believes do not have a significant impact on the Group's prior year financial position and results of operations.

The new and revised HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that is not yet effective for the current accounting period (see note 15).

### 3. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

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

#### Business segments

The Group comprises two main business segments, namely provision of satellite transponder capacity and related services and provision of satellite-based broadcasting and telecommunications services.

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>For the six months ended 30 June</b>								
Turnover from external customers	195,580	181,077	35,050	26,871	-	-	230,630	207,948
Inter-segment turnover	8,858	8,771	564	563	(9,422)	(9,334)	-	-
<b>Total</b>	<b>204,438</b>	<b>189,848</b>	<b>35,614</b>	<b>27,434</b>	<b>(9,422)</b>	<b>(9,334)</b>	<b>230,630</b>	<b>207,948</b>
Service income							55	48
							<b>230,685</b>	<b>207,996</b>
Segment result	61,271	36,566	3,653	3,887	(2)	(2)	64,922	40,451
Service income							55	48
Unallocated other net income							12,698	9,152
Unallocated administrative expenses							(21,946)	(21,333)
- staff costs							(14,726)	(14,025)
- office expenses								
Profit from operations							41,003	14,293
Finance costs							(28,764)	(31,055)
Share of results of jointly controlled entities							(560)	(445)
Profit/(Loss) before taxation							11,679	(17,207)
Income tax							(7,318)	(4,575)
Profit/(Loss) after taxation							4,361	(21,782)

### 3. SEGMENTAL REPORTING (continued)

#### 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.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

For the six months ended 30 June	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Turnover from external customers	35,813	23,890	86,395	114,564	18,982	18,187	58,121	22,477	31,374	28,878

### 4. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Interest on borrowings wholly repayable within five years	27,378	29,589
Other borrowing costs	1,386	1,466
	<b>28,764</b>	31,055
Depreciation and amortization	111,692	116,438
Gain on disposal of property, plant and equipment	(24)	(92)

### 5. INCOME TAX

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Current tax – Overseas	9,951	10,358
Deferred tax	(2,633)	(5,783)
	<b>7,318</b>	4,575

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

## 5. INCOME TAX (continued)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profit for the period. Overseas tax includes the 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. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company of \$5,023,000 (six months ended 30 June 2006: \$21,139,000 loss attributable to equity shareholders) and the weighted average of 413,265,000 ordinary shares (30 June 2006: 413,265,000 shares) in issue during the six months ended 30 June 2007.

### (b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2007 and 2006.

## 7. PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions

During the current period, the Group has acquired property, plant and equipment amounting to \$7,066,000 (six months ended 30 June 2006: \$2,453,000).

### (b) Transfers

In prior years, a property was held for office purpose and classified as property, plant and equipment. During the six months ended 30 June 2007, the directors changed the intended use of this property from office purpose to rental purpose. Accordingly, this property with carrying value of \$2,081,000 has been transferred from property, plant and equipment to investment properties.

### (c) Valuation

Investment properties were revalued at 30 June 2007 at \$4,945,000 (31 December 2006: \$2,496,000) by Savills Valuation and Professional Services Limited, an independent professional property valuer, on an open market value basis by reference to net rental income allowing for reversionary income potential.

(d) As of 30 June 2007, the Group did not have full in-orbit insurance coverage for its satellites. The in-orbit satellites had a net book value in aggregate of \$2,470,302,000 as of 30 June 2007 (31 December 2006: \$2,571,790,000).

## 8. TRADE RECEIVABLES

The Group allows an average credit period of 10 days to its trade customers. The following is an ageing analysis of trade receivables (net of specific provisions for bad and doubtful debts) at the balance sheet date:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
0 – 30 days	36,898	52,616
31 – 60 days	9,822	8,414
61 – 90 days	15,348	6,568
91 – 120 days	4,419	2,201
Over 121 days	26,739	10,462
	<b>93,226</b>	<b>80,261</b>

## 9. SECURED BANK BORROWINGS

At 30 June 2007, the assets pledged for securing bank borrowings are the satellites of approximately \$2,411,846,000 (31 December 2006: \$2,506,454,000) and bank deposits of approximately \$76,863,000 (31 December 2006: \$89,190,000).

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Bank loans	862,620	930,354
Less: Amount due within one year included under current liabilities	(187,327)	(156,820)
Amount due after one year	<b>675,293</b>	<b>773,534</b>
At 30 June 2007, the bank borrowings are repayable as follows:		
Within one year or on demand	187,327	156,820
After one year but within five years	675,293	773,534
	<b>862,620</b>	<b>930,354</b>

## 10. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 11. SHARE OPTIONS

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

During the six months ended 30 June 2007, no options were granted under the Scheme 2002. (for the six months ended 30 June 2006: Nil).

### Movements in share options

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

	2007 Number
At 1 January	3,490,000
At 30 June	3,490,000
Options vested at 30 June	3,490,000

The above granted options have an exercise price of \$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

### 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 option 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.

## 12. CONTINGENT LIABILITIES

- (i) In the years before 1999, no provision for overseas withholding tax had been made in respect of the Group's transponder utilization income derived from the overseas customers as there was no applicable overseas tax rules stating that such transponder utilization income was subject to overseas withholding tax. In 1999, pursuant to the new overseas tax rules, certain of the Group's transponder utilization income derived from overseas became subject to withholding tax and therefore full provision for such withholding tax for the year from 1999 onwards has been made in the financial statements. The Directors of the Company are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately \$75,864,000.
- (ii) The Company has given guarantees to banks in respect of the secured term loan facility granted to its subsidiary. The extent of such facility utilized by the subsidiary at 30 June 2007 amounted to \$867,039,000 (31 December 2006: \$936,069,000).

## 13. COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

At 30 June 2007, the Group has the following outstanding capital commitments not provided for in the Group's financial statements:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Contracted for	4,806	4,852
Authorized but not contracted for	-	-
	<b>4,806</b>	4,852

#### 14. MATERIAL RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Income from provision of satellite transponder capacity and provision of satellite-based broadcasting and telecommunication services to a shareholder of the Company and its fellow subsidiary ( <i>note i</i> )	<b>6,368</b>	8,860
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company and its subsidiaries of a shareholder of the Company ( <i>note i</i> )	<b>14,767</b>	18,093
Management fee income from a jointly controlled entity ( <i>note ii</i> )	<b>240</b>	240

Notes:

- (i) The terms and conditions of these transponder capacity utilization agreements and satellite-based telecommunication services agreements are similar to those contracted with other customers of the Group.
- (ii) Management fee income arose from a reimbursement of cost of service provided to a jointly controlled entity under the agreement.
- (b) Key management personnel remuneration

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>4,761</b>	4,970
Other long-term benefits	<b>345</b>	343
Performance related incentive payments	<b>327</b>	–
	<b>5,433</b>	5,313



**15. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2007**

Up to the date of issue of these interim financial reports, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007 and which have not been adopted in these interim financial reports.

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

		<b>Effective for accounting periods beginning on or after</b>
Amendment to HKAS 23	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) Interpretation 12	Service concession arrangements	1 January 2008

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

## ADDITIONAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, according to the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
APT Satellite International Company Limited		214,200,000	51.83
China Aerospace Science & Technology Corporation	1	37,200,000	9.00
China Aerospace International Holdings Limited	1	31,200,000	7.55
Sinolike Investments Limited	1	31,200,000	7.55
Temasek Holdings (Private) Limited	2	22,800,000	5.52
Singapore Telecommunications Limited	2	22,800,000	5.52
Singasat Private Limited	2	22,800,000	5.52

*Note:*

1. China Aerospace Science & Technology Corporation was deemed to be interested in the shares of the Company by virtue of its 41.86% shareholding in China Aerospace International Holdings Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 shares of the Company.
2. Temasek Holdings (Private) Limited was deemed to be interested in the shares of the Company by virtue of its 67.16% shareholding in Singapore Telecommunications Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Singasat Private Limited.

Save as disclosed above, as at 30 June 2007, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

## INTERESTS OF DIRECTOR AND CHIEF EXECUTIVE

As at 30 June 2007, according to the register maintained by the Company pursuant to section 352 of the SFO, the director and chief executive of the Company had the following interests, all being beneficial owner unless otherwise stated, in the shares of the Company:

Name of Director and Chief Executive	Nature of interests	Number of shares held	Number of share options <sup>(1)</sup>
Lo Kin Hang, Brian ( <i>Vice President &amp; Company Secretary</i> )	Personal	5,000	800,000
Chen Xun <sup>(2)</sup> ( <i>Vice President</i> )	Personal	6,000 <sup>(3)</sup>	260,000
Yang Qing <sup>(2)</sup> ( <i>Vice President</i> )	Personal	–	130,000

<sup>(1)</sup> The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share options have an exercise price of HK\$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

<sup>(2)</sup> Chen Xun and Yang Qing were appointed as Vice President on 1 June 2007.

<sup>(3)</sup> The capacity in which Chen Xun held 6,000 shares of the Company was being a trustee.

Save as disclosed above, as at 30 June 2007, according to the register maintained by the Company pursuant to section 352 of the SFO, none of the director or the chief executive of the Company had or was deemed to have an interest or short position in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO), or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

## SHARE OPTION SCHEMES

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

During the period from 1 January 2007 to 30 June 2007, no option was granted under the Scheme 2002, which will expire on 21 May 2012.

## SHARE OPTION SCHEMES (continued)

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001, details of which are set out below. Since then, no further options were granted under the Scheme 2001 and, all the options granted under the Scheme 2001 shall however remain valid until their expiry.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised 3,490,000, which represents 0.85% of the issued shares of the Company and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at 30 June 2007, the total number of shares of the Company in issue was 413,265,000 shares.

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 2007	Options cancelled during the period	Options outstanding as at 30 June 2007
<b>Name of director and chief executive:</b>			
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	800,000	–	800,000
Chen Xun <sup>(1)</sup> <i>(Vice President)</i>	260,000	–	260,000
Yang Qing <sup>(1)</sup> <i>(Vice President)</i>	130,000	–	130,000
	<b>1,190,000</b>	<b>–</b>	<b>1,190,000</b>
<b>Employees in aggregate:</b>			
Employees under continuous employment contract	<b>3,490,000<sup>(2)</sup></b>	<b>–</b>	<b>3,490,000</b>

## SHARE OPTION SCHEMES (continued)

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.

- (1) Chen Xun and Yang Qing were appointed as Vice President on 1 June 2007.
- (2) The actual number of shares involved in the options outstanding at year end of 2006 was 3,490,000 options and was understated by 100,000 options.

## CORPORATE GOVERNANCE

### *CODE ON CORPORATE GOVERNANCE PRACTICES*

Throughout the six months ended 30 June 2007, the Company has met the code provisions (“Code Provision”) set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

- A4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-laws of the Company; and
- A4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company in maintaining its consistency of making business decisions.

### *MODEL CODE*

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

Having made specific enquiry of all directors, the Company’s directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the period from 1 January 2007 to 30 June 2007.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## AUDIT COMMITTEE

In the meeting on 29 August 2007, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company’s unaudited interim financial report for the six months ended 30 June 2007, and discussed auditing and internal control matters. The Audit Committee comprises of four independent non-executive directors including Dr. Lui King Man, Dr. Huan Guocang, Dr. Lam Sek Kong and Mr. Cui Ligu.



## INDEPENDENT REVIEW REPORT

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

### INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 22 which comprise the consolidated balance sheet of APT Satellite Holdings Limited as of 30 June 2007 and the related consolidated income statement, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

### KPMG

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

7 September, 2007

## SUPPLEMENTARY INFORMATION FOR ADS HOLDERS

The above unaudited financial information has been prepared in accordance with the generally accepted accounting principles applicable in Hong Kong ("HK GAAP"), which differ in certain significant respects from those applicable in the United States ("US GAAP"). The significant differences between HK GAAP and US GAAP that affect the Group's results for the six months ended 30 June 2007 and shareholders' equity at 30 June 2007 are substantially the same as those disclosed in the Company's 2006 annual report. The effect of the significant differences between HK GAAP and US GAAP on the Group's unaudited consolidated net income for the six months ended 30 June 2007 and shareholders' equity at 30 June 2007 are set out below. The US GAAP adjustments shown below have been prepared by management and have not been subject to independent audit.

	Six months ended 30 June		
	2007 US\$'000	2007 HK\$'000	2006 HK\$'000
Net profit/(loss) as reported under HK GAAP	644	5,023	(21,139)
Adjustment:			
Investment properties	(119)	(931)	(917)
Revaluation of investment properties	-	-	(78)
Approximate net profit/(loss) as reported under US GAAP	525	4,092	(22,134)
Approximate basic net profit/(loss) per share in accordance with US GAAP	US0.13 cents	HK0.99 cents	HK(5.36 cents)
Approximate diluted net profit/(loss) per share in accordance with US GAAP	US0.13 cents	HK0.99 cents	HK(5.36 cents)
Approximate basic net profit/(loss) per ADS in accordance with US GAAP*	US1.02 cents	HK7.92 cents	HK(42.85 cents)
Approximate diluted net profit/(loss) per ADS in accordance with US GAAP*	US1.02 cents	HK7.92 cents	HK(42.85 cents)

\* Based on a ratio of 8 ordinary shares of the Company to one American depository share ("ADS").

## SUPPLEMENTARY INFORMATION FOR ADS HOLDERS (CONTINUED)

	At 30 June		At 31 December
	2007 US\$'000	2007 HK\$'000	2006 HK\$'000
Shareholders' equity as reported under HK GAAP	254,455	1,984,749	1,980,442
Adjustments:			
Accumulated depreciation on investment properties	(901)	(7,029)	(6,098)
Revaluation of investment properties	192	1,494	1,494
Revaluation of property, plant and equipment (note)	(48)	(368)	–
Property, plant and equipment	138	1,080	1,080
Shareholders' equity as reported under US GAAP	253,836	1,979,926	1,976,918

*Note:*

The adjustment represents the reversal of revaluation gain in respect of the Group's property transferred from property, plant and equipment to investment property during the six months period ended 30 June 2007.

Solely for the convenience of the reader, amounts in Hong Kong dollars included in this Interim Report have been translated into United States dollars at the rate of 7.8. No representation is made that the Hong Kong dollars amounts could have been, or could be, converted into United States dollars at that rate or at any other rate on 30 June 2007 or on any other date.