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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in APT Satellite Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

MAJOR AND CONNECTED TRANSACTION RELATING TO LAUNCH SERVICES CONTRACT IN RESPECT OF APSTAR 7 SATELLITE

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Access Capital

A letter from the Board is set out on pages 4 to 12 of this circular.

A letter from the Independent Board Committee is set out on page 13 of this circular.

A letter from Access Capital Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 14 to 28 of this circular.

A notice convening a special general meeting of APT Satellite Holdings Limited to be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 17 December 2009 at 11 a.m. is enclosed with this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjournment thereof if you so wish.

27 November 2009

CONTENTS

DEFINITIONS

In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

"APSTAR 7 Satellite"	Spacebus 4000 C2 Platform having 28 C-band and 28 Ku-band high power geostationary communications satellite
"APT (HK)"	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"APT International"	APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.83% of the issued share capital of the Company as at the Latest Practicable Date
"Associate(s)"	has the same meaning as defined in the Listing Rules
"Board"	the Board of Directors
"CASC"	中國航天科技集團公司(China Aerospace Science & Technology Corporation)
"Company"	APT Satellite Holdings Limited
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Launch Services Contract
"Independent Financial Adviser"	Access Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Launch Services Contract

"Independent Shareholders"	Shareholders other than APT International, CASC and their respective Associates
"Latest Practicable Date"	26 November 2009, being the latest practicable date for ascertaining information for the inclusion in this circular
"Launch Contractor"	China Great Wall Industry Corporation, a company registered under the laws of the PRC and a subsidiary of CASC
"Launch Services Contract"	the contract dated 8 November 2009 entered into between APT (HK) and the Launch Contractor for the launch and associated services of the APSTAR 7 Satellite at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Optional Services"	such services including but not limited to additional satellite interface tests, and additional mission analysis, lease of international communication lines, transportation, board and lodging
"PRC"	the People's Republic of China
"Satellite Procurement Contract"	a contract for the procurement of APSTAR 7 Satellite dated 29 September 2009 between APT (HK) and Thales Alenia Space France, in respect of the manufacturing and delivering on ground the APSTAR 7 Satellite by Thales Alenia Space France to APT (HK)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing, among others, the resolution to approve the Launch Services Contract and the transactions contemplated thereunder
"Share(s)"	share(s) of HK$0.1 each in the capital of the Company
"Shareholder(s")	shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US$” or “US dollars”	United States dollars, the lawful currency of the United States of America

For the purpose of this circular, an exchange rate of US$ 1 to HK$7.80 has been adopted as the conversion rate of US dollars into HK dollars. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

Executive Directors:
Cheng Guangren *(President)*
Qi Liang *(Vice President)*

Non-Executive Directors:
Rui Xiaowu *(Chairman)*
Lim Toon
Yin Yen-liang
Wu Zhen Mu
Yong Foo Chong
Wu Jinfeng
Tseng Ta-mon *(Alternate Director to Yin Yen-liang)*

Independent Non-Executive Directors:
Huan Guocang
Lui King Man
Lam Sek Kong
Cui Liguo

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head office and principal place of business:
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

27 November 2009

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION RELATING TO LAUNCH SERVICES CONTRACT IN RESPECT OF APSTAR 7 SATELLITE

INTRODUCTION

The board of directors announced that on 8 November 2009, APT (HK), a wholly owned subsidiary of the Company, entered into the Launch Services Contract with the Launch Contractor for the launch and associated services of the APSTAR 7 Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC. The signing of the Launch Services Contract is another step in the implementation of the Company's plan for the commissioning of APSTAR 7 Satellite for the replacement of APSTAR 2R.

The purpose of this circular is to provide you with, among other matters, (i) further information on the Launch Services Contract and the transactions contemplated thereunder; (ii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Launch Services Contract; and (iii) the recommendation of the Independent Board Committee.

THE LAUNCH SERVICES CONTRACT

Date	:	8 November 2009
Parties	:	(1) APT (HK), a wholly-owned subsidiary of the Company (2) the Launch Contractor The Launch Contractor is a subsidiary of CASC and CASC and its associates are interested in approximately 57% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.83% interest in the Company, the Launch Contractor is therefore a connected person of the Company under the Listing Rules.
Subject matter	:	The Launch Contractor shall provide the launch and associated services of the APSTAR 7 Satellite (the "**Standard Launch Services**") on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC within the initial launch period between 1 February 2012 to 30 April 2012 or such other period as the parties may agree. The Launch Contractor shall be responsible for obtaining all necessary or desirable permits from all relevant Chinese authorities for the shipment of the APSTAR 7 Satellite and any equipment ancillary thereto to the launch site from outside China and their movement within China, provided that APT (HK) provides all such documentation as is reasonably required by the relevant Chinese authorities for the purpose of obtaining such permits.
Contract price	:	The agreed fixed contract price for the Standard Launch Services is US$68,000,000 (approximately HK$530,400,000). APT (HK) shall pay the down payment equivalent to US$3,400,000 (approximately HK$26,520,000) within 10 days after obtaining the Independent Shareholders' approval approving the Launch Services Contract and the transactions contemplated thereunder in the SGM.

The remaining of the contract price shall be paid by APT (HK) to the Launch Contractor in 9 instalments each in the range of 10% to 20% of the contract price over a period of 15 months prior to the first day of the launch period with the balance of 5% of the contract price payable within 1 month after the first day of the launch period in accordance with the payment plan in the Launch Services Contract.

All payments under the Launch Services Contract shall be made in US dollars by way of telegraphic bank transfer into the Launch Contractor's account. Any delayed payment, which failure to pay continues to be unremedied within 30 days after notification by the Launch Contractor, shall be charged with an interest calculated at the rate of the then current 6-month LIBOR rate for call deposits of US dollars as quoted by HSBC Bank, Hong Kong as prevailing on each date for which the default in payment continues plus 1% per annum until actual payment.

If, within 12 months from the effective date of the Launch Services Contract, the Launch Contractor offers similar launch services to any third parties with better or more favourable terms and conditions including prices as compared to those of the Launch Services Contract for APSTAR 7 Satellite, the Launch Contract shall upon APT (HK)'s request offer better or more favourable terms and conditions including prices to APT (HK).

Major Conditions : The Launch Services Contract is subject to the Independent Shareholders' approval to be obtained at the SGM.

Termination : **Termination by APT (HK)**

APT (HK) is entitled to terminate the Launch Services Contract:

(1) at any time upon giving written notification to the Launch Contractor. Upon termination, which takes effect 30 days after receipt of the notification by the Launch Contractor, the Launch Contractor shall be entitled to a termination fee as follows:

(a) 100% of the payments made or due to be made by APT (HK) on or before the termination date, up to 20% of the price for the Standard Launch Services; plus

(b) 50% of any payments made or due to be made by APT (HK) on or before the termination date in excess of the first 20% of the price for the Standard Launch Services; plus

(c) 100% of the payments for all Optional Services actually performed on or before the date of termination.

Any payments received by the Launch Contractor from APT (HK) in excess of the termination fees shall be refunded to APT (HK) within 30 days of termination.

(2) if postponement requested by the Launch Contractor or any material failure by the Launch Contractor to perform its obligations in a timely manner results in delaying the launch for a period of 9 months or more beyond the end of the relevant launch period, in which event, the Launch Contractor shall refund to APT (HK) 100% of all payments made by APT (HK) for the launch;

(3) the launch is delayed by 6 months or more beyond the end of the previously established launch period due to a force majeure event, in which event the Launch Contractor shall retain 50% of all payments made or due for the launch prior to the date of such termination by APT (HK).

Termination by the Launch Contractor

The Launch Contractor shall be entitled to terminate the Launch Services Contract by giving written notice to APT (HK) if APT (HK) fails to effect any non-disputed payment on the due date or otherwise fails to meet its material obligations under the Launch Services Contract which APT (HK) fails to remedy within 90 days of its receipt of a notice from the Launch Contractor. Upon such a termination, the Launch Contractor shall refund to APT (HK) the relevant percentage of the amounts for the Standard Launch Services already paid by APT (HK) before the effective date of termination as follows:

(a) if less than or equivalent to 20% of the price of the Standard Launch Services is received prior to the date of such termination, no payment shall be refunded to APT (HK);

(b) if more than 20% of the price for the Standard Launch Services is received prior to the date of such termination, a 50% of the amount beyond the 20% of the Standard Launch Services price shall be refunded to APT (HK).

Indemnity :

(1) Each party shall bear any and all loss or damage to property or for bodily injury, including death, and all financial and other consequences of such direct or indirect loss, damage or bodily injury, including death, in connection with or arising out of or resulting from any and all activities carried out under or in connection with the Launch Services Contract. Each party agrees to absorb the financial and any other consequences of such loss, damage or bodily injury, including death, on the principle of no-fault, no subrogation and no-recourse against the other and agrees that it shall not, through any means whatsoever, make or bring a claim against or sue the other party or its associates for such loss, damage or bodily injury, including death, or any and all consequences thereof. If any party or its associates who makes any claim or demand or instigates any proceeding (whether administrative, arbitral, judicial or otherwise) against the other party or its associates for any loss, damage or bodily injury, including death, the first party shall indemnify and hold the other party and its associates harmless from any loss, damage, liability or expense, including reasonable attorney's fees, and shall defend the other party and its associates from, such claim, demand or proceeding.

(2) APT (HK) shall indemnify and hold the Launch Contractor and its associates harmless from any liability resulting from an infringement of any intellectual property rights of APT (HK), its associates or any third party arising from the APSTAR 7 Satellite or any other property of APT (HK), or the proper use thereof.

(3) The Launch Contractor shall indemnify and hold APT (HK) and its associates harmless from any liability resulting from an infringement of any intellectual property rights of the Launch Contractor, its associates or any third party arising from APT (HK)'s proper use of the Launch Contractor's facilities, technical literature, equipment and services.

		(4) The Launch Contractor shall settle all liabilities, and shall indemnify and hold APT (HK) and the manufacturer of APSTAR 7 Satellite harmless for property damage and bodily injury arising from the launch when caused to third parties by the launch vehicle, and/or its components or any part thereof during the 12 months period from the launch for any amount in excess of the insured limits of the agreed insurance policy.
Optional Services	:	Launch Contractor agrees to provide certain launch related Optional Services at pre-determined prices. The ordering of any Optional Service will only be made after the discussion with the satellite manufacturer. It is estimated that if all Optional Services are elected, the price payable for such services will be not more than US$1,000,000 (approximately HK$7,800,000). The amount of consideration payable for the Option Services will be subject to actual usages.
Governing law	:	The laws of the PRC.

BASIS OF CONSIDERATION FOR THE LAUNCH SERVICES CONTRACT

The contract price and the terms of the Launch Services Contract have been negotiated on an arm's length basis having regard to the value of similar assets and services in the market. The contract price will be funded by the existing available bank facilities, internal resources of the Company and external borrowings in the future.

REASONS AND BENEFITS FOR ENTERING INTO THE LAUNCH SERVICES CONTRACT

The Group is engaged in the provision of satellite transponder capacity and related services. Its strategy is to become one of the leading regional providers of satellite transponder capacity and related services focusing the Asia Pacific region. As announced in the Company's announcement dated 30 September 2009, after the completion of the termination of the 1999 lease agreement and ancillary agreement in respect of APSTAR 2R in July 2009, APT (HK) has began the commissioning of APSTAR 7 Satellite and has entered into the Satellite Procurement Contract which is in line with the Company's plan for the replacement of APSTAR 2R, which will expire by the end of 2012.

The Directors believe that the Company will benefit from expanding the satellite services and customer base, further increasing the revenue of the Company and strengthening competitive advantage and growth potential for long-term development of the Company. The Company will also secure the opportunity of future satellite continuity as a result of the entering into the Satellite Procurement Contract.

The Directors (including the independent non-executive Directors) believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

INFORMATION ON THE PARTIES TO THE LAUNCH SERVICES CONTRACT AND THEIR RESPECTIVE HOLDING COMPANIES

The Launch Contractor

The Launch Contractor, is a company registered under the laws of the PRC and a subsidiary of CASC. The Launch Contractor provides launch and associated services utilising launch vehicles of the Long March series at the Xichang Satellite Launch Center in the PRC to governmental and private entities. It is the counterparty to the Launch Services Contract, pursuant to which it shall provide the launch and associated services of the APSTAR 7 Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC within the initial launch period scheduled to be on 1 February 2012 to 30 April 2012 or such other date as the parties may agree.

The Company

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 related services.

APT (HK)

APT (HK) is principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other service.

FINANCIAL EFFECT OF THE LAUNCH SERVICES CONTRACT ON THE GROUP

The contract price payable under the Launch Services Contract for the launch of APSTAR 7 Satellite will be treated as an addition of assets in the accounts of APT (HK).

If the approval of the Independent Shareholders is obtained and the down payment equivalent to US$3,400,000 (approximately HK$26,520,000) is paid within 10 days after obtaining the Independent Shareholders' approval for the Launch Services Contract, there would have been an increase of approximately HK$26,520,000 in the Group's property, plant and equipment for the year ending 31 December 2009. The down payment under the Launch Services Contract would have been funded by internal resources, the Group's cash position would have decreased by approximately HK$26,520,000. The remaining balance of the contract price and the Optional Services would also be funded by internal resources and bank borrowings and be payable in accordance with the payment plan stipulated in the Launch Services Contract. The payment of the remaining balance would result in a corresponding increase in the Group's property, plant and equipment. The entering into of the Launch Services Contract would result in an increase in the long-term liabilities by approximately HK$511,680,000. Details of all the adjustments made are set out in the unaudited pro forma net assets statement of the Group contained in Appendix II to this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As the construction and delivery of the APSTAR 7 Satellite will only be completed in 2012 and the APSTAT 7 Satellite is scheduled to be launched in 2012 according to the Launch Services Contract, the Launch Services Contract and the transactions contemplated thereunder are not expected to have any material impact on the financial and trading prospect of the Group for the financial year ending 31 December 2009.

Following the completion of construction and delivery of the APSTAR 7 Satellite to APT (HK), which will replace the APSTAR 2R that will expire at the end of 2012, the directors of the Company believe that the Company will benefit from expanding the satellite services capacity as a result of the increase in total number of transponders on board APSTAR 7 Satellite thereby further increasing the revenue of the Company and strengthening competitive advantage and growth potential for long-term development of the Company.

LISTING RULES REQUIREMENTS

As at the Latest Practicable Date, as the Launch Contractor is a subsidiary of CASC and CASC and its associates are interested in approximately 57% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.83% interest in the Company, the Launch Contractor is therefore a connected person of the Company under the Listing Rules. The Launch Services Contract constitutes a connected transaction of the Company. As such, the Launch Services Contract is subject to Independent Shareholders' approval at a general meeting of the Company under Rule 14A.18 of the Listing Rules. Accordingly, APT International, CASC and its associates will be required to abstain from voting at the SGM in respect of the resolution approving the Launch Services Contract and the transactions contemplated thereunder.

The Launch Services Contract also constitutes a major transaction of the Company given the consideration payable for the Standard Launch Services and all the Optional Services under the Launch Services Contract exceeds 25% but is less than of the total assets and market capitalisation of the Company.

SGM

The SGM will be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 17 December 2009 at 11 a.m. for the purpose of considering and, if thought fit, passing, among others, the ordinary resolution to approve the Launch Services Contract and the transactions contemplated thereunder. A notice convening the SGM is enclosed.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Launch Services Contract are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution number 1 to be proposed at the SGM to approve the Launch Services Contract and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to this circular.

By Order of the Board
Rui Xiaowu
Chairman

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with the Launch Services Contract for inclusion in this circular.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

27 November 2009

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION RELATING TO LAUNCH SERVICES CONTRACT IN RESPECT OF APSTAR 7 SATELLITE

We have been appointed as the Independent Board Committee to advise you in connection with the Launch Services Contract in respect of APSTAR 7 Satellite, details of which are set out in the letter from the Board contained in the circular headed "Major and Connected Transaction" to the Shareholders dated 27 November 2009 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Access Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the terms of the Launch Services Contract. We wish to draw your attention to the letter from the Board on pages 4 to 12 of the Circular, which sets out information in connection with the major and connected transaction relating to the Launch Services Contract and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Launch Services Contract set out on pages 14 to 28 of the Circular.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and recommendation, we concur with the view of the Independent Financial Adviser and consider that the terms of the Launch Services Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution number 1 to be proposed at the SGM to approve the Launch Services Contract.

Yours faithfully,
For and on behalf of
Independent Board Committee

Huan Guocang	**Lui King Man**	**Lam Sek Kong**	**Cui Liguo**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the full text of the letter of advice from Access Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular.

Access Capital

Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

27 November 2009

To: the Independent Board Committee and
the Independent Shareholders of APT Satellite Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING LAUNCH SERVICES CONTRACT IN RESPECT OF APSTAR 7 SATELLITE

1. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the launch services contract dated 8 November 2009 (the "Launch Services Contract"), details of which are set out in the letter from the Board of Directors (the "Letter from the Board") contained in the circular dated 27 November 2009 issued by the Company to the Shareholders (the "Circular") of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning in this letter.

On 9 November 2009, the Company announced that APT (HK), a wholly-owned subsidiary of the Company, had entered into the Launch Services Contract with the Launch Contractor pursuant to which the Launch Contractor shall provide launch and associated services of the Group's APSTAR 7 Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC between 1 February 2012 and 30 April 2012 or such period as the parties may agree.

The Launch Contractor is a subsidiary of CASC, which along with its associates are interested in approximately 57% of APT International, which in turn is a substantial shareholder holding approximately 51.83% of the issued share capital of the Company. Accordingly, the Launch Contractor is a connected person of the Company within the meaning of the Listing Rules, and the Launch Services Contract constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders in general meeting.

2. THE INDEPENDENT BOARD COMMITTEE

The Board of Directors currently consists of two executive Directors, namely, Cheng Guangren and Qi Liang; six non-executive Directors, namely, Rui Xiaowu, Lim Toon, Yin Yen-liang, Wu Zhen Mu, Yong Foo Chong and Wu Jinfeng; and four independent non-executive Directors, namely, Huan Guocang, Lui King Man, Lam Sek Kong and Cui Liguo.

In accordance with the Listing Rules, the Independent Board Committee, comprising only the independent non-executive Directors, namely, Huan Guocang, Lui King Man, Lam Sek Kong and Cui Liguo, has been appointed to make recommendations to the Independent Shareholders in respect of voting on the resolution(s) to approve the Major and Connected Transaction at the SGM.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into the Launch Services Contract is in the ordinary and usual course of business of the Company; (ii) whether the terms of the Launch Services Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the above resolution(s).

3. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

4.1 Background information on the Group

The Group is principally engaged in the maintenance, operation and provision of satellite transponder services; satellite-based broadcasting and telecommunications services; and other services. Set out below is a summary of the published financial results of the Group for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 which are extracted from the Company's annual reports for 2006, 2007 and 2008 and the interim report for 2009 (the "Interim Report").

Income Statements
(Amount in HK$'000)

	For the year ended 31 December			For the six months ended 30 June
	2006	**2007**	**2008**	**2009**
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Turnover	426,988	451,626	403,672	229,519
Cost of services	(338,259)	(314,792)	(277,581)	(132,917)
Gross profit	88,729	136,834	126,091	96,602
Other net income	37,542	26,334	68,871	7,357
Administrative expenses	(88,957)	(81,896)	(84,838)	(34,203)
Valuation gains/(losses) on investment properties	156	226	(12)	(216)
Impairment loss recognised in respect of property, plant and equipment	–	(98)	(8,397)	–
Profit from operations	37,470	81,400	101,715	69,540
Finance cost	(64,140)	(55,345)	(24,844)	(15)
Share of results on jointly controlled entities	2,182	(894)	2,397	–
Gain on disposal of a subsidiary	–	–	3,193	–
Gain on disposal of a jointly controlled entity	–	–	9,590	–
(Loss)/profit before taxation	(24,488)	25,161	92,051	69,525
Income tax	(56,128)	(20,445)	(42,551)	(16,711)
(Loss)/profit for the year/period	(80,616)	4,716	49,500	52,814

Balance Sheets
(Amount in HK$'000)

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Non-current assets	2,855,481	2,630,528	2,227,631	2,127,699
Current assets	552,081	505,054	318,652	733,160
Current liabilities	(345,320)	(390,942)	(186,273)	(249,237)
Non-current liabilities	(1,080,009)	(755,949)	(319,445)	(521,848)
Net current assets	206,761	114,112	132,379	483,923
Net assets	1,982,233	1,988,691	2,040,565	2,089,774

As noted in the table above, the Group recorded revenue of approximately HK$403.7 million for the year ended 31 December 2008, which represents a decrease of approximately 10.6% from approximately HK$451.6 million for the year ended 31 December 2007. The decrease was primarily due to the termination of wholesale voice services in the second half of 2007 and the disposal of an operating subsidiary. Profit from operations, however, increased by approximately 24.9% from HK$81.4 million for the year ended 31 December 2007 to approximately HK$101.7 million for the year ended 31 December 2008. Furthermore, profit for the year increased by approximately 953.2% to approximately HK$49.5 million in 2008 from approximately HK$4.7 million for the year ended 31 December 2007. The increase in profit for the year was due to the following factors: (i) increase in other net income mainly due to the gain on sale of certain transponders; (ii) gain on the sale of the Group's entire equity interest in Beijing Asia Pacific East Communication Network Limited; and (iii) gain on the sale of the Group's entire equity interest in APT Satellite Telecommunications Limited, a jointly controlled entity. Consolidated audited net assets of the Group increased by approximately 2.6% from approximately HK$1,988.7 million as at the end of 31 December 2007 to approximately HK$2,040.6 million for the year ended 31 December 2008.

For the six months ended 30 June 2009, the Group recorded unaudited turnover of approximately HK$229.5 million, which is an increase of approximately 15.9% over turnover of approximately HK$198.0 million for the corresponding six-month period in 2008. Profit for the six months ended 30 June 2009 increased by approximately 676.5% to approximately HK$52.8 million from approximately HK$6.8 million for the corresponding six-month period in 2008. The increase in profit for the period was due to: (i) increased revenue from the Group's satellite transponder capacity and related services; (ii) increased revenue from satellite-based broadcasting and telecommunications services; and (iii) decrease in finance costs.

4.2 Reasons for entering into the Launch Services Contract

As explained in the Interim Report, on 1 June 2009 APT (HK) entered into a lease termination agreement (the "Termination Agreement") with Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited (jointly "Telesat") in respect of the termination and cancellation of a lease agreement (the "1999 Lease Agreement") in relation to the APSTAR 2R satellite, which was launched in October 1999. The Termination Agreement was closed on 9 July 2009 and APT (HK) has paid US$61,970,000 to Telesat on 9 July 2009 and will pay the balance of US$6,885,000 within one year, as the portion of the lease payments paid in advance by Telesat under the 1999 Lease Agreement with respect to the remaining unexpired lease period from July 2009 to September 2012, in return for the termination of the 1999 Lease Agreement and the other covenants and agreements contained in the Termination Agreement.

As further disclosed in the Company's announcement dated 30 September 2009 and pursuant to the completion of the Termination Agreement, APT (HK) has begun the commissioning of the construction of the APSTAR 7 satellite by entering into a contract for the procurement of APSTAR 7 with Thales Alenia Space France ("TAS") as a first step to replacing APSTAR 2R, which will be retired by the end of 2012.

The Group's strategy is to become one of the leading regional providers of satellite transponder services and related services in the Asia Pacific region. The Directors believe that the development and construction of APSTAR 7 will enable the Company to provide satellite transponder services and satellite-based broadcasting and telecommunications services over the Asia Pacific region, Africa, Middle East and parts of Europe. As such, the replacement of APSTAR 2R with APSTAR 7 will enable the Group to expand its footprint and customer base, and as a result, will further increase the revenue of the Company and strengthening competitive advantage and growth potential for the Company's long-term development.

As a standard and prudent course of industry practice and in order to successfully launch APSTAR 7 into orbit in the first quarter of 2012, about six to nine months from the expiry of APSTAR 2R, the Group needs to procure the launch services and to secure the launch window with a third-party launch service provider as soon as possible after the commissioning of APSTAR 7 by TAS. Based on our discussions with the Directors and our review of the information provided by the management of the Company regarding the launch of APSTAR 7, we note that the worldwide fleet of expendable launch vehicles which are available for commercial launch of medium and heavy payloads into space is limited to a small number of providers, which are still active and operational, with the requisite technical ability and specialized space and aeronautics experience for reliable launch services. Furthermore, the selection of a suitable launch service provider is primarily based on certain criteria such as the availability and flexibility of the launch window at the required time of the scheduled launch, the reliability of the launch services provider as evidenced by its track record/success rate in launches, and the costs of the launch services.

In this regard, the Launch Contractor is the sole organization authorized by the PRC government to provide satellite in-orbit delivery services, commercial launch services and aerospace technology applications. Furthermore, the Launch Contractor has an excellent track record in successful launches spanning over 30 years with an overall success rate of approximately 94% in its Long March vehicle series dating back to 1970. As at 15 May 2009, the Launch Contractor had achieved 75 consecutive successful launches since October 1996 including the launch of Shenzhou-7 by a Long March series launch vehicle for the manned flight mission and spacewalk performed by two crew members in September 2008. The Launch Contractor has already successfully launched four of the Group's six satellites and only recorded one failed launch in 1995 of APSTAR 2. (APSTAR 5 was launched by Sea Launch Limited Partnership in June 2004). APSTAR 6, which was the last satellite of the Group to be launched (also by the Launch Contractor), was built on the Spacebus SB4100 series satellite platform supplied by Alcatel Space, TAS' predecessor. As such, TAS and the Launch Contractor are well experienced in cooperating with each other in all relevant technical aspects in relation to the launch of the Group's satellite and management is confident that such cooperation will be beneficial for the launch of APSTAR 7 in the first quarter of 2012. Furthermore, pursuant to the Launch Services Contract, the Group can achieve a certain degree of flexibility in the launch window, as the Group is entitled under the terms of the Launch Service Contract to amend its scheduled launch window period prior to 1 October 2010.

In addition to the availability and reliability of launch service provider, management has considered the overall international regulatory regime and export license control and requirements in relation to the satellite services industry and space launch programs. We understand from the Directors that APSTAR 7 is a Europeanised satellite supplied by an European vendor. Based on the experience of APSTAR 6, the Directors are of the view that the risks of requiring any export licenses in relation to the delivery of the satellite for launch by the Launch Contractor is very remote.

In light of the above, we concur with the Directors' view that, given the considerable costs involved in the launch of APSTAR 7, the limited number of reliable commercial launch service providers, the need to secure the launch window, the flexibility that is offered to the Group under the terms of the Launch Services Contract for further adjustment to the launch window period, the track record of the Launch Services Contractor, the successful previous experience of cooperation between TAS and the Launch Contractor, and the considerable regulatory and licensing issues involved in the launch of communication satellites in general, the selection of the Launch Contractor for the launch of APSTAR 7 pursuant to the Launch Services Contract is acceptable and in the interests of the Company and the Shareholders as a whole.

4.3 Principal terms of the Launch Services Contract

Set out below is a summary of the principal terms of the Launch Services Contract:

Date	:	8 November 2009
Parties	:	(1) APT (HK) (2) the Launch Contractor
Subject matter	:	The Launch Contractor shall provide the launch and associated services of the APSTAR 7 Satellite (the "Standard Launch Services") on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC within the initial launch period between 1 February 2012 to 30 April 2012 or such other period as the parties may agree. The Launch Contractor shall be responsible for obtaining all necessary or desirable permits from all relevant Chinese authorities for the shipment of the APSTAR 7 Satellite and any equipment ancillary thereto to the launch site from outside the PRC and their movement within the PRC, provided that APT (HK) provides all such documentation as is reasonably required by the relevant Chinese authorities for the purpose of obtaining such permits.
Contract price	:	The agreed fixed contract price for the Standard Launch Services is US$68,000,000 (approximately HK$530,400,000).
Payment terms	:	First down payment, equivalent to US$3,400,000 (approximately HK$26,520,000) shall be payable within 10 days after obtaining the Independent Shareholders' approval approving the Launch Services Contract and the transactions contemplated thereunder at the SGM. The remainder of the contract price shall be paid in nine instalments each in the range of 10% to 20% of the contract price over a period of 15 months prior to the first day of the launch period with the balance of 5% of the contract price payable within 1 month after the first day of the launch period in accordance with the meeting of certain milestones.

All payments under the Launch Services Contract shall be made in US dollars by way of telegraphic bank transfer into the Launch Contractor's account. Any delayed payment, which failure to pay continues to be un-remedied within 30 days after notification by the Launch Contractor, shall be charged with an interest calculated at the rate of the then current 6-month LIBOR rate for call deposits of US dollars as quoted by HSBC Bank, Hong Kong as prevailing on each date for which the default in payment continues plus 1% per annum until actual payment.

If, within 12 months from the effective date of the Launch Services Contract, the Launch Contractor offers similar launch services to any third parties with better or more favourable terms and conditions including prices as compared to that of the Launch Services Contract for APSTAR 7 Satellite, the Launch Contract shall upon APT (HK)'s request offer better or more favourable terms and conditions including prices to APT (HK).

Major conditions : The Launch Services Contract is subject to the approval of the Independent Shareholders' to be obtained at the SGM.

Termination : **Termination by APT (HK)**

(1) at any time upon giving written notification to the Launch Contractor. Upon termination, which takes effect 30 days after receipt of the notification by the Launch Contractor, the Launch Contractor shall be entitled to a termination fee as follows:

(a) 100% of the payments made or due to be made by APT (HK) on or before the termination date, up to 20% of the price for the Standard Launch Services; plus

(b) 50% of any payments made or due to be made by APT (HK) on or before the termination date in excess of the first 20% of the price for the Standard Launch Services; plus

(c) 100% of the payments for all Optional Services actually performed on or before the date of termination.

Any payments received by the Launch Contractor from APT (HK) in excess of the termination fees shall be refunded to APT (HK) within 30 days of termination.

(2) if postponement requested by the Launch Contractor or any material failure by the Launch Contractor to perform its obligations in a timely manner results in delaying the launch for a period of nine months or more beyond the end of the relevant launch period, in which event, the Launch Contractor shall refund to APT (HK) 100% of all payments made by APT (HK) for the launch.

(3) if the launch is delayed by six months or more beyond the end of the previously established launch period due to a force majeure event, the Launch Contractor shall retain 50% of all payments made or due for the launch prior to the date of such termination by APT (HK).

Termination by the Launch Contractor

The Launch Contractor shall be entitled to terminate the Launch Services Contract by giving written notice if APT (HK) fails to effect any non-disputed payment on the due date or otherwise fails to meet its material obligations under the Launch Services Contract which APT (HK) fails to remedy within 90 days of its receipt of a notice from the Launch Contractor. Upon such termination, the Launch Contractor shall refund to APT (HK) the relevant percentage of the amounts for the Standard Launch Services already paid by APT (HK) before the effective date of termination as follows:

(a) if less than or equivalent to 20% of the price of the Standard Launch Services is received prior to the date of such termination, no payment shall be refunded to APT (HK); and

(b) if more than 20% of the price for the Standard Launch Services is received prior to the date of such termination, a 50% of the amount beyond the 20% of the Standard Launch Services price shall be refunded to APT (HK).

Indemnity : (1) Each party shall bear any and all loss or damage to property or for bodily injury, including death, and all financial and other consequences of such direct or indirect loss, damage or bodily injury, including death, in connection with or arising out of or resulting from any and all activities carried out under or in connection with the Launch Services Contract. Each party agrees to absorb the financial and any other consequences of such loss, damage or bodily injury, including death, on the principle of no-fault, no subrogation and no-recourse against the other and agrees that it shall not, through any means whatsoever, make or bring a claim against or sue the other party or its associates for such loss, damage or bodily injury, including death, or any and all consequences thereof. If any party or its associates who makes any claim or demand or instigates any proceeding (whether administrative, arbitral, judicial or otherwise) against the other party or its associates for any loss, damage or bodily injury, including death, the first party shall indemnify and hold the other party and its associates harmless from any loss, damage, liability or expense, including reasonable attorney's fees, and shall defend the other party and its associates from, such claim, demand or proceeding;

(2) APT (HK) shall indemnify and hold the Launch Contractor and its associates harmless from any liability resulting from an infringement of any intellectual property rights of APT (HK), its associates or any third party arising from the APSTAR 7 Satellite or any other property of APT (HK), or the proper use thereof;

(3) The Launch Contractor shall indemnify and hold APT (HK) and its associates harmless from any liability resulting from an infringement of any intellectual property rights of the Launch Contractor, its associates or any third party arising from APT (HK)'s proper use of the Launch Contractor's facilities, technical literature, equipment and services; and

(4) The Launch Contractor shall settle all liabilities, and shall indemnify and hold APT (HK) and the manufacturer of APSTAR 7 Satellite harmless for property damage and bodily injury arising from the launch when caused to third parties by the launch vehicle, and/or its components or any part thereof during the 12 months period from the launch for any amount in excess of the insured limits of said insurance policy.

Optional Services	:	The Launch Contractor agrees to provide certain launch related Optional Services at pre-determined prices. The ordering of any Optional Service will only be made after the discussion with the satellite manufacturer. It is estimated that if all Optional Services are elected, the price payable for such services will be not more than US$1,000,000 (approximately HK$7,800,000). The amount of consideration payable for the Option Services will be subject to actual usages.
Governing law	:	The laws of the PRC.

In assessing the fairness and reasonableness of the terms and the contract price of the Launch Services Contract, we consider it appropriate to compare the cost of the launch services provided by the Launch Contractor with cost of launching other similar payloads into the equivalent orbit by other launch service providers. Based on the information available from the website of Andrews Technical Services (being a leading industry provider of aerospace news and market analysis) as at the Latest Practicable Date, the estimated costs of launch for those active vehicles which are capable of launching payloads for geostationary transfer orbit ("GTO") payloads in the range of 3,000kg to 10,000kg are as follows:

Launch contractor	**Launch vehicle**	**Max GTO payload** *(kg)*	**Estimated launch cost** *(US$'million)*	**Estimated launch cost per kilo** *(US$)*
Centre National D'Études Spatiales (CNES)	Ariane 5	5,970	150	25,126
Lockheed Martin Astronautics/ILS	Atlas IIA	3,066	75-90	29,354
	Atlas IIAS	3,719	90-105	28,233
	Atlas IIIA	4,037	90-105	26,009
	Atlas IIIB	4,500	90-105	23,333
	Atlas V 401	5,000	90	18,000
	Atlas V 501	4,100	85	20,732
	Atlas V 511	4,900	90	18,367
	Atlas V 4521	6,000	95	15,833
	Atlas V 531	6,900	100	14,493
	Atlas V 541	7,600	105	13,816
	Atlas V 551	8,200	110	13,415
	Proton K	4,350	95-105	24,138
	Proton M	5,500	95-105	19,091
Beal Aerospace	BA-2	6,000	50	8,333

Launch contractor	Launch vehicle	Max GTO payload *(kg)*	Estimated launch cost *(US$'million)*	Estimated launch cost per kilo *(US$)*
Boeing Integrated Defense Systems	Delta III	3,810	75-90	23,622
	Delta IVM	3,900	70	17,949
	Delta IVM+ (4,2)	5,300	90	16,981
	Delta IVM+ (5,2)	4,350	80	18,391
	Delta IVM+ (5,4)	6,120	100	16,340
Indian Space Research Organization	GSLV	2,500	35-45	18,000
National Space Development Agency of Japan	H2A202	4,000	100	25,000
	H2A2022	4,250	105	24,706
	H2A2024	4,500	110	24,444
	H2A212	7,500	120	16,000
	H2A222	9,500	140	14,737
Sea Launch/KB Yuzhnoye/PO Yuzhmash, Dnepropetrovsk, Ukraine	Zenit 3SL	5,250	85	16,190
	AVERAGE	5,320	99	19,717
	MEDIAN	4,950	100	18,379
	HIGH	9,500	150	29,354
	LOW	3,066	35	8,333
Launch Contractor	**Long March LV LM-3B/E**	**5,500**	**68**	**12,364**

Source: Andrews Technical Services (www.spaceandtech.com)

As shown in the above table, the estimated costs of launching a vehicle with a GTO payload of 3,000 kg to 10,000 kg range from approximately US$35 million to US$150 million, with an average of approximately US$99 million and a median of approximately US$100 million. The contract price under the terms of the Launch Services Contract is US$68 million, which is within the range of estimates and below the average and median price.

Whilst the above-mentioned information is based on the estimated costs provided by industry experts, we have also attempted to identify those similar transactions carried by companies listed in Hong Kong during the past 12 months for the purposes of our analysis. In this respect we have identified one similar transaction announced by Asia Satellite Telecommunications Holdings Limited, the nature of which may be comparable to that of the Launch Services Contract. Details are as follows:

Date	Company	Launch contractor	Vehicle	Max GTO payload *(kg)*	Contract launch cost *(US$' million)*	US$ per kilo
20 Feb 09	Asia Satellite Telecommunications Holdings Limited	Lockheed Martin Astronautics/ILS International Launch Services, Inc.	Proton M	6,000	80	13,333

Source: Website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk)

As noted in the table above, the cost of the launch of the Asiasat 5 satellite from the Proton M vehicle is approximately 17.6% higher than the cost of the launch of APTSTAR 7 from the LM-3B/E and is approximately 8.0% more expensive per kilo. As such, we believe that the contract price of the Launch Services Contract is fair and reasonable as compared to launches by other providers in the recent market.

Regarding the other principal terms of the Launch Services Contract apart from the consideration, we have also discussed with the Company and understand that such terms, which have been negotiated on an arm's length basis having regard to the value of similar assets and services in the market, are in line with the Company's usual practice in relation to satellite launches. As advised by the Company, the previous launch services contract entered into between the Company and any independent third party launch contractors was the one with Sea Launch Limited Partnership and Space Systems/Loral, Inc. in relation to the launch of APSTAR 5 in December 2002 (the "Sea Launch Agreement"). For the purposes of our analysis, we have reviewed the principal terms of the Sea Launch Agreement and note that the principal terms of the Launch Services Contract share similar and typical contract terms as the Sea Launch Agreement. Details of the Sea Launch Agreement are as follows:

Date	Company	Launch contractor	Vehicle	Max GTO payload *(kg)*	Contract launch cost *(US$' million)*	US$ per kilo
20 Dec 2002	APT Satellite Company Limited, and Space System/Loral Inc.	Sea Launch Limited Partnership *(Note 1)*	Zenit-3SL	5,250	65 *(Note 2)*	12,381 *(Note 2)*

Notes

1. Sea Launch Company L.L.C. and Sea Launch Limited Partnership and subsidiaries have filed Chapter 11 protection on 22 June 2009.

2. The current services cost for Zenit-3SL is estimated to be US$85 million for GTO Payload of 5,250 Kg representing US$16,190 per kilo.

Source: Andrews Technical Services (www.spaceandtech.com)

Based on our review of the terms of Sea Launch Agreement, we are of the view that the terms of the Launch Services Contract are fair and reasonable so far as the Independent Shareholders are concerned.

4.4 Potential financial effects of the Launch Services Contract

As stated in the Letter from the Board, the contract price of US$68.0 million (approximately HK$530.4 million) will be funded by the Group's existing available bank facilities, internal resources of the Company and external borrowings in the future. Based on the illustrative unaudited pro forma net assets statements of the Group set out in Appendix II to the Circular, prepared on the assumptions including, among others, that the Launch Services Contract had been completed as at 30 June 2009 and the contract price had been satisfied in accordance with the terms of the Launch Services Contract, the Group would have net current assets of approximately HK$457.4 million, as compared to net current assets of approximately HK$483.9 million, although the Group's overall net asset position would remain unchanged as at 30 June 2009.

As mentioned above, the Group had available and sufficient internal resources and bank facilities to satisfy the contract price in full as at the Latest Practicable Date. In addition, the Directors have confirmed that they are satisfied that, taking into account the banking facilities available to the Group and the internal resources of the Company, the Company has sufficient working capital for at least twelve months from the date of the Circular. Based on the information provided by the Company, we understand that the Company will also arrange external borrowings in the future. In view of the existing internal resources of the Group as well as the aforesaid external borrowings in the future, we are of the opinion that the entering into of the Launch Services Contract would not adversely affect the sufficiency of working capital of the Group.

5. RECOMMENDATION

Having considered the factors outlined in this letter, we are of the opinion that the terms of the Launch Services Contract are fair and reasonable and are in the interest of the Company. Furthermore, given the factors mentioned above, the Directors are of the view that the Launch Services Contract has been made on normal commercial terms and in the ordinary and usual course of business. We concur with this view and accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Launch Services Contract at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited

Alexander Tai	**Jimmy Chung**
Principal Director	*Principal Director*

1. FINANCIAL SUMMARY

The financial information of the Group for each of the years ended 31 December 2006, 2007 and 2008 have been extracted from the respective published audited financial statements of the Company. The auditors have expressed an unqualified opinion on those financial statements in their reports for the years ended 31 December 2006, 2007 and 2008. The financial information of the Group for the six months ended 30 June 2009 have been extracted from the unaudited interim report of the Company.

After the completion of the termination of the 1999 lease agreement and ancillary agreement in respect of APSTAR 2R on 9 July 2009 (details of which are set out in the circular of the Company dated 22 June 2009), the Company has began the commissioning of APSTAR 7 Satellite and has entered into the Satellite Procurement Contract (details of which are set out in the circular of the Company dated 19 October 2009). Save as above, since 31 December 2008, there has been no acquisition or disposal of assets or subsidiaries by the Company.

CONSOLIDATED INCOME STATEMENT

	For the six months ended 30 June 2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	229,519	403,672	451,626	426,988
Cost of services	(132,917)	(277,581)	(314,792)	(338,259)
Gross profit	96,602	126,091	136,834	88,729
Other net income	7,357	68,871	26,334	37,542
Administrative expenses	(34,203)	(84,838)	(81,896)	(88,957)
Valuation (losses)/gains on investment properties	(216)	(12)	226	156
Impairment loss recognised in respect of property, plant and equipment	–	(8,397)	(98)	–
Profit from operations	69,540	101,715	81,400	37,470
Finance costs	(15)	(24,844)	(55,345)	(64,140)
Share of results of jointly controlled entities	–	2,397	(894)	2,182
Gain on disposal of a subsidiary	–	3,193	–	–
Gain on disposal of a jointly controlled entity	–	9,590	–	–
Profit/(loss) before taxation	69,525	92,051	25,161	(24,488)
Income tax	(16,711)	(42,551)	(20,445)	(56,128)
Profit/(loss) for the year	52,814	49,500	4,716	(80,616)
Attributable to:				
Equity shareholders of the Company	52,814	49,587	5,581	(79,480)
Minority interests	–	(87)	(865)	(1,136)
Profit/(loss) for the year	52,814	49,500	4,716	(80,616)
Earnings/(loss) per share				
– Basic	12.78 cents	12.00 cents	1.35 cents	(19.23 cents)
– Diluted	12.78 cents	12.00 cents	1.35 cents	(19.23 cents)

CONSOLIDATED BALANCE SHEET

	For the six months ended 30 June 2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	2,073,716	2,183,468	2,508,321	2,721,582
Interest in leasehold land held for own use under an operating lease	14,256	14,444	14,820	15,195
Investment properties	4,943	5,159	5,171	2,496
Interest in jointly controlled entities	–	–	3,529	4,423
Amount due from a jointly controlled entity	–	–	69,839	72,294
Club memberships	5,537	5,537	5,537	5,537
Prepaid expenses	29,247	19,023	14,137	25,207
Deferred tax assets	–	–	9,174	8,747
	2,127,699	2,227,631	2,630,528	2,855,481
Current assets				
Trade receivables, net	82,368	67,143	80,409	80,261
Deposits, prepayments and other receivables	14,415	26,728	23,240	38,482
Amount due from immediate holding company	199	155	101	82
Amount due from a jointly controlled entity	–	–	5,530	2,741
Other financial assets	–	102,277	–	–
Pledged bank deposits	7,352	808	83,749	89,190
Cash and cash equivalents	628,826	121,541	312,025	341,325
	733,160	318,652	505,054	552,081
Current liabilities				
Payables and accrued charges	38,645	41,335	38,727	53,777
Rentals received in advance	58,407	40,608	33,679	34,155
Loan from a minority shareholder	6,088	6,088	7,488	7,488
Secured bank borrowings due within one year	46,230	–	217,961	156,820
Current taxation	99,867	98,242	93,087	93,080
	249,237	186,273	390,942	345,320
Net current assets	483,923	132,379	114,112	206,761
Total assets less current liabilities carried forward	2,611,622	2,360,010	2,744,640	3,062,242

	For the six months ended 30 June 2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets less current liabilities brought forward	2,611,622	2,360,010	2,744,640	3,062,242
Non-current liabilities				
Secured bank borrowings due after one year	186,601	–	462,374	773,534
Deposits received	25,561	23,093	19,624	20,419
Deferred income	212,966	209,370	207,787	222,141
Deferred tax liabilities	96,720	86,982	66,164	63,915
	521,848	319,445	755,949	1,080,009
Net assets	2,089,774	2,040,565	1,988,691	1,982,233
Capital and reserves				
Share capital	41,327	41,327	41,327	41,327
Share premium	1,287,536	1,287,536	1,287,536	1,287,536
Contributed surplus	511,000	511,000	511,000	511,000
Capital reserve	9,330	9,330	9,557	9,614
Revaluation reserve	368	368	368	–
Exchange reserve	3,607	7,212	4,007	2,639
Other reserves	123	123	115	109
Accumulated profits	236,483	183,669	133,855	128,217
	2,089,774	2,040,565	1,987,765	1,980,442
Minority interests	–	–	926	1,791
Total equity	2,089,774	2,040,565	1,988,691	1,982,233

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

The following financial information is a reproduction of the relevant information extracted from the audited financial statements of the Group for the year ended 31 December 2008 as published in the 2008 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	**2008** *$'000*	**2007** *$'000*
Turnover	3 & 14	403,672	451,626
Cost of services		(277,581)	(314,792)
Gross profit		126,091	136,834
Other net income	4	68,871	26,334
Administrative expenses		(84,838)	(81,896)
Valuation (losses)/gains on investment properties	17	(12)	226
Impairment loss recognised in respect of property, plant and equipment	15(a)	(8,397)	(98)
Profit from operations		101,715	81,400
Finance costs	5 (a)	(24,844)	(55,345)
Share of results of jointly controlled entities	19	2,397	(894)
Gain on disposal of a subsidiary	9	3,193	–
Gain on disposal of a jointly controlled entity	10	9,590	–
Profit before taxation	5	92,051	25,161
Income tax	6 (a)	(42,551)	(20,445)
Profit for the year		49,500	4,716
Attributable to:			
Equity shareholders of the Company	11	49,587	5,581
Minority interests		(87)	(865)
Profit for the year		49,500	4,716
Earnings per share	13		
– Basic		12.00 cents	1.35 cents
– Diluted		12.00 cents	1.35 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	15 (a)	2,183,468	2,508,321
Interest in leasehold land held for own use under an operating lease	16	14,444	14,820
Investment properties	17	5,159	5,171
Interest in jointly controlled entities	19	–	3,529
Amount due from a jointly controlled entity	19	–	69,839
Club memberships		5,537	5,537
Prepaid expenses	20	19,023	14,137
Deferred tax assets	28 (b)	–	9,174
		2,227,631	2,630,528
Current assets			
Trade receivables, net	21	67,143	80,409
Deposits, prepayments and other receivables	20	26,728	23,240
Amount due from immediate holding company		155	101
Amount due from a jointly controlled entity	19	–	5,530
Other financial assets	22	102,277	–
Pledged bank deposits	33	808	83,749
Cash and cash equivalents	23	121,541	312,025
		318,652	505,054
Current liabilities			
Payables and accrued charges	24	41,335	38,727
Rentals received in advance		40,608	33,679
Loan from a minority shareholder		6,088	7,488
Secured bank borrowings due within one year	25	–	217,961
Current taxation	28 (a)	98,242	93,087
		186,273	390,942
Net current assets		132,379	114,112
Total assets less current liabilities carried forward		2,360,010	2,744,640

	Note	2008 $'000	2007 $'000
Total assets less current liabilities brought forward		2,360,010	2,744,640
Non-current liabilities			
Secured bank borrowings due after one year	25	–	462,374
Deposits received	26	23,093	19,624
Deferred income	27	209,370	207,787
Deferred tax liabilities	28 (b)	86,982	66,164
		319,445	755,949
Net assets		2,040,565	1,988,691
Capital and reserves			
Share capital	29	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus	31	511,000	511,000
Capital reserve	31	9,330	9,557
Revaluation reserve	31	368	368
Exchange reserve	31	7,212	4,007
Other reserves	31	123	115
Accumulated profits	31	183,669	133,855
		2,040,565	1,987,765
Minority interests		–	926
Total equity		2,040,565	1,988,691

BALANCE SHEET

At 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	15 (b)	–	–
Interest in subsidiaries	18 (a)	615,862	615,862
		615,862	615,862
Current assets			
Loans to subsidiaries	18 (b)	–	1,201,712
Amounts due from subsidiaries	18 (b)	1,336,714	126,184
Other receivables and prepayments		297	353
Cash and cash equivalents	23	493	10,503
		1,337,504	1,338,752
Current liabilities			
Payables and accrued charges	24	4,922	2,439
Net current assets		1,332,582	1,336,313
		1,948,444	1,952,175
Capital and reserves			
Share capital	29	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus	31	584,358	584,358
Capital reserve	31	9,330	9,557
Accumulated profits	31	25,893	29,397
		1,948,444	1,952,175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Capital reserve	Revaluation reserve	Exchange reserve	Other reserves	Accumulated profits	Total	Minority interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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 on translation of financial statements of overseas subsidiaries	–	–	–	–	–	1,368	6	–	1,374	–	1,374
Revaluation surplus	–	–	–	–	368	–	–	–	368	–	368
Cancellation of share options	–	–	–	(57)	–	–	–	57	–	–	–
Net profit/(loss) for the year	–	–	–	–	–	–	–	5,581	5,581	(865)	4,716
Balance at 31 December 2007	41,327	1,287,536	511,000	9,557	368	4,007	115	133,855	1,987,765	926	1,988,691
At 1 January 2008	41,327	1,287,536	511,000	9,557	368	4,007	115	133,855	1,987,765	926	1,988,691
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	3,205	8	–	3,213	–	3,213
Reversal of minority interest arising from disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(839)	(839)
Cancellation of share options	–	–	–	(227)	–	–	–	227	–	–	–
Net profit/(loss) for the year	–	–	–	–	–	–	–	49,587	49,587	(87)	49,500
Balance at 31 December 2008	41,327	1,287,536	511,000	9,330	368	7,212	123	183,669	2,040,565	–	2,040,565

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Share capital *$'000*	Share premium *$'000*	Contributed surplus *$'000*	Capital reserve *$'000*	Accumulated profits *$'000*	Total *$'000*
The Company						
At 1 January 2007	41,327	1,287,536	584,358	9,614	30,224	1,953,059
Cancellation of share options	–	–	–	(57)	57	–
Net loss for the year	–	–	–	–	(884)	(884)
Balance at 31 December 2007	41,327	1,287,536	584,358	9,557	29,397	1,952,175
At 1 January 2008	41,327	1,287,536	584,358	9,557	29,397	1,952,175
Cancellation of share options	–	–	–	(227)	227	–
Net loss for the year	–	–	–	–	(3,731)	(3,731)
Balance at 31 December 2008	41,327	1,287,536	584,358	9,330	25,893	1,948,444

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Operating activities			
Profit before taxation		92,051	25,161
Adjustments for:			
Depreciation		214,470	222,461
Amortisation of leasehold land held for own use		376	375
Impairment loss recognised in respect of property, plant and equipment		8,397	98
Interest income		(11,433)	(22,181)
Gain on disposal of property, plant and equipment		(51,595)	(261)
Finance costs		24,844	55,345
Net valuation losses/(gains) on investment properties		12	(226)
Share of results of jointly controlled entities		(2,397)	894
Impairment loss for trade and other receivables		5,637	80
Gain on disposal of a subsidiary		(3,193)	–
Gain on disposal of a jointly controlled entity		(9,590)	–
Operating profit before changes in working capital		267,579	281,746
Decrease/(Increase) in trade receivables, net		7,468	(227)
(Increase)/Decrease in prepaid expenses		(4,886)	11,070
Increase in amount due from immediate holding company		(54)	(19)
(Increase)/Decrease in deposits, prepayments and other receivables		(4,499)	14,992
Increase/(Decrease) in payables and accrued charges		5,937	(4,188)
Increase/(Decrease) in rentals received in advance		8,316	(476)
Decrease/(Increase) in amounts due from a jointly controlled entity		5,530	(89)
Increase/(Decrease) in deferred income		13,283	(14,354)
Increase/(Decrease) in deposits received		3,469	(795)
Cash generated from operations		302,143	287,660
Overseas tax paid		(7,404)	(18,616)
Net cash generated from operating activities		294,739	269,044

	Note	2008 *$'000*	2007 *$'000*
Investing activities			
Purchases of property, plant and equipment		(5,528)	(11,426)
Proceeds from disposal of property, plant and equipment		141,559	295
Repayments from/(Advances to) jointly controlled entities		69,839	(245)
Interest received		12,157	22,431
Decrease in pledged bank deposits		82,942	5,441
Proceeds from disposal of a subsidiary	9	4,796	–
Proceeds from disposal of a jointly controlled entity	10	16,572	–
Repayment to a minority shareholder		(1,000)	–
Purchases of other financial assets		(102,277)	–
Net cash generated from investing activities		219,060	16,496
Financing activities			
Interest paid		(23,649)	(64,243)
Repayment of bank borrowings		(683,056)	(253,013)
Net cash used in financing activities		(706,705)	(317,256)
Net decrease in cash and cash equivalents		(192,906)	(31,716)
Cash and cash equivalents at 1 January		312,025	341,325
Effect of foreign exchange rates changes		2,422	2,416
Cash and cash equivalents at 31 December		121,541	312,025

Notes on the Financial Statements

For the year ended 31st December 2008

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 disclosure 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

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

The preparation of financial statements in conformity with IFRS and HKFRSs requires management 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 IFRS and HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

(c) Subsidiaries and minority 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, 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. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loan from holder of minority interests is presented as financial liabilities in the consolidated balance sheet in accordance with note 1(l).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition post-tax results of the jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entities recognised for the year (see note 1(e) and (i)).

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

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in the income statement.

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

(f) Investment property

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

Investment properties are stated in the balance sheet 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 the income statements. Rental income from investment properties is accounted for as described in note 1(r)(iv).

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

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

(g) Other property, plant and equipment

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

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of plant and equipment.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

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

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

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residual values, over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to the income statement 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 the income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)).

(i) Impairment of assets

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

Investments in equity securities (other than investments in subsidiaries and associates) 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 reorganization;

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of 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;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries, associates and a jointly-controlled entity; and

– goodwill.

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

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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.

(iii) Interim financial reporting and impairment

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

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

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, 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. 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.

(k) Other investments in debts and equity securities

The Group's and the Company's policies for investments in debts and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transition price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group 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 the income statement 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 the income statement when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

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

(iii) Termination benefits

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

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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.

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

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

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

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

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

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

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.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group 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.

(r) Revenue recognition

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 the income statement as follows:

(i) Transponder utilisation income and related services

Income from provision of satellite transponder capacity and related services is recognised in the income statement 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 if accrued using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement 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 the income statement 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.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statements, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

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 the 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 foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit and loss on disposal.

(t) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are 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.

(u) Related parties

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

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

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

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

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

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

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

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

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment assets of the Group include trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on terms similar to those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new Interpretations and an amendment to IFRSs that are first effective for the current accounting period commencing 1 January 2008 or available for early adoption. The equivalent new and revised HKFRSs and Interpretations consequently issued by HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. There have been no other material changes to HKFRSs.

These developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

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 service. The amount of each category of revenue recognised in turnover during the year is as follows:

	2008	**2007**
	$'000	*$'000*
Income from provision of satellite transponder capacity and related services	385,391	395,032
Income from provision of satellite-based broadcasting and telecommunications services	18,153	56,453
Service income	128	141
	403,672	451,626

4 OTHER NET INCOME

	2008	2007
	$'000	*$'000*
Other net income primarily includes the following:		
Interest income	11,433	22,181
Rental income in respect of properties	549	592
Gain on disposal of property, plant and equipment *(note 15(d))*	51,595	261

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2008	2007
	$'000	*$'000*
Interest on bank borrowings wholly repayable within five years	22,033	52,254
Other borrowing costs	2,811	3,091
	24,844	55,345

(b) Staff costs

	2008	2007
	$'000	*$'000*
Staff costs (including directors' emoluments)		
Pension contributions	2,185	2,767
Salaries, wages and other benefits	47,247	47,222
	49,432	49,989

(c) Other items

	2008	2007
	$'000	*$'000*
Auditors' remuneration		
– audit services	1,165	1,266
– other services	10	10
Depreciation	214,470	222,461
Amortisation on leasehold land held for own use	376	375
Foreign currency exchange gain	(687)	(2,251)
Operating lease charges: minimum lease payments		
– land and buildings and equipment	546	961
– satellite transponder capacity	4,533	4,830
Impairment loss on trade and other receivables	5,637	80
Impairment loss on property, plant and equipment *(note 15(a))*	8,397	98

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008	2007
	$'000	*$'000*
Current tax – Overseas		
Tax for the year	12,560	18,623
Deferred tax – Hong Kong		
Origination of temporary differences	33,248	1,822
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(3,257)	–
	29,991	1,822
	42,551	20,445

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% (2007: 17.5%) of the estimated assessable profits for the year. 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.

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's and the Company's 2008 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated accordingly.

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

	2008	**2007**
	$'000	*$'000*
Profit before taxation	92,051	25,161
Notional tax on profit before tax, calculated at the rates applicable to losses in the countries concerned	14,985	4,056
Overseas withholding tax	12,560	18,623
Tax effect of non-deductible expenses	4,310	2,287
Tax effect of non-taxable revenue	(13,401)	(4,629)
Tax effect of unused tax losses not recognised	13,170	1,463
Tax effect of prior year's unrecognised deferred tax utilised this year	(166)	(1,355)
Effect on deferred tax balances resulting from a change in tax rate	(3,257)	–
Others *(note)*	14,350	–
Actual tax expenses	42,551	20,445

Note: In November 2007, a subsidiary of the Company was requested to supply information to the Inland Revenue Department ("IRD") in respect of the nature of the gain arising from the disposal of certain transponders in 2006 and as to whether such transaction should be taxable. The subsidiary of the Company sent a reply letter to the IRD together with the requested relevant information. Up to the date of the audited financial statements, no assessment has yet been made by the IRD. Management believes such transaction should be treated as capital in nature and is in the process of gathering relevant documentary evidence to support its grounds; however, due to difficulty assessing the probability on the success of claiming the gain as non-taxable in nature, a tax provision of $14,350,000 in respect of such transaction was made as of 31 December 2008.

7 DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Performance related incentive payments	Termination benefits	2008 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors						
Cheng Guangren *(note c)*	27	1,494	87	289	–	1,897
Tong Xudong *(note c)*	50	2,360	151	470	–	3,031
Qi Liang *(note c)*	27	1,071	73	201	–	1,372
Ni Yifeng	23	1,813	97	210	579	2,722
Non-executive directors						
Rui Xiaowu *(note a)*	–	–	–	–	–	–
Lim Toon	50	–	–	–	–	50
Yong Foo Chong	50	–	–	–	–	50
Yin Yen-liang	50	–	–	–	–	50
Wu Zhen Mu	50	–	–	–	–	50
Tseng Ta-mon *(note b)*	–	–	–	–	–	–
Zhao Liqiang	23	–	–	–	–	23
Independent non-executive directors						
Huan Guocang	200	–	–	–	–	200
Lui King Man	200	–	–	–	–	200
Lam Sek Kong	200	–	–	–	–	200
Cui Liguo	200	–	–	–	–	200
	1,150	6,738	408	1,170	579	10,045

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Performance related incentive payments	2007 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Ni Yifeng	50	2,840	165	78	3,133
Tong Xudong	50	2,331	145	68	2,594
Non-executive directors					
Rui Xiaowu *(note a)*	–	–	–	–	–
Zhao Liqiang	50	–	–	–	50
Lim Toon	50	–	–	–	50
Yong Foo Chong	41	–	–	–	41
Ho Siaw Hong	9	–	–	–	9
Yin Yen-liang	50	–	–	–	50
Wu Zhen Mu	50	–	–	–	50
Tseng Ta-mon *(note b)*	–	–	–	–	–
Independent non-executive directors					
Huan Guocang	200	–	–	–	200
Lui King Man	200	–	–	–	200
Yuen Pak Yiu, Philip	99	–	–	–	99
Lam Sek Kong	101	–	–	–	101
Cui Liguo	101	–	–	–	101
	1,051	5,171	310	146	6,678

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the Directors' report and note 30.

Notes:

(a) Mr. Rui Xiaowu, a non-executive director, has waived his directors' fees for 2008 and 2007.

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

(c) The amounts represented the actual amount paid 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 $2,980,000. 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 three directors (2007: two) whose remuneration is disclosed in note 7. The aggregate of emoluments in respect of the other two (2007: three) individuals are as follows:

	2008	**2007**
	$'000	*$'000*
Salaries and other emoluments	3,014	4,839
Performance related incentive payments	628	192
Retirement benefits contributions	206	330
Termination benefits	932	–
	4,780	5,361

The emoluments of the two (2007: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2008	**2007**
$Nil to $1,000,000	–	–
$1,000,001 to $1,500,000	–	1
$2,000,001 to $2,500,000	2	2
	2	3

9 GAIN ON DISPOSAL OF A SUBSIDIARY

Pursuant to a disposal agreement dated 2 April 2008, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the Company, disposed of its entire equity interest in Beijing Asia Pacific East Communication Network Limited ("BAPECN") to an independent third party at a total consideration of RMB4,800,000 (approximately $5,328,000). Beijing Zhong Guang Xian Da Data Broadcast Technology Co Limited, a jointly controlled entity of the Company, in which BAPECN has 35% equity, was also disposed of as part of the sale.

Net assets disposed of:

	2008
	$'000
Property, plant and equipment	8,160
Trade receivables	161
Deposits, prepayment and other receivables	287
Cash and bank balances	532
Payables and accrued charges	(3,767)
Rentals received in advance	(1,388)
Loan from a shareholder	(990)
	2,995
Minority interest	(839)
Other reserves and exchange reserves	(1,011)
Waive on loan from CTIA	990
Gain on disposal of a subsidiary	3,193
Consideration	5,328

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2008
	$'000
Consideration	5,328
Cash and bank balance disposed of	(532)
Net cash inflow from disposal of a subsidiary	4,796

10 GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

Pursuant to a disposal agreement dated 3 October 2008, the Group disposed of its entire equity interest in a jointly controlled entity, APT Satellite Telecommunications Limited ("APT Telecom"), to an independent third party at a consideration of $88,550,000.

Net assets (representing the Group's portion) disposed of:

	2008
	$'000
Property, plant and equipment	78,100
Trade receivables	61
Deposits, prepayment and other receivables	1,172
Payables and accrued charges	(6,268)
Loan from a shareholder	(67,139)
	5,926
Disposal cost	1,056
Gain on disposal of a jointly controlled entity	9,590
Net consideration	16,572
Consideration	88,550
Receipt from other receivables	1,457
Repayment to shareholder	(73,435)
Net cash inflow from disposal of a jointly controlled entity	16,572

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of $3,731,000 (2007: $884,000) which has been dealt with in the financial statements of the Company.

12 DIVIDEND

Dividends payable to equity shareholders of the company attributable for the year.

	2008	**2007**
	$'000	*$'000*
Final dividend	–	–

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $49,587,000 (2007: $5,581,000) and the weighted average of 413,265,000 ordinary shares (2007: 413,265,000 shares) in issue during the year ended 31 December 2008.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years 2008 and 2007.

14 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 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover from external customers	385,391	395,032	18,153	56,453	–	–	403,544	451,485
Inter-segment turnover	11,115	14,028	1,357	1,260	(12,472)	(15,288)	–	–
Total	396,506	409,060	19,510	57,713	(12,472)	(15,288)	403,544	451,485
Service income							128	141
							403,672	451,626
Segment result	120,833	126,873	(8,904)	9,644	–	(2)	111,929	136,515
Service income							128	141
Unallocated other net income							68,859	26,560
Unallocated administrative expenses								
– staff costs							(48,990)	(47,792)
– office expenses							(30,211)	(34,024)
Profit from operations							101,715	81,400
Finance costs							(24,844)	(55,345)
Share of results of jointly controlled entities							2,397	(894)
Gain on disposal of a subsidiary							3,193	–
Gain on disposal of a jointly controlled entity							9,590	–
Profit before taxation							92,051	25,161
Income tax							(42,551)	(20,445)
Profit for the year							49,500	4,716
Depreciation for the year	212,011	216,557	2,459	5,904				
Impairment loss for the year	1,739	–	6,658	98				
Significant non-cash expenses (other than depreciation)	657	25	4,980	55				

	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment assets	2,186,865	2,629,907	8,154	36,272	(35,465)	(41,872)	2,159,554	2,624,307
Investment in and amounts due from jointly controlled entities	–	78,898	–	–	–	–	–	78,898
Unallocated assets							386,729	432,377
Total assets							2,546,283	3,135,582
Segment liabilities	350,007	330,908	60,997	76,449	(35,465)	(41,872)	375,539	365,485
Unallocated liabilities							130,179	781,406
Total liabilities							505,718	1,146,891
Capital expenditure incurred during the year	7,098	9,343	359	1,340				

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, segment assets and capital expenditure is based on the geographical location of customers.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Unallocated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover from external customers	54,292	65,065	165,162	170,758	53,976	61,486	77,235	90,505	53,007	63,812	–	–
Segment assets	10,892	6,794	19,548	39,070	7,731	3,894	25,105	16,499	3,867	14,152	2,479,140	3,055,173
Capital expenditure incurred during the year 2008	–	–	558	369	–	–	–	–	–	–	6,899	10,314

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings	Leasehold improvements	Furniture and equipment, motor vehicles, and computer equipment	Communication satellite equipment	Communication station	Communication satellites	Construction in progress	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 January 2007	102,233	8,154	45,612	163,500	14,483	4,966,051	1,360	5,301,393
Exchange adjustments	–	71	177	699	924	–	87	1,958
Additions	–	4,792	903	2,925	8	–	2,055	10,683
Disposals	–	–	(2,270)	(31,090)	–	–	(8)	(33,368)
Transfer	(3,222)	–	–	(277)	1,101	–	(824)	(3,222)
At 31 December 2007	99,011	13,017	44,422	135,757	16,516	4,966,051	2,670	5,277,444
At 1 January 2008	99,011	13,017	44,422	135,757	16,516	4,966,051	2,670	5,277,444
Exchange adjustments	–	51	151	492	715	–	38	1,447
Additions	–	75	1,000	754	25	–	5,603	7,457
Disposals	(582)	(1,105)	(1,913)	(11,597)	(17,256)	(125,179)	(882)	(158,514)
Effect of cost adjustment *(Note ii)*	–	–	–	–	–	(11,700)	(28)	(11,728)
Transfer	–	93	286	493	–	–	(872)	–
At 31 December 2008	98,429	12,131	43,946	125,899	–	4,829,172	6,529	5,116,106
Accumulated depreciation:								
At 1 January 2007	19,364	4,727	40,968	111,782	8,709	2,394,261	–	2,579,811
Exchange adjustments	–	68	125	479	556	–	–	1,228
Charge for the year	2,031	496	1,849	12,078	2,442	203,565	–	222,461
Impairment loss	–	–	–	98	–	–	–	98
Transfer	(1,141)	–	–	–	–	–	–	(1,141)
Written back on disposal	–	–	(2,244)	(31,090)	–	–	–	(33,334)
At 31 December 2007	20,254	5,291	40,698	93,347	11,707	2,597,826	–	2,769,123
At 1 January 2008	20,254	5,291	40,698	93,347	11,707	2,597,826	–	2,769,123
Exchange adjustments	–	51	92	388	507	–	–	1,038
Charge for the year	2,018	459	1,270	10,864	475	199,384	–	214,470
Impairment loss *(Note i)*	–	–	–	6,657	–	1,740	–	8,397
Written back on disposal	(582)	(1,105)	(1,598)	(9,180)	(12,689)	(35,236)	–	(60,390)
At 31 December 2008	21,690	4,696	40,462	102,076	–	2,763,714	–	2,932,638
Net book value:								
At 31 December 2008	76,739	7,435	3,484	23,823	–	2,065,458	6,529	2,183,468
At 31 December 2007	78,757	7,726	3,724	42,410	4,809	2,368,225	2,670	2,508,321

Note (i) Impairment loss

During 2008, the Group conducted a review of the Group's property, plant and equipment and determined that certain assets were impaired as the recoverable amount of these assets is estimated to be less than their carrying amount. Accordingly, an impairment loss of $8,397,000 (2007: $98,000) in respect of a communication satellite, APSTAR 1A, and TV uplink and broadcasting equipment has been recognised and charged to income statement. It was concluded that no further impairment is required.

Note (ii) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001, the Group is entitled to a payment in the amount 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 VI satellite. During the year, $11,700,000 was recognised from Thales in respect of delivery of a satellite with the same technical design of APSTAR VI, 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 2007, 31 December 2007 and 31 December 2008	411
Accumulated depreciation:	
At 1 January 2007, 31 December 2007 and 31 December 2008	411
Net book value:	
At 31 December 2007 and 31 December 2008	–

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

	Land and buildings	
	2008	**2007**
	$'000	*$'000*
Medium-term leases outside Hong Kong	–	–
Medium-term leases in Hong Kong	76,739	78,757
	76,739	78,757

(d) Fixed assets under finance leases

(i) The fair value of the buildings held for own use, which are situated on leasehold land as disclosed above cannot be measured separately from the fair value of the leasehold land at the inception of the lease, and therefore is accounted for as being held under a finance lease.

(ii) In August 2004, the in-orbit tests of APSTAR V with 54 transponders were completed and APSTAR V 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 V under finance leases, while the risks and rewards relating to the other 17 transponders remained with Loral Orion. As at 31 December 2008, the net book value of communication satellites held under finance leases in connection with APSTAR V amounted to $670,814,000 (2007: $834,448,000).

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 V, for their remaining operational lives at a total consideration of $282,865,000. On 29 September 2006 and 18 August 2008, Telesat Satellite LP ("Telesat," the successor of Loral Orion) partially exercised its right to take up 2 and 4 APT Transponders ahead of schedule, at a total consideration of $70,716,000 and $141,433,000 respectively. As a result, a gain of $17,503,000 and $51,490,000 arising from disposal of the 2 and 4 APT Transponders was recognised in 2006 and 2008 respectively. The consideration in relation to the remaining 2 APT Transponders to be taken up by Telesat is $70,716,000. The remaining APT transponders subject to this arrangement had a net book value of $43,278,000 at 31 December 2008 (2007: $143,048,000).

(e) In-orbit insurance of satellites

As of 31 December 2008, 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 $2,065,458,000 (2007: $2,368,225,000) as of 31 December 2008.

16 INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER AN OPERATING LEASE

	The Group
	$'000
Cost:	
At 1 January 2007, 31 December 2007 and 31 December 2008	18,678
Accumulated depreciation:	
At 1 January 2007	3,483
Charge for the year	375
At 31 December 2007	3,858
At 1 January 2008	
Charge for the year	376
At 31 December 2008	4,234
Net book value:	
At 31 December 2008	14,444
At 31 December 2007	14,820

17 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2008 at $5,159,000 (2007: $5,171,000) 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 loss of $12,000 (2007: $226,000 gain) has been recognised in the income statement during the year.

The investment properties, which are situated in the PRC under medium-term leases, are rented out under operating leases and the rental income earned from the investment properties during the year was $254,000 (2007: $297,000).

18 INTEREST IN, LOANS TO AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Interest in subsidiaries

	The Company 2008 $'000	2007 $'000
Unlisted shares, at cost	615,862	615,862

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

(c) Particulars of subsidiaries

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

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

Name of company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	–	Investment holding
Acme Star Investment Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite Company Limited	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

			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 TV Development Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite television uplink and downlink services
APT Satellite Vision Limited	Hong Kong	HK$2	100%	–	100%	Satellite leasing
APT Telecom Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of telecommunication services
Haslett Investments Limited	British Virgin Islands	US$1	100%	–	100%	Inactive
Skywork Corporation	British Virgin Islands	US$1	100%	–	100%	Investment holding
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$5,000,000	100%	–	100%	Provision of satellite transponder capacity
CTIA VSAT Network Limited	Hong Kong	HK$5,000,000	60%	–	60%	Investment
Middle East Ventures Limited	British Virgin Islands	US$1	100%	–	100%	Investment holding

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

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

19 INTEREST IN JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	The Group 2008 *$'000*	2007 *$'000*
Share of net assets	–	3,529

Details of the jointly controlled entities of the Group during the year are set out below:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by the subsidiary	Principal activity
APT Satellite Telecommunications Limited ("APT Telecom")	Incorporated	Hong Kong	HK$153,791,900	–	–	–	Property holding
北京中廣信達數據廣播技術有限公司 (Beijing Zhong Guang Xian Da Data Broadcast Technology Co. Limited) ("Zhong Guang Xian Da")	Joint venture, Incorporated	PRC	Registered capital RMB11,000,000	–	–	–	Provision of data transmission services

APT Telecom is considered as a jointly controlled entity as the Group and the other shareholder of APT Telecom both have the right to appoint an equal number of directors to the board of directors. The Group disposed of its interest in APT Telecom during the year (see note 10).

Zhong Guang Xian Da is considered as a jointly controlled entity as the Group and the other shareholders of Zhong Guang Xian Da exercise joint control over it pursuant to a shareholders' resolution. The Group disposed of its interest in Zhong Guang Xian Da during the year (see note 9).

In 2007, the amounts due from a jointly controlled entity were unsecured and interest-free. They were fully settled during the year.

	2008 *$'000*	2007 *$'000*
Within one year or on demand	–	4,950
After one year but within five years	–	2,700
	–	7,650

Summary financial information on jointly controlled entities – Group's effective interest:

	2008	2007
	$'000	*$'000*
Non-current assets	–	76,670
Current assets	–	2,011
Non-current liabilities	–	(68,624)
Current liabilities	–	(6,528)
Net assets	–	3,529
Income	4,706	938
Expenses	(2,309)	(1,832)
Profit/(Loss) for the year	2,397	(894)

20 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	
	2008	2007
	$'000	*$'000*
Balance at 31 December	29,104	25,057
Less: current portion (included in deposits, prepayments and other receivables under current assets)	(10,081)	(10,920)
Non-current portion	19,023	14,137

21 TRADE RECEIVABLES, NET

	The Group	
	2008	2007
	$'000	*$'000*
Due from third parties	64,584	74,313
Due from shareholders of the Company	41	2,628
Due from holding company and its subsidiaries of a shareholder of the Company	2,518	3,468
	67,143	80,409

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

(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	
	2008	**2007**
	$'000	*$'000*
0 – 30 days	57,087	53,923
31 – 60 days	2,920	8,276
61 – 90 days	2,532	4,032
91 – 120 days	2,379	3,001
Over 120 days	2,225	11,177
	67,143	80,409

The Group's credit policy is set out in note 32(a).

(b) Impairment of trade receivables

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

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
At 1 January	13,532	18,382	–	–
Impairment loss recognised	5,824	80	–	–
Uncollectible amounts written off	(187)	(5,229)	–	–
Reversal as a result of disposal of a subsidiary	(5,302)	–	–	–
Exchange difference	–	299	–	–
At 31 December	13,867	13,532	–	–

At 31 December 2008, the Group's trade receivables of $13,867,000 (2007: $13,532,000) 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. Consequently, specific allowances for doubtful debts of $5,824,000 (2007: $80,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Less than 1 month past due	57,087	53,923	–	–
1 to 3 months past due	5,452	12,308	–	–
More than 3 months past due	4,604	14,178	–	–
At 31 December	67,143	80,409	–	–

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.

22 OTHER FINANCIAL ASSETS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Financial assets at fair value through profit and loss				
– unlisted financial assets in the PRC	102,277	–	–	–

Other financial assets are unquoted, interest bearing debt securities with an effective interest rate of 1.45%, and with maturity dates in January 2009. The amounts have been fully settled at respective maturity dates. As at 31 December 2008, no other financial assets are individually determined to be past due or impaired.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks and other financial institutions	114,046	302,784	–	9,809
Cash at bank and on hand	7,495	9,241	493	694
Cash and cash equivalents in the balance sheet and cash flow statement	121,541	312,025	493	10,503

24 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	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
0 – 3 months	5,979	9,072	17	11
4 – 6 months	–	–	–	–
7 – 9 months	–	–	–	–
9 – 12 months	–	–	–	–
	5,979	9,072	17	11
Accrued expenses	35,356	29,655	4,905	2,428
At 31 December	41,335	38,727	4,922	2,439

25 SECURED BANK BORROWINGS

	The Group	
	2008	**2007**
	$'000	*$'000*
Bank loans	–	680,335
Less: Amount due within one year included under current liabilities	–	(217,961)
Amount due after one year	–	462,374
The bank borrowings are repayable as follows:		
Within one year or on demand	–	217,961
After one year but within five years	–	462,374
	–	680,335

The secured bank borrowings are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions (see note 29(b)(ii)). If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance on these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2007, none of the covenants relating to drawn down facilities had been breached. The Group has fully repaid the borrowings during the year.

26 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.

27 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 the income statement according to revenue recognition policy of transponder utilisation income and related services as mentioned in note 1(r)(i).

28 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group 2008 $'000	2007 $'000
Overseas tax payable	7,254	7,224
Balance of overseas tax provision relating to prior years	90,988	85,863
	98,242	93,087

(b) Deferred tax assets and liabilities recognised

(i) The Group

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Deferred lease income $'000	Other temporary differences $'000	Total $'000
At 1 January 2007	373,375	(483,728)	166,063	(542)	55,168
Charged/(credited) to consolidated income statement	(9,152)	38,835	(27,652)	(209)	1,822
At 31 December 2007	364,223	(444,893)	138,411	(751)	56,990
At 1 January 2008	364,223	(444,893)	138,411	(751)	56,990
Effect on deferred tax balances resulting from a change in tax rate	(20,813)	25,422	(7,909)	43	(3,257)
Charged/(credited) to consolidated income statement	(37,991)	98,033	(26,143)	(650)	33,249
At 31 December 2008	305,419	(321,438)	104,359	(1,358)	86,982

	The Group 2008 $'000	2007 $'000
Net deferred tax assets recognised in the consolidated balance sheet	–	(9,174)
Net deferred tax liabilities recognised in the consolidated balance sheet	86,982	66,164
	86,982	56,990

(ii) The Company

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

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $64,180,000 (2007: $131,302,000) and other deductible temporary differences of $905,000 (2007: $36,221,000) as the realisation of the assets was considered less than probable. The decrease in deferred tax assets not recognised was primarily attributable to disposals of a subsidiary, BAPECN, and a jointly controlled entity, APT Telecom, during the year. The tax losses do not expire under current tax legislation.

29 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares	Issued and fully paid share capital
	'000	*$'000*
Ordinary shares of $0.10 each		
At 31 December 2007 and 31 December 2008	413,265	41,327

The Company's authorised share capital is 1,000,000,000 shares of $0.10 each. There were no changes in the Company's authorised or issued share capital during either year.

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

(b) Capital management

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

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

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.

During 2008, the Group's strategy, which was unchanged from 2007, 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 2008 and 2007 was as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Current Liabilities:				
Payables and accrued charges	41,335	38,727	4,922	2,439
Loan from a minority shareholder	6,088	7,488	–	–
Secured bank borrowings due within one year	–	217,961	–	–
	47,423	264,176	4,922	2,439
Non-current liabilities:				
Secured bank borrowings due after one year	–	462,374	–	–
Total debt	47,423	726,550	4,922	2,439
Less: Cash and cash equivalents	(121,541)	(312,025)	(493)	(10,503)
Pledged bank deposits	(808)	(83,749)	–	–
Net debt	(74,926)	330,776	4,429	(8,064)
Total equity	2,040,565	1,988,691	1,948,444	1,952,175
Adjusted capital	2,040,565	1,988,691	1,948,444	1,952,175
Net debt-to-adjusted capital ratio	N/A	17%	1%	N/A

In December 2002, the Group entered into a US$240 million secured term loan facility (the "Loan Facility"), which was secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR V and APSTAR VI under construction and their related insurance claim proceeds, assignment of all present and future utilisation agreements of the transponders of satellites under construction, first fixed charge over certain bank accounts which would hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. In October 2004, the Group entered into a Deed of Amendment and Restatement to amend certain terms of the Loan Facility for the purpose of adjusting for the cancellation of the unutilised portion relating to APSTAR V satellite and APSTAR VI backup satellite. Accordingly, the maximum aggregate amount under the Loan Facility was reduced to US$165 million and certain financial covenants were amended. In May 2005, the Group entered into a Second Deed of Amendment and Restatement. The second amendment extended the availability period of drawing under the facility with respect to APSTAR VI to 30 June 2005 and amended the financial covenants. The Group has fully repaid all amounts borrowed under the Loan Facility during the year.

This Loan Facility agreement contained the following covenants:

(i) *Restricted Distributions*

The Loan Facility provides that the Group may make annual dividend payments only when Projected EBITDA plus free cash less capital expenditure for that year is less than (i) 130% of project debt service (as defined in the Loan Facility) of that year before the release of certain pledged assets and (ii) 180% of Project Debt Service after the release of certain pledged assets.

(ii) *Financial Covenants*

The Loan Facility provides that certain earnings and cash flow ratios of APT Satellite Company Limited ("APT") and the Group must be measured over various periods during its term. APT and the Group undertakes to ensure that (i) it maintains its aggregate consolidated net worth at not less than US$200 million, (ii) the aggregate of consolidated total liabilities shall not exceed 120% of consolidated net worth, (iii) consolidated EBITDA shall not be less than US$25 million, (other than for the year ended 31 December 2006, where it will not be less than US$20 million), (iv) the ratio of the aggregate outstanding principal under each tranche to the value of the satellite financed by such tranche shall not exceed 50% and (v) after the release of certain pledged assets, borrower's EBITDA shall be at least 180% of debt service.

(iii) *Block Account/Withdrawal Conditions*

Under the Loan Facility, (i) insurance proceeds obtained as a result of total or material partial loss relating to APSTAR V and APSTAR VI and (ii) Termination sum of related construction contracts must be deposited in a designated account. The withdrawal of deposited amounts in such accounts may only occur in accordance with provision contained in the Loan Facility.

(iv) *Others*

The Loan Facility includes covenants customary for agreements of this type, including restrictions on APT and the Company's ability to incur indebtedness, certain ownership restrictions, restrictions on affiliated transactions, covenants with respect of compliance with laws, maintenance of licenses and permits required for the Group's business and a requirement that all future transponder utilisation agreements be entered into on an arms-length basis. Among others, APT should notify the lender if its ultimate holding company, APT Satellite International Company Limited, directly owns less than 50.01% of the voting rights in the Group.

For the years presented, the Group complied with all the above covenants. As at 31 December 2008, the Group is not subject to externally imposed capital requirements.

30 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.

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 the date of this report, 413,265,000 shares of the Company were in issue.

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, no options were granted 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.

Movements in share options

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

	2008	**2007**
	Number	*Number*
At 1 January	3,370,000	3,390,000
Cancelled during the year	(80,000)	(20,000)
At 31 December	3,290,000	3,370,000
Options vested at 31 December	3,290,000	3,370,000

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 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. No share options were granted in 2008.

31 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(o)(ii).

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

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(s).

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

At 31 December 2008, the Company's reserves available for distribution amounted to $610,251,000 (2007: $613,755,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

32 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

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

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

At the balance sheet date, the Group has a certain concentration of credit risk as 20% (2007: 15%) and 72% (2007: 53%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the satellite transponder business segment.

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

(b) Liquidity risk

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

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	**2008**					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 year but less than 5 years**	**More than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Payables and accrued charges	41,335	(42,221)	(42,156)	(65)	–	–
Loan from a minority shareholder	6,088	(6,088)	(6,088)	–	–	–
	47,423	(48,309)	(48,244)	(65)	–	–
The Company						
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Payables and accrued charges	4,922	(4,922)	(4,922)	–	–	–
	4,922	(4,922)	(4,922)	–	–	–

The Group	**2007**					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 year but less than 5 years**	**More than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Payables and accrued charges	38,727	(45,388)	(45,131)	(233)	(24)	–
Loan from a minority shareholder	7,488	(7,488)	(7,488)	–	–	–
Secured bank borrowings	680,335	(763,331)	(259,666)	(284,113)	(219,552)	–
	726,550	(816,207)	(312,285)	(284,346)	(219,576)	–
The Company						
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Payables and accrued charges	2,439	(2,439)	(2,439)	–	–	–
	2,439	(2,439)	(2,439)	–	–	–

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2007, the Group's outstanding bank loans consisted of variable interest rate loans only. During the year, all existing bank loans were repaid in full. From time to time, the Group may enter into interest rate swap agreements designed to mitigate exposure to interest rate risks, although the Group did not consider it necessary to do so in 2008. Upward fluctuations in interest rates increase the cost of new bank loans and the interest cost of outstanding bank loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

(i) *Interest rate profile*

The Group	**2008**		**2007**	
	Effective interest rate		**Effective interest rate**	
	%	*$'000*	*%*	*$'000*
Variable rate borrowings:				
Secured bank borrowings	–	–	6.13	680,335

(ii) *Sensitivity analysis*

At 31 December 2008, 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 nil (2007: $5,613,000) so far as the effect on interest-bearing financial instruments is concerned.

On the whole, interest rate risk of the Group is expected to be low due to high volume of cash and cash equivalents and extinguishment of external borrowings as at 31 December 2008. The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk on a reasonable level.

(d) Foreign 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. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. The Group does not hedge its exposure to foreign exchange risk. 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 consolidated income statement.

The Group does not utilise derivative financial instruments to hedge its foreign currency rate risks.

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.

(i) *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	**2008**	**2007**
	Renminbi	*Renminbi*
	'000	*'000*
Trade receivables	238	14,672
Deposits, prepayments and other receivables	1,316	1,413
Other financial assets	90,003	–
Cash and cash equivalents	28,082	40,361
Payables	(2,245)	(4,714)
Overall net exposure	117,394	51,732

(ii) Sensitivity analysis

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

The Group	2008		2007	
	Increase/Decrease in foreign exchange rates	Effect on profit after tax and retained profits	Increase/Decrease in foreign exchange rates	Effect on profit after tax and retained profits
	%	'000	%	'000
Renminbi	+/-5	+/-6,670	+/-5	+/-2,752

(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) 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.

(ii) Other financial assets

Other financial assets are carried at amounts not materially different from their fair value as at 31 December 2008.

33 PLEDGE OF ASSETS

The Group has repaid borrowings under the Loan Facility during the year. The assets under fixed charges were APSTAR V and APTSTAR VI satellites of nil in 2008 (2007: $2,317,238,000), and bank deposits of nil (2007: $83,749,000). As at 31 December 2008, approximately $808,000 is related to other pledges.

At the balance sheet date, certain of the Group's banking facilities are secured by the Group's land and buildings with a net book value of $4,422,000 (2007: $4,538,000).

34 CONTINGENT LIABILITIES

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

(b) The Company has given guarantees to banks in respect of the secured term Loan Facility granted to its subsidiary in previous years. The guarantees were terminated due to repayment of borrowings under the Loan Facility in full during the year.

35 COMMITMENTS

At 31 December 2008, the Group had the following outstanding capital commitments not provided for in the Group's financial statements:

	The Group 2008	2007
	$'000	*$'000*
Contracted for	534	3,398
Authorised but not contracted for	965	–
	1,499	3,398

36 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2008, 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 2008	2007
	$'000	*$'000*
Within one year	278	592
After one year but within five years	25	257
	303	849

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 2008	2007
	$'000	*$'000*
Within one year	48	2,414
After one year but within five years	–	–
	48	2,414

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 $549,000 (2007: $592,000). At the balance sheet date, certain properties with an aggregate carrying value of $11,235,000 (2007: $11,407,000) 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 $251,124 (2007: $442,563) and after one but within five years amounting to nil (2007: $66,924). Depreciation charged for the year in respect of these properties was $160,000 (2007: $160,000).

Service income earned relating to leasing of facilities equipment during the year was $96,504 (2007: $440,170). 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 $96,504 (2007: $96,504).

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

37 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.

38 MATERIAL RELATED PARTY TRANSACTIONS

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

	2008	**2007**
	$'000	*$'000*
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to certain shareholders and its subsidiary of the Company *(note i)*	11,432	11,975
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 *(note i)*	40,745	32,630
Management fee income from a jointly controlled entity *(note ii)*	363	580
Management fee expenses to a subsidiary of a shareholder of the holding company *(note iii)*	(1,216)	(472)

Certain of these transactions also constitute connected transactions under the Listing Rules. Further details of these transactions are disclosed under the paragraph "Continuing Connected Transactions" in the Directors' report.

(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:

	Amounts due from immediate holding company		Amounts due from a jointly controlled entity		Trade receivables		Payables and accrued charges		Rentals received in advance and deferred income	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Immediate holding company	155	101	–	–	–	–	–	–	–	–
Jointly controlled entities	–	–	–	75,369	–	–	–	–	–	–
Certain shareholders and its subsidiary of the Company	–	–	–	–	41	2,628	1,266	219	190	2,540
Holding company and its subsidiaries of a shareholder of the Company *(note (i))*	–	–	–	–	2,518	3,468	–	15	178,177	197,692

Notes:

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

(ii) Management fee income arose from a reimbursement of cost of service provided to a jointly controlled entity under the agreement.

(iii) Management fee expenses incurred for services rendered to a subsidiary of the Company.

(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:

	2008	**2007**
	$'000	*$'000*
Short-term employee benefits	12,902	11,057
Performance related incentive payment	5,259	367
Other long-term benefits	756	706
Termination benefits	1,511	–
	20,428	12,130

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

39 ULTIMATE CONTROLLING PARTY

The Directors consider the controlling party of the Group 31 December 2008 to be APT Satellite International Company Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

40 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.

(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(g) and 15.

(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 2008, the Group had made provisions for bad debts in the amount of $5,637,000 (2007: $80,000).

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 change of contact information by the customer without notification or after seeking professional advice from lawyers or debt collection agent that the probability of recovery is remote, 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 15.

(iv) *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 34 on contingent liabilities.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

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 conducted that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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

		Effective for accounting periods beginning on or after
IAS/HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
IAS/HKAS 23 (Revised)	Borrowing costs	1 January 2009
IFRS/HKFRS 8	Operating segments	1 January 2009
Amendment to IAS 27	Consolidated and separate financial statements – Cost of an investment in a subsidiary, joint-controlled entity or associate	1 January 2009
Amendment to IFRS/ HKFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
Amendments to IFRS 7	Financial instruments – Disclosures	1 January 2009
IAS/HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
IFRS/HKFRS 3 (Revised)	Business combinations	1 July 2009

3. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following financial information is a reproduction of the relevant information extracted from the unaudited financial statements of the Group for the six months ended 30 June 2009 as published in the interim report of the Company.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Turnover	3, 4	229,519	197,987
Cost of services	5	(132,917)	(141,497)
Gross profit		96,602	56,490
Other net income	5	7,357	8,858
Valuation (losses)/gains on investment properties	11	(216)	117
Administrative expenses		(34,203)	(47,592)
Profit from operations	3	69,540	17,873
Finance costs	5	(15)	(15,036)
Share of profits of jointly controlled entity		–	2,037
Gain on disposal of a subsidiary	6	–	3,193
Profit before taxation	5	69,525	8,067
Income tax	7	(16,711)	(1,272)
Profit for the period		52,814	6,795
Attributable to:			
Equity shareholders of the Company		52,814	6,882
Minority interests		–	(87)
Profit for the period		52,814	6,795
Earnings per share	9		
– Basic		12.78 cents	1.67 cents
– Diluted		12.78 cents	1.67 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Profit for the period	52,814	6,795
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	(3,605)	4,083
Others	–	8
Total comprehensive income for the period	49,209	10,886
Attributable to:		
Equity shareholders of the Company	49,209	10,973
Minority interests	–	(87)
Total comprehensive income for the period	49,209	10,886

CONSOLIDATED BALANCE SHEET

At 30 June 2009 – Unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Non-current assets			
Property, plant and equipment	10	2,073,716	2,183,468
Interest in leasehold land held for own use under an operating lease		14,256	14,444
Investment properties	11	4,943	5,159
Club memberships		5,537	5,537
Prepaid expenses		29,247	19,023
		2,127,699	2,227,631
Current assets			
Trade receivables, net	12	82,368	67,143
Deposits, prepayments and other receivables		14,415	26,728
Amount due from immediate holding company		199	155
Other financial assets	13	–	102,277
Pledged bank deposits	14	7,352	808
Cash and cash equivalents	15	628,826	121,541
		733,160	318,652
Current liabilities			
Payables and accrued charges	16	38,645	41,335
Rentals received in advance		58,407	40,608
Loan from a minority shareholder		6,088	6,088
Secured bank borrowings due within one year	17	46,230	–
Current taxation		99,867	98,242
		249,237	186,273
Net current assets		483,923	132,379
Total assets less current liabilities carried forward		2,611,622	2,360,010

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Total assets less current liabilities brought forward		2,611,622	2,360,010
Non-current liabilities			
Secured bank borrowings due after one year	17	186,601	–
Deposits received		25,561	23,093
Deferred income		212,966	209,370
Deferred tax liabilities		96,720	86,982
		521,848	319,445
NET ASSETS		2,089,774	2,040,565
Capital and reserves			
Share capital	18	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus		511,000	511,000
Capital reserve		9,330	9,330
Revaluation reserve		368	368
Exchange reserve		3,607	7,212
Other reserves		123	123
Accumulated profits		236,483	183,669
TOTAL EQUITY		2,089,774	2,040,565

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Capital reserve	Revaluation reserve	Exchange reserve	Other reserves	Accumulated profits	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2008	41,327	1,287,536	511,000	9,557	368	4,007	115	133,855	1,987,765	926	1,988,691
Changes in equity for the six months ended 30 June 2008											
Reversal of minority interest arising from disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(839)	(839)
Total comprehensive income for the period	–	–	–	–	–	4,083	8	6,882	10,973	(87)	10,886
Balance at 30 June 2008 and 1 July 2008	41,327	1,287,536	511,000	9,557	368	8,090	123	140,737	1,998,738	–	1,998,738
Changes in equity for the six months ended 31 December 2008											
Cancellation of share options	–	–	–	(227)	–	–	–	227	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(878)	–	42,705	41,827	–	41,827
Balance at 31 December 2008	41,327	1,287,536	511,000	9,330	368	7,212	123	183,669	2,040,565	–	2,040,565
Balance at 1 January 2009	41,327	1,287,536	511,000	9,330	368	7,212	123	183,669	2,040,565	–	2,040,565
Changes in equity for the six months ended 30 June 2009											
Total comprehensive income for the period	–	–	–	–	–	(3,605)	–	52,814	49,209	–	49,209
Balance at 30 June 2009	41,327	1,287,536	511,000	9,330	368	3,607	123	236,483	2,089,774	–	2,089,774

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Cash generated from operations		189,615	78,067
Tax paid		(5,348)	(3,119)
Net cash generated from operating activities		184,267	74,948
Net cash generated from investing activities		90,187	7,518
Net cash generated from/(used in) financing activities		232,831	(114,254)
Net increase/(decrease) in cash and cash equivalents		507,285	(31,788)
Cash and cash equivalents at 1 January	15	121,541	312,025
Effect of foreign exchange rates changes		–	2,422
Cash and cash equivalents at 30 June	15	628,826	282,659

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 7 April 2009.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments and new interpretations that are first effective for the current accounting period of the Group and the Company. The equivalent new HKFRS, amendments and new interpretations, consequently issued by the HKICPA have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

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

- IFRS/HKFRS 8, *Operating segments*
- IAS/HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IAS 27/HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS/HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- IAS/HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to IFRS/HKFRS 2, *Shared-based payment – vesting conditions and cancellations*

The amendments to IAS/HKAS 23 and IFRS/HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS/HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- IFRS/HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. During the period ended 30 June 2009, the Group adopted IFRS/HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group's financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group's most senior executive management.

- As a result of the adoption of IAS/HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to IAS/HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENTAL REPORTING

The Group manages its businesses by service offering and geography. The first time adoption of IFRS/HKFRS 8, Operating segment, has resulted in no changes to segmental reporting as the presentation of segment information in prior years is consistent with the internal reporting to the Group's most senior executive for the purposes of assessing segment performance and making decisions about operating matters. The Group continues to maintain two main business segments, namely provision of satellite transponder capacity and related services and provision of satellite-based broadcasting and telecommunications services; the Group's total segmental turnover is further disaggregated based on the geographical locations of customers.

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

(a) Segment results, assets and liabilities

In accordance with IFRS/HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of investment properties, club memberships and other corporate assets. Segment liabilities included payables and accrued charges, rental received in advance, current taxation, deposits received, deferred income and bank borrowings managed directly by the segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Additionally, segment turnover, on an aggregate basis, are allocated based on the geographical locations of customers.

The following table represents turnover and profit information for business segments for the six months ended 30 June 2009 and 2008.

For the six months ended	Provision of satellite transponder capacity and related services		Provision of satellite-based broadcasting and telecommunications services		Inter-segment elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	219,196	185,097	9,465	12,810	–	–	228,661	197,907
Inter-segment turnover	5,445	5,294	834	679	(6,279)	(5,973)	–	–
Total	224,641	190,391	10,299	13,489	(6,279)	(5,973)	228,661	197,907
Service income							858	80
							229,519	197,987
Segment result	92,582	47,960	3,927	(496)	–	–	96,509	47,464
Service income							858	80
Unallocated other net income							6,376	8,975
Unallocated administrative expenses								
– staff costs							(20,989)	(22,890)
– office expenses							(13,214)	(15,756)
Profit from operations							69,540	17,873
Finance costs							(15)	(15,036)
Share of profits of jointly controlled entities							–	2,037
Gain on disposal of a subsidiary							–	3,193
Profit before taxation							69,525	8,067
Income tax							(16,711)	(1,272)
Profit for the period							52,814	6,795
Depreciation for the period	102,379	107,725	174	1,515	–	–	102,553	109,240
Significant non-cash expenses (other than depreciation)	–	3,948	–	4,998	–	–	–	8,946
Capital expenditure incurred during the period	4,436	1,484	66	551	–	–	4,502	2,035

The following table represents aggregate turnover based on geographical locations of customers for the six months ended 30 June 2009 and 2008.

For the six months ended	Hong Kong 2009 $'000	Hong Kong 2008 $'000	Other regions in the PRC 2009 $'000	Other regions in the PRC 2008 $'000	Singapore 2009 $'000	Singapore 2008 $'000	Indonesia 2009 $'000	Indonesia 2008 $'000	Others 2009 $'000	Others 2008 $'000	Total 2009 $'000	Total 2008 $'000
Turnover from external customers	30,575	24,871	75,199	79,901	36,815	32,114	51,600	27,437	35,330	33,664	229,519	197,987

The following table represents certain assets and liabilities information regarding business segments as at 30 June 2009 and 31 December 2008.

	Provision of satellite transponder capacity and related services At 30 June 2009 $'000	Provision of satellite transponder capacity and related services At 31 December 2008 $'000	Provision of satellite-based broadcasting and telecommunications services At 30 June 2009 $'000	Provision of satellite-based broadcasting and telecommunications services At 31 December 2008 $'000	Inter-segment elimination At 30 June 2009 $'000	Inter-segment elimination At 31 December 2008 $'000	Consolidated At 30 June 2009 $'000	Consolidated At 31 December 2008 $'000
Segment assets	2,233,877	2,186,865	9,233	8,154	(36,711)	(35,465)	2,206,399	2,159,554
Investment properties							4,943	5,159
Club memberships							5,537	5,537
Unallocated assets							643,980	376,033
Total assets							2,860,859	2,546,283
Segment liabilities	628,893	350,007	42,116	60,997	(36,711)	(35,465)	634,298	375,539
Deferred tax liabilities							96,720	86,982
Loan from minority shareholder							6,088	6,088
Unallocated liabilities							33,979	37,109
Total liabilities							771,085	505,718

4. SEASONALITY OF OPERATIONS

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

5. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2009	**2008**
		$'000	*$'000*
(a)	**Finance costs**		
	Interest on borrowings	14	14,136
	Other finance costs	1	900
	Total finance costs	15	15,036
(b)	**Other items**		
	Depreciation	102,553	109,240
	Amortisation	188	188
	Interest income	(859)	(5,933)
	Rental income	(285)	(274)
	Gain on disposal of property, plant and equipment	(2)	(65)

6. GAIN ON DISPOSAL OF A SUBSIDIARY

Pursuant to a disposal agreement dated 2 April 2008, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the Company, disposed of its entire equity interest in Beijing Asia Pacific East Communication Network Limited ("BAPECN") to an independent third party at a total consideration of RMB4,800,000 (approximately $5,328,000). Beijing Zhong Guang Xian Da Data Broadcast Technology Co. Limited, a jointly controlled entity of the Company, in which BAPECN has 35% equity, was also disposed of as part of the sale.

Net assets disposed of:

	Six months ended 30 June 2008
	$'000
Property, plant and equipment	8,160
Trade receivables	161
Deposits, prepayment and other receivables	287
Cash and bank balances	532
Payables and accrued charges	(3,767)
Rentals received in advance	(1,388)
Loan from a shareholder	(990)
	2,995
Minority interest	(839)
Other reserves and exchange reserves	(1,011)
Waive on loan from CTIA	990
Gain on disposal of a subsidiary	3,193
Consideration	5,328

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

	At 30 June 2008
	$'000
Cash and bank balance disposed	532
Net cash outflow	532

7. INCOME TAX

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Current tax – Overseas	6,973	5,659
Deferred tax	9,738	(4,387)
	16,711	1,272

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group operating in Hong Kong utilised tax losses brought forward from prior years. Taxation for the overseas subsidiary is calculated using the estimated annual effective tax rate of taxation that is expected to be applicable in the relevant country. Overseas tax includes the withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to customers which are located outside of Hong Kong.

8. DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period:

	2009	**2008**
	$'000	*$'000*
Interim dividend declared and paid after the interim period	–	–

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $52,814,000 (six months ended 30 June 2008: $6,882,000) and the weighted average of 413,265,000 ordinary shares (30 June 2008: 413,265,000 shares) in issue during the six months ended 30 June 2009.

(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 2009 and 2008.

10. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions

During the six months ended 30 June 2009, the Group acquired property, plant and equipment with a cost of $4,502,000 (six months ended 30 June 2008: $2,035,000).

(b) In-orbit insurance of satellites

At 30 June 2009, the Group did not have full in-orbit insurance coverage for its satellites. The in-orbit satellites have a net book value in aggregate of $1,957,753,000 at 30 June 2009 (31 December 2008: $2,065,458,000).

(c) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001, the Group is entitled to a payment in the amount of US$1,500,000 (approximately $11,700,000) upon successful delivery of a satellite by Thales to its own customers with technical designs that are identical to APSTAR 6 satellite. During the period, $11,700,000 (six months ended 30 June 2008: $11,700,000) was recognised from Thales in respect of delivery of a satellite with the same technical design of APSTAR 6, and treated as a reduction to the cost of property, plant and equipment – communication satellites.

(d) Impairment loss

During 2008, the Group conducted a review of the Group's property, plant and equipment and determined that certain assets were impaired as the recoverable amount of these assets was estimated to be less than their carrying amount. Accordingly, an impairment loss of $8,397,000 in respect of a communication satellite, APSTAR 1A, and TV uplink and broadcasting equipment had been recognised and charged to income statement for the year ended 31 December 2008. During the six months period ended 30 June 2009, the Group conducted a review and it was concluded that no further impairment is required.

11. INVESTMENT PROPERTIES

Investment properties carried at fair value were revalued at 30 June 2009 at $4,943,000 (31 December 2008: $5,159,000) 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 loss of $216,000 (six months ended 30 June 2008: gain of $117,000) has been recognised in the income statement during the six months ended 30 June 2009.

12. TRADE RECEIVABLES, NET

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

	At 30 June 2009 *$'000*	**At 31 December 2008** *$'000*
0 – 30 days	61,704	57,087
31 – 60 days	5,543	2,920
61 – 90 days	5,540	2,532
91 – 120 days	5,744	2,379
Over 120 days	3,837	2,225
	82,368	67,143

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

13. OTHER FINANCIAL ASSETS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Financial assets at fair value through profit and loss		
– unlisted financial assets in the PRC	–	102,277

Other financial assets as at 31 December 2008 were unquoted, interest bearing debt securities with an effective interest rate of 1.45%, and have been fully settled during the period.

14. PLEDGED BANK DEPOSITS

At 30 June 2009, the pledged bank deposits of $7,352,000 (31 December 2008: $808,000) are primarily related to certain commercial arrangements during the period.

15. CASH AND CASH EQUIVALENTS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Deposits with banks and other financial institutions	380,276	114,046
Cash at bank and on hand	248,550	7,495
Cash and cash equivalents in the balance sheet and cash flow statement	628,826	121,541

16. PAYABLES AND ACCRUED CHARGES

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

17. SECURED BANK BORROWINGS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Bank loans, net of unamortised finance cost	232,831	–
Less: Amount due within one year included under current liabilities	(46,230)	–
Amount due after one year	186,601	–

At 30 June 2009, the bank borrowings are repayable as follows:

Within one year or on demand	46,230	–
After one year but within five years	186,601	–
	232,831	–

On 29 June 2009, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, entered into a general banking facilities (the "Banking Facilities") arrangement, 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. At 30 June 2009, US$30,000,000 (approximately $234,000,000) has been drawn down against the Banking Facilities.

The Banking Facilities contained the following covenants:

(i) Financial Covenants

The Banking Facilities required that certain financial ratios of the Group must be met over various periods during the term. The Company as the guarantor undertakes to ensure that (i) the Group maintains its aggregate consolidated net worth at not less than $1,600,000,000, (ii) the aggregate of consolidated total liabilities shall not exceed 120% of consolidated net worth and (iii) consolidated EBITDA at each financial year shall not be less than US$20,000,000.

(ii) Charged Account Conditions

APT HK shall maintain the Charged Account with deposits for not less than one month's interest of the term loan.

(iii) Others

The Banking Facilities include covenants customary for agreements of this type, including restrictions on APT HK and the Company's ability to incur additional indebtedness and certain ownership restrictions.

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. For the period ended 30 June 2009, the Group complied with all of the above covenants.

At 30 June 2009, 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 $4,364,000 (31 December 2008: $4,422,000).

18. SHARE CAPITAL

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

19. 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 2009 and 2008, no options were granted, exercised or cancelled under the Scheme 2002.

Movements in share options

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

	2009
	Number
At 1 January	3,290,000
At 30 June	3,290,000
Options vested at 30 June	3,290,000

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

20. CONTINGENT LIABILITIES

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

(b) The Company has given bank guarantees in respect of certain secured banking facilities granted to a subsidiary of the Company. The extent of such facilities utilised at 30 June 2009 amounted to $234,000,000 (31 December 2008: nil).

21. COMMITMENTS

(a) Capital commitments

At 30 June 2009 and 31 December 2008, the Group has the following outstanding capital commitments not provided for in the Group's financial statements:

	At 30 June 2009	**At 31 December 2008**
	$'000	*$'000*
Contracted for	240	534
Authorised but not contracted for	10,966	965
	11,206	1,499

In addition, at 30 June 2009, a subsidiary of the Company was contractually committed to enter into a termination of the 1999 lease agreement and ancillary agreement in respect of the remaining life of APSTAR 2R for an estimated amount of US$69,500,000 (approximately $542,000,000). The agreements are completed subsequent to the balance sheet date (see note 23(a)).

(b) Operating lease commitments

At 30 June 2009 and 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	**Satellite transponders capacity**	**Total**
	$'000	*$'000*	*$'000*
At 30 June 2009			
Within one year	190	–	190
After one year but within five years	17	–	17
	207	–	207
At 31 December 2008			
Within one year	278	48	326
After one year but within five years	25	–	25
	303	48	351

22. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Income from provision of satellite transponder capacity and provision of satellite-based broadcasting and telecommunication services to subsidiaries of a shareholder of the Company *(note i)*	26,029	5,392
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 *(note i)*	22,980	19,479
Management fee income from a jointly controlled entity *(note ii)*	–	240
Management fee expenses to a subsidiary of a shareholder of the holding company *(note iii)*	(707)	(346)

Notes:

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

(ii) Management fee income arose from a reimbursement of cost of service provided to a jointly controlled entity under the agreement.

(iii) Management fee expenses incurred for services rendered to a subsidiary of the Company.

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Short-term employee benefits	5,565	5,725
Other long-term benefits	364	366
Performance related incentive payments	–	922
Termination benefits	944	1,511
	6,873	8,524

23. NON-ADJUSTING POST BALANCE SHEET EVENT

(a) On 9 July 2009, APT HK, a wholly-owned subsidiary of the Company, completed the termination of the 1999 Lease Agreement and Ancillary Agreement (the "Termination"), with Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited (collectively "Telesats") in respect of the remaining life of APSTAR 2R for an agreed amount of US$68,855,000 (approximately $537,069,000).

Pursuant to the Termination, Telesats are refunded the remainder of advance lease payments previously made in return for the termination of unexpired leasing period from July 2009 and onward. Telesats' right of future replacement satellites to occupy the orbital slot currently used by APSTAR 2R has also been terminated in the same transaction. The original 1999 lease agreement and ancillary agreement were accounted for as a disposal of property, plant and equipment in the financial statements of the Group. It is expected that, with the Termination, the return of the remaining life span of transponders capacity will be treated as an addition to assets.

(b) Pursuant to various amended agreements entered into with Loral Orion Inc. ("Loral") in 2003, Loral has an option to take up four APT Transponders from the fourth year and another four APT transponders from the fifth year after completion of in-orbit test of APSTAR 5, for their remaining operational lives at a total consideration of approximately $282,865,000. On 29 September 2006 and 18 August 2008, Telesat Satellite LP ("Telesat", the successor of Loral) exercised its right to take up two and four Transponders, respectively, at a total consideration of approximately $70,716,000 and $141,433,000 respectively.

On 13 August 2009, Telesat exercised its option right to take up two transponders on APSTAR 5 for a consideration of US$9,066,000 (approximately $70,716,000).

24. COMPARATIVE FIGURES

As a result of the application of IAS/HKAS 1 (revised 2007), Presentation of financial statements, and IFRS/HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

25. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2009

Up to the date of issue of this interim financial report, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2009 and which have not been adopted in this interim financial report.

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

	Effective for accounting periods beginning on or after
Amendments to IAS/HKAS 27, *Consolidated and separate financial statements*	1 July 2009
IFRS/HKFRS 3 (revised), *Business combinations*	1 July 2009

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.

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2009, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding interest-bearing bank borrowings of approximately US$30,000,000 (approximately HK$233,000,000). APT (HK) entered into an arrangement of general banking facilities with Bank of China (Hong Kong) Limited on 29 June 2009 which including a term loan facility in the maximum loan amount of US$50,000,000 which was earmarked to be applied to finance the termination of the 1999 lease agreement and ancillary agreement of APSTAR 2R and working capital requirements of the Group. As at 31 October 2009, US$30,000,000 has been drawn down against the above term loan facility. The Group's bank borrowings are denominated in US$ and bears an interest of 1, 2 or 3 month(s) LIBOR +1.8% per annum.

The aforesaid interest-bearing bank borrowings was 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 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. The net book value of the pledged properties of APT (HK) as at 31 October 2009 amounted to approximately HK$4,325,000. As at 31 October 2009, the Group also had pledged bank deposits of approximately HK$59,494,000 to secure above bank borrowings.

Contingent liabilities

(a) In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder utilisation income derived from the overseas customers. From 1999, overseas withholding tax has been charged on certain transponder utilisation income of the Group and full provision for such withholding tax for the years from 1999 onwards has been made in the financial statements. The Directors are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately HK$75,864,000. In the normal course of its business, the Group is subject to various claims under its customer and vendor contracts. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

(b) The Company has given bank guarantees in respect of certain secured banking facilities granted to APT (HK). The extent of such facilities utilized as at 31 October 2009 amounted to HK$234,000,000.

Capital commitments

At 31 October 2009, the Group has the following outstanding capital commitments not provided for in the Group's financial statements:

	At 31 October 2009 *$'000*
Contracted for	84
Authorised but not contracted for	8,738
	8,822

5. DISCLAIMER

Save as aforesaid and apart from intra-group liabilities and normal payables, the Group did not, at the close of business on 31 October 2009, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

6. SUBSEQUENT CHANGE OF INDEBTEDNESS

On 4 November, 2009, the Satellite Procurement Contract (which was disclosed in the circular of the Company dated 19 October 2009) was approved by shareholders of the Company. The Group's outstanding capital commitment contracted for but not provided for in the Group's financial statements hence increased by HK$1,396,000,000.

Save as disclosed above, the Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 31 October 2009 until the Latest Practicable Date.

7. WORKING CAPITAL

Taking into account the Launch Services Contract entered into on 8 November 2009 and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

8. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2006

Business Review

The Group's in-orbit satellites and their corresponding telemetry, tracking and control system (TT&C system) have been operating under normal condition during the period. The Group has achieved significant growth in utilization rates for APSTAR VI, despite the fierce market competition. As of 31 December 2006, the utilization rates of APSTAR V and APSTAR VI were at 71% and 65% respectively.

APSTAR VI

Being the latest advanced high power satellite in the Asia Pacific region, APSTAR VI has been welcomed by customers. Its utilization has been increased from 45% in 31 December 2005 to 65% as at 31 December 2006 evidencing the strengthening of competitive edges of APT in the region.

APSTAR V

APSTAR V has recorded its utilization rate at 71% as at 31 December 2006.

Both APSTAR V and APSTAR VI have provided the latest advanced and comprehensive satellite communication and broadcasting services to our customers. The effective improvement of transponder resources together with the strengthening of marketing activities of our group in the region has resulted in the significant increase in utilization rates of our satellites especially in the sales in South East Asia and Taiwan.

Forming Strategic Alliance in Sales and Marketing with Intelsat

Subsequent to the signing of a strategic cooperation agreement by and between APT and Intelsat Limited ("Intelsat") on 2 December 2005, both sides have entered into master agreements which provide a cooperative framework for the transponder service between APT and Intelsat in December 2006. This strategic move allows Intelsat to make use of APSTAR V and APSTAR VI in the region. Meanwhile, APT can have access to Intelsat's capacity.

Both APT and Intelsat are interested in exploring additional growth initiatives such as IPTV, uplink services in the region which will help expand the Group's scopes of business.

Satellite TV Broadcasting and Uplink Services

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Group, has successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. As of 31 December 2006, APT TV uplink and broadcast up to 68 satellite TV channels for the region.

Satellite-based Telecommunications Services

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

Both broadcasting and telecommunication services boost the Group competitive edge and help expand the customer base of the Group.

Business Prospects

APT has experienced significant demand growth in the Asia Pacific region in the second half of 2006. It is anticipated that the growth of demand will grow steadily in 2007. Meanwhile, the utilization rates of APSTAR V and APSTAR VI will continue to increase as a result of the increase of demand in services for transponder broadcasting, and telecommunication. Though, the market competition and price pressure will continue to exist throughout the coming year, the Group believes APSTAR V and APSTAR VI will be successful in market competition in 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 statements and the related notes.

Highlights:

HK$ thousand	**2006**	**2005**	**Change**
Turnover	426,988	336,512	27%
Loss for the year	(80,616)	(136,574)	–41%
Loss attributable to equity shareholders of the Company	(79,480)	(135,564)	–41%
Total assets	3,407,562	3,614,289	–6%
Total liabilities	1,425,329	1,552,737	–8%
Basic Loss per share *(HK cents)*	(19.23 cents)	(32.80 cents)	–41%
Gearing ratio *(%)*	42%	43%	–1%

The Group recorded a loss for the year of HK$80,616,000, a decrease of loss of HK$55,958,000, as compared to last year, mainly as a result of increase of turnover. The Group's turnover in 2006 increased by 27% compared to last year mainly attributable to the followings:

Satellite Transponder Capacity Services and Related Services

Revenue from Satellite Transponder Capacity Services and Related Services for the year ended 31 December 2006 increased approximately 25% to HK$363,074,000. The increase of revenue was mainly due to commencement of some new utilisation services contracts for APSTAR VI.

Satellite-based Broadcasting and Telecommunications Services

Revenue from Satellite-based Broadcasting and Telecommunications Services for the year ended 31 December 2006 increased approximately 40% to HK$63,817,000. This primarily reflected the increase of new customers in VSAT.

Other net income

Other net income increased from HK$30,831,000 in 2005 to HK$37,542,000 in 2006. The increase was mainly due to the inclusion of a gain of HK$17,503,000, representing the amount of the agreed consideration of two transponders taken up by a vendor which was offset with the net book value of two transponders.

Operating expenses

The Group's cost of services increased by HK$37,066,000, an increase of 12% in 2006, as compared to 2005. The increase was primarily due to inclusion of full year of in-orbit insurance and depreciation of APSTAR VI while only 7 months costs of service of APSTAR VI was recorded in 2005 upon the commencement of operation of APSTAR VI in June 2005. Administrative expenses increased by HK$11,758,000, an increase of 15% in 2006 as compared to 2005, mainly because of the inclusion of an impairment loss for accounts and other receivables of HK$8,347,000 and the increase of selling expenses in respect of increased turnover.

Finance costs

The Group's finance costs increased from HK$36,942,000 in 2005 to HK$64,140,000 in 2006 mainly due to no interest related to APSTAR VI was capitalized in 2006 while only 7 months interests was recorded in 2005 upon the commencement of operation of APSTAR VI in June 2005.

Share of results of jointly controlled entities

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 31 December 2006. As at 31 December 2006, APT Telecom recorded a profit of HK$3,966,000, mainly due to the revaluation gain of HK$6,120,000 caused by the cost adjustment on investment property held by APT Telecom in 2006. The Group's share of results of APT Telecom was HK$2,182,000.

Income Tax

Income tax increased from HK$13,172,000 in 2005 to HK$56,128,000 in 2006, mainly due to a net deferred tax liability recognized as a result of tax settlement of APSTAR IIR. In prior years, the Group was in dispute with Hong Kong's Inland Revenue Department (the "IRD") in relation to the transfer of the entire business of APSTAR IIR and substantially all of the satellite transponders of APSTAR IIR. Having considered the advice from the tax advisor, the Company believe that it would be in the best interest of the Company that the dispute be settled as soon as practicable to avoid further incurrence of time, effort and professional cost. During the year, the subsidiary submitted a settlement proposal to the IRD, via its tax advisor with a view to compromising on the tax assessment dispute. In September 2006, IRD accepted the proposal of treating sale proceeds from the disposal of APSTAR IIR of HK$2,114,758,000 as taxable income arising over the remaining life of APSTAR IIR until the tax assessment year of 2012/2013. In addition, IRD accepted the Company continuing to claim the deduction of statutory depreciation allowances in respect of APSTAR IIR and other expenditures related to the transaction to offset such taxable income.

With the proposal accepted by IRD, the tax dispute in respect of the years of assessment of 1999/2000 and 2000/2001 is settled. The net assessable profit for 1999/2000 of the subsidiary was revised to zero and the profits tax previously paid of HK$21,589,259 were refunded. In addition, as the subsidiary was in a tax loss position in 2000/2001, 2001/2002 and 2002/2003, the Tax Reserve Certificate in the amount of HK$78,385,377 previously paid, with interest from the date of purchase in March 2006 until the date of IRD accepting the proposal were redeemed and the provisional tax paid for 2002/2003 of HK$82,868 was refunded.

As a result of the proposal accepted by IRD, a deferred tax asset of HK$123,239,000 has been recognised based on the total cumulative tax losses carried forward and the depreciation allowances in respect of Apstar IIR to be deducted in the future. Furthermore, a deferred tax liability of HK$166,063,000 has been recognised for related deferred lease income to be taxable in the future.

Capital Expenditure, liquidity, financial resources and gearing ratio

During the year, the Group's principal use of capital was the capital expenditure related to the satellite equipments and office equipments which had been funded by internally generated cash. The capital expenditure incurred for the year ended 31 December 2006 amounted to HK$6,234,000.

During the year, the Group repaid bank loan of HK$191,226,000 (equivalent to US$24,516,000), the funding for which came from the receipt from a vendor and internally generated cash. As at 31 December 2006, the Group complied with all the financial covenants over the past twelve-month period. As a result of the above repayment, total outstanding of bank loan reduced from HK$1,127,295,000 to HK$936,069,000. 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	159,413,000
Repayable after one year but within five years	776,656,000
	936,069,000

As at 31 December 2006, the Group's total liabilities were HK$1,425,329,000, a decrease of HK$127,408,000 as compared to 2005, 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 42%, representing a 1% decrease as compared to 2005.

As at 31 December 2006, the Group has approximately HK$341,325,000 (2005: HK$326,440,000) free cash and HK$89,190,000 (2005: HK$68,699,000) 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 year, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in United States dollars. Interest under Bank Loan was computed at the London Inter-Bank Offering Rate plus a margin. The Group would consider the fluctuation risk of the floating interest rate and would take appropriate measure in due course to hedge against interest rate fluctuation.

Charges on group assets

As at 31 December 2006, the assets of APSTAR V and APSTAR VI of HK$2,506,454,000 (2005: HK$2,752,162,000) and bank deposit of HK$89,190,000 (2005: HK$68,699,000) 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$4,655,000 (2005: HK$4,771,000).

Capital commitments

As at 31 December 2006, the Group has the outstanding capital commitments of HK$4,852,000 (2005: HK$2,290,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the purchases of equipment.

Contingent liabilities

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

The Company has given guarantees to banks in respect of the secured term loan facility granted to its subsidiary. The extent of such facility utilised by the subsidiary at 31 December 2006 amounted to HK$936,069,000 (2005: HK$1,127,295,000).

Human Resources

As at 31 December 2006, the Group had 161 employees (2005: 161). 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.

For the year ended 31 December 2007

Business Review

The Group's in-orbit satellites and their corresponding telemetry, tracking and control system (TT&C system) have been operating under normal condition during the year. The Group has maintained comparatively high utilisation rates for APSTAR V and APSTAR VI, despite the fierce market competition in the Asia Pacific region including China market.

APSTAR VI

APSTAR VI commenced commercial operation in June 2005. It contains 38 C band and 12 Ku band transponders. As at 31 December 2007, its utilisation rate was 59%.

APSTAR V

APSTAR V commenced commercial operation in August 2004. It contains 38 C band and 16 Ku band transponders. As at 31 December 2007, its utilisation rate was at 72%.

Both APSTAR V and APSTAR VI are the latest advanced high power satellites in the region providing most advanced satellite telecommunication and broadcasting services that are warmly received by our customer thereby strengthening the competitive edge and marketing expansion of our group.

New Satellites in China Market

As a result of the launch of two new satellites in mid 2007, the market competition of the China Market has been more intense. APT obtained new customers and new utilisations by optimising our services on a continuous basis which off-set part of the customer loss. As a whole, such customer loss due to new satellites will not cause adverse impact to the Group.

Satellite TV Broadcasting and Uplink Services

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Group, successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. As of 31 December 2007, APT TV uplink and broadcast for the region up to 72 satellite TV channels representing an increase of 6% as compared to the same period of last year.

Satellite-based Telecommunications Services

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

Business Prospects

Because of the increase in new satellite supplies in the region particularly China market, market competition will continue to be fierce. However, it is expected the demand will still grow steadily. The Group will endeavour to secure our foothold in China market and expand overseas market so as to further increase the satellite utilisation and improve the Group's performance.

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 statements and the related notes.

Highlights:

HK$ thousand	**2007**	**2006**	**Change**
Turnover	451,626	426,988	+24,638
Gross profit	136,834	88,729	+48,105
Profit/(Loss) after taxation	4,716	(80,616)	+85,332
Profit/(Loss) attributable to shareholders	5,581	(79,480)	+85,061
Basic Earnings/(Loss) per share *(HK cents)*	1.35 cents	(19.23 cents)	+20.58 cents
In percentage			
Total assets	3,135,582	3,407,562	–8%
Total liabilities	1,146,891	1,425,329	–20%
Gearing ratio *(%)*	37%	42%	–5%

The Group, with turnover growth of 6% over the prior year, has recorded a gross profit for the year amounted to HK$136,834,000, a 54% increase as compared to 2006 and profit for the year of HK$4,716,000 (2006: loss for the year HK$80,616,000). It was mainly due to higher income generating from the new customers for the provision of Satellite Transponder Capacity Services during the year. The Group's cost of services recorded a decrease of 7% to HK$314,792,000, mainly due to a reduction of depreciation and premium cost in satellite in-orbit insurance. Administrative expenses decreased by HK$7,061,000, a decrease of 8% in 2007 as compared to 2006. The decrease was mainly due to an impairment loss for trade and other receivables of HK$8,347,000 was provided in prior year. The Group's finance costs decreased from HK$64,140,000 in 2006 to HK$55,345,000 in 2007. The decrease was mainly due to decrease in borrowing amount after repayment of bank loan during the year of 2007.

Satellite Transponder Capacity Services and Related Services

Revenue from Satellite Transponder Capacity Services and Related Services for the year ended 31 December 2007 increased approximately 9% to HK$395,032,000. The increase of revenue was mainly due to commencement of some new utilisation services contracts.

Satellite-based Broadcasting and Telecommunications Services

Revenue from Satellite-based Broadcasting and Telecommunications Services for the year ended 31 December 2007 decreased approximately 13% to HK$56,453,000. This was mainly due to the termination of wholesale voice services in the second half of 2007.

Income tax

Income tax recorded a decrease of HK$35,683,000, mainly due to a deferred tax liability recognised as a result of tax settlement of APSTAR IIR in 2006. In prior years, a subsidiary of the Company was in dispute with Hong Kong's Inland Revenue Department (the "IRD") in relation to the transfer of the entire business of APSTAR IIR and substantially all of the satellite transponders of APSTAR IIR. Having considered the advice from its independent tax advisor, management believed that it would be in the best interest of the Company that the dispute be settled as soon as practicable to avoid further incurrence of time, effort and professional cost. In 2006, the subsidiary of the Company submitted a settlement proposal to the IRD, via its tax advisor with a view to compromising on the tax assessment dispute. In September 2006, the IRD accepted the proposal of treating sale proceeds from the disposal of APSTAR IIR of HK$2,114,758,000 as taxable income arising over the remaining life of APSTAR IIR until the tax assessment year of 2012/2013. In addition, the IRD accepted the Company continuing to claim the deduction of statutory depreciation allowances in respect of APSTAR IIR and other expenditures related to the transaction to offset such taxable income.

With the proposal accepted by the IRD, the tax dispute in respect of the years of assessment of 1999/2000 and 2000/2001 is settled. The net assessable profit for 1999/2000 of the subsidiary was revised to zero and the profits tax previously paid of HK$21,589,259 were refunded. In addition, as the subsidiary was in a tax loss position in 2000/2001, 2001/2002 and 2002/2003, the Tax Reserve Certificate in the amount of HK$78,385,377 previously paid, with interest from the date of purchase in March 2006 until the date of the IRD accepting the proposal was redeemed and the provisional tax paid for 2002/2003 of HK$82,868 was refunded.

As a result of the proposal being accepted by the IRD, a deferred tax asset of HK$123,239,000 has been recognised based on the total cumulative tax losses carried forward and the depreciation allowances in respect of APSTAR IIR to be deducted in the future. Furthermore, a deferred tax liability of HK$166,063,000 has been recognised for the related deferred lease income to be taxed in the future.

Share of results of jointly controlled entities

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 31 December 2007. As at 31 December 2007, APT Telecom recorded a loss of HK$1,624,000. The Group's share of results of APT Telecom was HK$894,000.

Capital expenditure, liquidity, financial resources and gearing ratio

During the year, the Group's principal use of capital was the capital expenditure related to the satellite equipments and office equipments which had been funded by internally generated cash. The capital expenditure incurred for the year ended 31 December 2007 amounted to HK$10,683,000.

During the year, the Group repaid bank loan of HK$253,013,000 (equivalent to US$32,438,000), the funding for which came from internally generated cash. As at 31 December 2007, the Group complied with all the financial covenants over the past twelve-month period. As a result of the above repayment, total outstanding secured bank borrowings reduced from HK$930,354,000 to HK$680,335,000. The debt maturity profile (stated at amortised cost) of the Group was as follows:

Year of Maturity	*HK$*
Repayable within 1 year or on demand	217,961,000
Repayable after one year but within five years	462,374,000
	680,335,000

As at 31 December 2007, the Group's total liabilities were HK$1,146,891,000, a decrease of HK$278,438,000 as compared to 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 decreased to 37%, representing a 5% decrease as compared to 2006.

As at 31 December 2007, the Group has approximately HK$312,025,000 (2006: HK$341,325,000) cash and cash equivalents and HK$83,749,000 (2006: HK$89,190,000) pledged deposits. 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 year, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in the United States dollars. Interest under Bank Loan was computed at the London Inter-Bank Offering Rate plus a margin. The Group would consider the fluctuation risk of the floating interest rate and would take appropriate measure in due course to hedge against interest rate fluctuation.

Charges on group assets

As at 31 December 2007, the assets of APSTAR V and APSTAR VI of HK$2,317,238,000 (2006: HK$2,506,454,000) and bank deposit of HK$83,749,000 (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 utilisation services.

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK$4,538,000 (2006: HK$4,655,000).

Capital commitments

As at 31 December 2007, the Group has the outstanding capital commitments of HK$3,398,000 (2006: HK$4,852,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the purchases of equipment.

Contingent liabilities

(i) In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder utilisation income derived from the overseas customers. From 1999, overseas withholding tax has been charged on certain transponder utilisation income of the Group and full provision for such withholding tax for the years from 1999 onwards has been made in the financial statements. The Directors of the Company are of the opinion that the new tax rules should take effect from 1999 onwards and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant income earned in those years, not provided for in the financial statements amounted to approximately HK$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 utilised by the subsidiary at 31 December 2007 amounted to HK$683,056,000 (2006: HK$936,069,000).

Human Resources

As at 31 December 2007, the Group had 147 employees (2006: 161). 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.

For the year ended 31 December 2008

Business Review

The Group's in-orbit satellites and their corresponding telemetry, tracking and control system (TT&C system) have been operating under normal condition during the year. In spite of the financial tsunami, global economic crisis, and the fierce market competition in Asia Pacific region particularly in China market, the Group had, during the period, successfully opened new market and expanded customer base thereby further increased the utilisation rates for APSTAR V and APSTAR VI.

APSTAR VI

APSTAR VI commenced commercial operation in June 2005. It contains 38 C band and 12 Ku band transponders. As at 31 December 2008, its utilisation rate was 71.9 %, representing an increase of 12.9 % as compared to last year.

APSTAR V

APSTAR V commenced commercial operation in August 2004. It contains 38 C band and 16 Ku band transponders. As at 31 December 2008, the utilisation rate of the Group's transponders thereon was 83.1%, representing an increase of 11.1% approximately as compared to last year.

The outstanding performances of APSTAR V and APSTAR VI have strengthened the competitive advantage of the Group resulting in promising performance in marketing especially in overseas market.

The additions of two satellites in mid 2007 and one satellite in the first half of 2008 in China market have led to fierce market competition in China market. However, the Group had, during the period, successfully secured its market share through services improvement and enhancement. As a whole, the intensive market competition has not resulted in a significant impact on the financial performance of the Group.

Satellite TV broadcasting and uplink services

APT Satellite TV Development Limited ("APT TV"), a wholly-owned subsidiary of the Group, successfully established the satellite TV broadcasting platform based on the Satellite TV Uplink and Downlink Licence of Hong Kong. As of 31 December 2008, APT TV uplink and broadcast up to 87 satellite TV channels in the region representing an increase of 20.8% as compared to last year.

Satellite telecommunication services and facility services

APT Telecom Services Limited ("APTS"), a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT (Very Small Aperture Telecommunication), facilities management services, and teleport uplink services under the Fixed Carrier Licence of Hong Kong. Through a marketing effort in the second half of 2008, the Group has commissioned a cooperation with a multinational IT firm for the provision of advanced and environmentally friendly facility services to an internationally well known airliner for 12 years, further boosting the Group's profit and utilisation of resources.

Business Prospects

As the current global economic crisis is expected to last for a period of time, which may result in a number of uncertainties on the demand of transponder in the region. Meanwhile, new satellites are expected to be launched, which may further intensify the market competition in the region. The Group, however, by beefing up the competitive edge, improving the resource utilisation, exploring into new markets and enhancing customer services, is fully confident riding over unfavourable external factors and coping with future challenges.

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:

HK$ thousand	**2008**	**2007**	**Change**
Turnover	403,672	451,626	–11%
Gross profit	126,091	136,834	–8%
Profit for the year	49,500	4,716	+950%
Profit attributable to shareholders	49,587	5,581	+788%
Basic Earnings per share *(HK cents)*	12.00 cents	1.35 cents	+10.65 cents
Total assets	2,546,283	3,135,582	–19%
Total liabilities	505,718	1,146,891	–56%
Gearing ratio *(%)*	20%	37%	–17%

The Group recorded a turnover and profit for the year of HK$403,672,000 and HK$49,500,000 for 2008. The turnover decreased by 11%, primarily due to termination of wholesale voice services in the second half of 2007, and disposal of an operating subsidiary, Beijing Asia Pacific East Communication Network Limited ("BAPECN") on 2 April 2008; the turnover of this subsidiary was included in the consolidated income statement up to the date of disposal.

Satellite Transponder Capacity Services and Related Services

Revenue from Satellite Transponder Capacity Services and Related Services for the year ended 31 December 2008 decreased approximately 2.5% to HK$385,391,000. The decrease of revenue was mainly due to the net effect of loss of the some service contracts in the first half of 2008 and the commencement of some new utilization services contracts in the second half of 2008.

Satellite-based Broadcasting and Telecommunications Services

Revenue from Satellite-based Broadcasting and Telecommunications Services for the year ended 31 December 2008 decreased approximately 147% to HK$18,153,000. This was mainly due to the termination of wholesale voice services in the second half of 2007 and the disposal of an operating subsidiary.

For the year ended 31 December 2008, profit attributable to equity shareholders amounted to HK$49,587,000, representing an increase of 788% as compared with 2007. The cause for the increase in net profit was principally the result of the following factors:

Other net income

Other net income increased from HK$26,334,000 in 2007 to HK$68,871,000 in 2008. The increase was mainly due to gain on sale of certain transponders of HK$51,489,000.

Gain on sale of a subsidiary

The Group sold its entire equity interest in BAPECN on 2 April 2008, realizing a gain of HK$3,193,000. Pursuant to a disposal agreement dated 2 April 2008, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the Company, disposed of its entire equity interest in Beijing Asia Pacific East Communication Network Limited ("BAPECN") to an independent third party at a total consideration of RMB4,800,000 (approximately HK$5,328,000). Beijing Zhong Guang Xian Da Data Broadcast Technology Co Limited, a jointly controlled entity of the Company, in which BAPECN has 35% equity, was also disposed of as part of the sale.

Share of result and gain on sale of a jointly controlled entity

The Group sold its entire equity interest in APT Satellite Telecommunications Limited ("APT Telecom") on 3 October 2008, realising a gain of HK$9,590,000. Pursuant to a disposal agreement dated 3 October 2008, the Group disposed of its entire equity interest in a jointly controlled entity, APT Satellite Telecommunications Limited ("APT Telecom"), to an independent third party at a consideration of HK$88,550,000.

Prior to the date of sale, the share of result of APT Telecom to the Group was HK$2,397,000, representing an increase of HK$3,291,000 as compared to 2007.

Income tax

The income tax expenses increased from HK$20,445,000 in 2007 to HK$42,551,000 in 2008. The increase was mainly due to a tax provision of HK$14,350,000 in respect of disposal of certain transponders. In November 2007, a subsidiary of the Company was requested to supply information to the Inland Revenue Department ("IRD") in respect of the nature of the gain arising from the disposal of certain transponders in 2006 and as to whether such transaction should be taxable. The subsidiary of the Company sent a reply letter to the IRD together with the requested relevant information. Up to the date of the audited financial statements, no assessment has yet been made by the IRD. Management believes such transaction should be treated as capital in nature and is in the process of gathering relevant documentary evidence to support its grounds; however, due to difficulty assessing the probability on the success of claiming the gain as non-taxable in nature, a tax provision of $14,350,000 in respect of such transaction was made as of 31 December 2008.

Capital expenditure, liquidity, financial resources and gearing ratio

During the year, the Group's principal use of capital was the capital expenditure related to satellite equipment and office equipment which had been funded by internally generated cash. The capital expenditure incurred for the year ended 31 December 2008 amounted to HK$7,457,000.

During the year, the Group has fully repaid the bank loan of HK$683,056,000 (equivalent to US$85,571,000), the funding of which came from the proceeds on the sale of certain transponders, BAPECN, APT Telecom and internally generated cash.

As at 31 December 2008, the Group's total liabilities were HK$505,718,000, a decrease of HK$641,173,000 as compared to 2007, primarily due to repayment of the bank loan as described above. As a result, the gearing ratio (total liabilities/total assets) has decreased to 20%, representing a 17% decrease as compared to 2007.

Capital structure

The Group consistently adheres to conservative fund management. The global financial crisis resulted in no significant impact to the Group's financial position. The solid capital structure and financial strength continue to provide for a solid foundation for the Group's future development.

Foreign exchange exposure

The Group mainly earned revenue in the United States Dollar and Renminbi. The Group's insurance coverage premiums on satellite and debt services and substantially all capital expenditures were denominated in the United States Dollar; the remaining expenses were primarily denominated in the Hong Kong 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. In the past several years, appreciation of Renminbi against the Hong Kong Dollar maintained an increasing trend until the second half of 2008 when it stabilised. The management expects that the exchange rate of Renminbi to remain stable and does not foresee a material adverse foreign exchange risk to the Group. Therefore, the Group presently does not engage in any foreign currency hedging activities.

Charges on group assets

The Group has repaid the bank loan on 30 December 2008. The assets under fixed charges were APTSTR V and APSTAR VI of nil in 2008 (2007: HK$2,317,238,000), and bank deposits of nil (2007: HK$83,749,000). As at 31 December 2008, approximately HK$808,000 is related to other pledges.

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK$4,422,000 (2007: HK$4,538,000).

Capital commitments

As at 31 December 2008, the Group has outstanding capital commitments of HK$1,499,000 (2007: HK$3,398,000), which were contracted but not provided for in the Group's financial statements, mainly in respect of the future purchases of equipment.

Contingent liabilities

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

(b) The Company has given guarantees to banks in respect of the secured term loan facility granted to its subsidiary in previous years. The guarantees were terminated due to repayment of borrowings under the Loan Facility in full during the year.

Human Resources

As at 31 December 2008, the Group had 85 employees (2007: 147). With regards 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 a 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 Listing Rules. 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.

9. OUTLOOK

Though the current global economic crisis has given rise to uncertainties on the demand of transponder services in the Asia Pacific region and new satellites are expected to be launched, which may intensify the market competition in the region, the directors of the Company believe that the Satellite Procurement Contract and the Launch Services Contract are in line with the long-term development strategy of the Group. The Group will benefit from expanding the utilization of transponder resources, further increasing the revenue of the Group and strengthening competitive advantage and growth potential for long-term development of the Group by securing the opportunity of future satellite continuity by entering into the Satellite Procurement Contract and the Launch Services Contract.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, the Directors are not aware of any material adverse change in the financial or trading position or operation of the Group since 31 December 2008, the date to which the latest published audited consolidated accounts of the Group were made up.

The following is the full text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix III, a copy of the following Accountants' Report is available for public inspection.

KPMG

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

27 November 2009

The Board of Directors
APT Satellite Holdings Limited

Dear Sirs

We report on the unaudited pro forma net assets statement ("the Pro Forma Financial Information") of APT Satellite Holdings Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 128 and 129 in Appendix II of this circular, dated 27 November 2009 (the "Circular") which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the launch services contract in respect of APSTAR 7 Satellite between the Group and China Great Wall Industry Corporation might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information of the Group is set out in notes 1 to 8 on pages 129 and 130 of the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the net assets of the Group as at 30 June 2009 or any future date.

Opinion

In our opinion:

a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

The following is the unaudited pro forma net assets statement of the Group prepared to illustrate the effect of the Launch Services Contract on the assets and liabilities of the Group. The unaudited pro forma net assets statement of the Group was prepared based on the Group's unadjusted net assets statement as at 30 June 2009 extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2009, as set out in the interim report of the Group for the period ended 30 June 2009, after making pro forma adjustments relating to the acquisition as set out in notes 3 below.

This unaudited pro forma net assets statement of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2009 or at any future date.

	The Group as at 30 June 2009 (unaudited) *HK$'000*	**Pro forma adjustments** *HK$'000*	*Notes*	**The Group after the acquisition** *HK$'000*
Non-current assets				
Property, plant and equipment	2,073,716	538,200	<3>	2,611,916
Interest in leasehold land held for own use under an operating lease	14,256			14,256
Investment properties	4,943			4,943
Club memberships	5,537			5,537
Prepaid expenses	29,247			29,247
	2,127,699			2,665,899
Current assets				
Trade receivables, net	82,368			82,368
Deposits, prepayments and other receivables	14,415			14,415
Amount due from immediate holding company	199			199
Pledged bank deposits	7,352			7,352
Cash and cash equivalents	628,826	(26,520)	<3>	602,306
	733,160			706,640

	The Group as at 30 June 2009 (unaudited)	Pro forma adjustments		The Group after the acquisition
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Current liabilities				
Payable and accrued charges	38,645			38,645
Rentals received in advance	58,407			58,407
Loan from a minority shareholder	6,088			6,088
Secured bank borrowings due within one year	46,230			46,230
Current taxation	99,867			99,867
	249,237			249,237
Net current assets	483,923			457,403
Total assets less current liabilities	2,611,622			3,123,302
Non-current liabilities				
Secured bank borrowings due after one year	186,601			186,601
Deposits received	25,561			25,561
Construction payable	–	511,680	<3,5>	511,680
Deferred income	212,966			212,966
Deferred tax liabilities	96,720			96,720
	521,848			1,033,528
Net assets	2,089,774			2,089,774

Notes:

1. The unadjusted statement of assets and liabilities of the Group are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2009.

2. The above unaudited pro forma net assets statement of the Group has not taken into account the effect of the Satellite Procurement Contract of APSTAR 7 Satellite. Details of the Satellite Procurement Contract and the related unadjusted pro forma net assets statement are set out in the circular of the Company dated 19 October 2009.

3. The adjustments represent: i) the payment of US$3,400,000 (equivalent to HK$26,520,000) relating to the down payments; ii) the additions to the property, plant and equipment of US$69,000,000 (equivalent to HK$538,200,000) and iii) accrual of the remaining balance of the contract price of US$64,600,000 (equivalent to HK$503,880,000) and the price payable for optional services elected of US$1,000,000 (equivalent to HK$7,800,000) to the launch contractor as at 30 June 2009.

4. Payments to be made by the Company at each milestone per the Launch Services Contract are expected to be funded from internal sources and external borrowings in the future.

5. The amount represents the payments in respect of the Launch Services Contract to be settled within 28 months from the effective date of the Launch Services Contract. The estimated discounted cash flow would be HK$487,585,000 and are based on the average interest rate of the bank borrowings of the Group as at 31 October 2009.

6. The above unaudited pro forma net assets statement of the Group has not taken into account the capitalization of interest expenses incurred due to external borrowings in the future.

7. For the purposes of the pro forma net assets statement of the Group, the amounts denominated US$ have been translated into HK$ at an exchange rate of US$1=HK$7.8.

8. No adjustment has been made to reflect any operating results or other events subsequent to 30 June 2009. In addition, no adjustment has been made to reflect any future capital expenditure.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	Number of Shares	Par value per Share *HK$*	Total nominal value *HK$*
Authorised shares:	1,000,000,000	0.10	100,000,000
Issued and fully paid shares:	413,265,000	0.10	41,326,500

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and the chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Name	Nature of interests	Number of Shares	Number of Share Option[(1)]	Approximate percentage of shareholding (%)
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	Personal	5,000	800,000	0.20
Chen Xun *(Vice President)*	Personal	6,000[(2)]	260,000	0.06
Yang Qing *(Vice President)*	Personal	–	130,000	0.03

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

(2) The capacity in which Chen Xun held 6,000 shares of the Company was being a trustee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other disclosure under the SFO and substantial shareholders' interests

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, being the date to which the latest audited consolidated accounts of the Group were made up) or had any option of such capital:

Name of shareholder	*Note*	**Number of shares interested**	**Approximate percentage of issued share capital**
China Aerospace Science & Technology Corporation	1	257,400,000	62.28%
APT Satellite International Company Limited		214,200,000	51.83%
China Aerospace International Holdings Limited	1(c)	31,200,000	7.55%
Temasek Holdings (Private) Limited	2	22,800,000	5.52%

Notes:

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

   (a) CASC's beneficial interests in 6,000,000 shares of the Company;

(b) CASC's interests through its controlled corporation being APT Satellite International Company Limited (being CASC's 14.29% direct interest and 28.58% indirect interest by virtue of its 100% shareholding in China Satellite Communications Corporation (中國衛星通信集團公司) ("CSCC"), which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in China Telecommunications Broadcast Satellite Corporation (中國通信廣播衛星公司); and

(c) CASC's interests through its controlled corporation being China Aerospace International Holdings Limited ("CASIL") (being CASC's 44.47% shareholding in CASIL, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which holds 16,800,000 shares of the Company and which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 shares of the Company.

2. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its interests through its controlled corporation (being Temasek's 54.99% shareholding in Singapore Telecommunications Limited ("SingTel"), which was deemed to be interested in the shares of the Company by virtue of SingTel's 100% shareholding in Singasat Private Limited).

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares and the underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, being the date to which the latest audited consolidated account of the Group were made up) or had any option of such capital.

(c) Particulars of Directors' service contracts

Save as disclosed below, no Director entered into service contract with the Company or any of its subsidiaries:

Each of Mr. Cheng Guangren (Executive Director and President) and Mr. Qi Liang (Executive Director and Vice President) has entered into a service contract with the Company, respectively, for an initial term of three years, commencing on 20 June 2008, and continuing thereafter until terminated by either party giving to the other not less than six months' notice but not more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments (other than statutory compensation).

Pursuant to their respective service contracts as both adjusted with effect from 1 May 2009, Mr. Cheng Guangren is entitled to an annual salary of HK$1,800,000 payable monthly in 12 equal installments in arrears and a monthly housing allowance of HK$30,000; and Mr. Qi Liang is entitled to an annual salary of HK$1,260,000 payable monthly in 12 equal installments in arrears and a monthly housing allowance of HK$20,000. Mr. Cheng and Mr. Qi will be entitled to an incentive payment in respect of each financial year of the Company in an amount to be determined by the Board after taking into account their respective performance and the results of the Group.

(d) Miscellaneous

As at the Latest Practicable Date,

(i) none of the Directors or experts named in the section headed "Expert's qualifications and consents" in this appendix had any direct or indirect interests in any assets which had been, since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008 which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Director of the Company was also director in other business, which competed or might compete, either directly or indirectly, with the Group's business:

Name of Director	Name of the Companies	Principal Activities
Yong Foo Chong	SingTelSat Pte Ltd	Provision of satellite capacity for telecommunication and video broadcasting services

Save as disclosed above, to the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Company.

5. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

(a) the agreement dated 1 June 2009 between the Company, Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited in relation to the termination and cancellation of the lease agreement dated 18 August 1999 between APT (HK) and Telesat Asia Pacific Satellite (HK) Limited, as amended and supplemented, and the ancillary satellite service agreement in respect of APSTAR-2R/Telestar 10 pursuant to which APT (HK) shall refund US$69,500,000, subject to such adjustment amount of 100% of transferred revenue for services rendered on 1 July 2009 and 2 July 2009, the portion of the lease payments paid in advance by Telesat Asia Pacific Satellite (HK) Limited in respect of the leasing of substantially all of the transponders of APSTAR-2R/Telestar 10 with respect to the remaining unexpired lease period from July 2009 to September 2012;

(b) the Satellite Procurement Contract for the total contract price of Euro 128,500,000 (approximately HK$1,453,000,000);

(c) the Launch Services Contract for the total contract price of US$68,000,000 (approximately HK$530,400,000); and

(d) the agreement entered into between the Company and 中國衛星通信集團公司 (China Satellite Communications Corporation) dated 10 November 2009 in relation to, among other things, the provision of satellite transponder service in Mainland China by the Group to 中國衛星通信集團公司 (China Satellite Communications Corporation) and at the proposed annual caps of US$25,000,000 (approximately HK$195,000,000); US$28,500,000 (approximately HK$222,300,000) and US$29,500,000 (approximately HK$230,100,000) for the years 2009, 2010 and 2011, respectively.

6. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. EXPERT'S QUALIFICATIONS AND CONSENTS

The qualification of the experts who have provided their advice which is contained in this circular is set out as follows:

Name	Qualification
Access Capital Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Launch Services Contract
KPMG	Certified Public Accountants

Each of Access Capital Limited and KPMG has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their letter and the reference to their names in the form and context in which it appears.

As at the Latest Practicable Date, each of Access Capital Limited and KPMG was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11,Bermuda. The Company's head office and principal place of business in Hong Kong is situated at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

(b) The secretary of the Company is Dr. Lo Kin Hang Brian, DBA, MSCIT, MBA, MPA, FCIS, CS(PE), CEng, MIET.

(c) The branch share registrars of the Company in Hong Kong is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office of the Company at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong up to and including the date of SGM on 17 December 2009:

(a) the memorandum of association and bye-laws of the Company;

(b) the Launch Services Contract;

(c) service contracts as referred to in the paragraph headed "Particulars of Directors' service contracts" in this appendix;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 13 of this circular;

(e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 28 of this circular;

(f) the annual reports of the Company and the audited accounts of each of the subsidiaries of the Company for the years ended 31 December 2006, 31 December 2007 and 31 December 2008, and the unaudited interim report of the Company for the six months ended 30 June 2009;

(g) the letter issued by KPMG in connection with the Unaudited Pro Forma Net Assets Statement of the Group, the text of which is set out in Appendix II to this circular;

(h) the consent letters issued by the Independent Financial Adviser and KPMG referred to in the paragraph headed "Expert's qualifications and consents" in this appendix;

(i) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix;

(j) the circular of the Company dated 22 June 2009 in relation to the very substantial acquisition relating to the agreement dated 1 June 2009 between the Company, Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited in relation to the termination and cancellation of the lease agreement dated 18 August 1999 between APT (HK) and Telesat Asia Pacific Satellite (HK) Limited, as amended and supplemented, and the ancillary satellite service agreement in respect of APSTAR-2R/Telestar 10;

(k) the circular of the Company dated 19 October 2009 in relation to the very substantial acquisition relating to the Satellite Procurement Contract;

(l) the circular of the Company dated 27 November 2009 headed continuing connected transaction relating to the agreement entered into between the Company and 中國衛星通信集團公司 (China Satellite Communications Corporation) dated 10 November 2009 in relation to, among other things, the provision of satellite transponder service in Mainland China by the Group to 中國衛星通信集團公司 (China Satellite Communications Corporation); and

(m) this circular.