THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of APT Satellite Holdings Limited.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

MAJOR TRANSACTION
SATELLITE PROCUREMENT CONTRACT IN RESPECT OF APSTAR 7B SATELLITE
MAJOR AND CONNECTED TRANSACTION
LAUNCH SERVICES AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE
VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
CO-OPERATION AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE
AND
NOTICE OF SPECIAL GENERAL MEETING

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

Access Capital

A letter from the Board is set out on pages 5 to 27 of this circular.

A letter from the Independent Board Committee is set out on pages 28 to 29 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 30 to 44 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, 3 June 2010 at 11:00 a.m. is set out on pages 144 to 145 of this circular. Whether or not you are able to attend the meeting, please 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, not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the special general meeting or any adjournment thereof if you so wish.

17 May 2010

CONTENTS

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

"APSTAR 7B Satellite"	a Spacebus 4000 C2 Platform having 28 C-band and 23 Ku-band high power geostationary communications satellite
"APSTAR 7B Satellite Launch Services Agreement"	the agreement dated 23 April 2010 entered into between APT (HK) and the Launch Contractor for the provision of launch and associated services of the APSTAR 7B Satellite at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC
"APSTAR 7B Satellite Procurement Contract"	a contract for the procurement of APSTAR 7B Satellite dated 23 April 2010 between APT (HK) and the Satellite Contractor in respect of the manufacturing and delivering on ground the APSTAR 7B 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 51.68% of the issued share capital of the Company as at the date of this circular
"Associate(s)"	has the same meaning as defined in the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day other than Saturday and Sunday on which banks are open for business in Hong Kong and Paris
"CASC"	China Aerospace Science & Technology Corporation
"China Satcom"	中國衛星通信集團公司(China Satellite Communications Corporation), a state-owned enterprise in the PRC
"Co-operation Agreement"	the agreement dated 23 April 2010 entered into between APT HK and China Satcom in respect of financing arrangements under the APSTAR 7B Satellite Procurement Contract and the assignment of APT (HK)'s rights and obligations under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and insurance polices, if any, in respect of APSTAR 7B Satellite
"Company"	APT Satellite Holdings Limited, a company incorporated in Bermuda

"Deliverable Items"	the APSTAR 7B Satellite and other deliverable items, including but not limited to the dynamic satellite simulator, satellite control centre, base band subsystem to be delivered by the Satellite Contractor under the APSTAR 7B Satellite Procurement Contract
"Effective Date"	the date when (i) the both the Satellite Contractor and APT (HK) sign the APSTAR 7B Satellite Procurement Contract; and (ii) the amount of the down payment has been credited to the Contractor's bank account. If APT (HK) has made the down payment within 3 Business Days after the date of signing of the APSTAR 7B Satellite Procurement Contract, the Effective Date shall be the date of signing of the APSTAR 7B Satellite Procurement Contract
"Euro"	the official currency of the European Union
"Export Licence"	any governmental (except the People's Republic of China) export licences, permits, consents, approvals, authorizations or the like required
"Force Majeure"	any event beyond the reasonable control of any party and shall include but not limited to: (i) acts of God; (ii) acts of a public enemy; (iii) acts of a government; (iv) war and warlike events; (v) catastrophic weather conditions such as hurricanes, tornadoes or typhoons; (vi) fire, earthquakes, floods, epidemics, quarantine restriction, strikes, lockouts or other industrial disputes, sabotage, riots, embargoes; and (vii) other unforeseen and extraordinary events, which in every case are beyond the reasonable control and without fault or negligence of any party
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollar, the legal 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement and the transactions and arrangements contemplated thereunder

"Independent Financial Adviser"	Access Capital Limited, a corporation licensed 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement and the transactions and arrangements contemplated thereunder
"Independent Third Party(ies)"	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its subsidiaries and its connected persons or in the case of a corporation (the ultimate beneficial owner) their respective associates ("connected persons" and "associates" as defined in the Listing Rules)
"Independent Shareholders"	Shareholders other than APT International, CASC and their respective Associates
"Latest Practicable Date"	12 May 2010, 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
"Lender"	China Satellite Communications (Hong Kong) Corporation Limited, a company incorporated in Hong Kong and a subsidiary of China Satcom
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Loan Agreement"	the loan agreement dated 23 April 2010 between APT (HK) as borrower and the Lender as lender
"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 Contractor"	Thales Alenia Space France, a company incorporated under the laws of France and a wholly owned subsidiary of TAS

"SGM"	the special general meeting of the Company to be convened on Thursday, 3 June 2010 at 11:00 a.m. for the purpose of considering and approving the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement and the transactions and arrangements contemplated thereunder
"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
"TAS"	Thales Alenia Space, a company incorporated under the laws of France

An exchange rate of Euro 1 to HK$10.273 has been adopted as the conversion rate of Euro into HK Dollars and an exchange rate of US$1 to HK$7.8 has been adopted as the conversion rate of US dollars into HK Dollars for the purpose of this circular. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any others 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:
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

17 May 2010

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION
SATELLITE PROCUREMENT CONTRACT IN RESPECT OF APSTAR 7B SATELLITE

MAJOR AND CONNECTED TRANSACTION
LAUNCH SERVICES AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
CO-OPERATION AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The board of directors of the Company announced that on 23 April 2010, APT (HK), a wholly owned subsidiary of the Company, entered into:–

(i) the APSTAR 7B Satellite Procurement Contract with the Satellite Contractor, an Independent Third Party, for the manufacturing and delivering of APSTAR 7B Satellite, a Spacebus 4000 C2 Platform with 28 C-band and 23 Ku-band high power geostationary communications satellite;

(ii) the APSTAR 7B Satellite Launch Services Agreement with the Launch Contractor, for the provision of launch and associated services of the APSTAR 7B Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC;

(iii) the Co-operation Agreement with China Satcom pursuant to which China Satcom will arrange financing to APT (HK) for the specific purpose of payment of the progress payments under the APSTAR 7B Satellite Procurement Contract. In the event that the launch of APSTAR 7 Satellite is successful and APSTAR 7 Satellite is in commercial operation, APT (HK) will assign all its rights under the APSTAR 7B Satellite Procurement Contract at a consideration equal to all payments made by APT (HK). In the event that the APSTAR 7B Satellite Launch Services Agreement becomes operative and insurance policy in respect of the launch has been taken by APT (HK) for APSTAR 7B Satellite, the same will be assigned together with the APSTAR 7B Satellite Procurement Contract to China Satcom at cost;

(iv) the Loan Agreement with the Lender in relation to the provision of a facility by the Lender for the progress payments of the APSTAR 7B Satellite Procurement Contract up to Euro 100,000,000 or equivalent amount in US dollars (approximately HK$1,027,300,000).

The signing of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the Loan Agreement are the precautionary steps in the implementation of the Company's backup plan for the commissioning of APSTAR 7 Satellite for the replacement of APSTAR 2R Satellite. APSTAR 7 Satellite is scheduled to be launched during the first half of 2012 and the initial launch period of APSTAR 7B Satellite is between 15 July 2012 and 15 October 2012 (in case the launch of APSTAR 7 Satellite is not successful).

The purpose of this circular is to provide you with, among other matters, (i) further information on the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement, the Loan Agreement and the transactions contemplated thereunder; (ii) information required under Chapter 14 of the Listing Rules; (iii) the recommendation of the Independent Board Committee; (iv) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the Loan Agreement; and (v) a notice convening the SGM.

APSTAR 7B SATELLITE PROCUREMENT CONTRACT

Date	:	23 April 2010
Parties	:	(i) APT (HK), a wholly-owned subsidiary of the Company (ii) the Satellite Contractor To the best of the directors' knowledge, information and belief, having made all reasonable enquiry, the Satellite Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).
Subject Matter	:	The Satellite Contractor will (a) manufacture and deliver the APSTAR 7B Satellite to APT (HK) in accordance with the delivery schedule as defined in the APSTAR 7B Satellite Procurement Contract, including, inter alia, (i) the design, development, manufacture, assembly, integration, test and shipment of the APSTAR 7B Satellite; (ii) the performance of the launch campaign, launch and early operational phase, in-orbit test and on site support; (iii) the delivery of APSTAR 7B Satellite and other deliverable items, including but not limited to dynamic satellite simulator, satellite control centre and base band subsystem and the provision of all necessary personnel, materials, equipment, services, technical data and information, facilities and documentation and (b) online support for in-orbit operation through the lifetime of the APSTAR 7B Satellite. It is expected that the APSTAR 7B Satellite shall have a nominal operational lifetime of 5,475 days after final acceptance. The Satellite Contractor undertakes to perform the technical interface between the APSTAR 7B Satellite and the designated launch vehicle ensuring full compatibility between the APSTAR 7B Satellite and the designated launch vehicle according to its interface manual.
Contract Price	:	The total contract price under the APSTAR 7B Satellite Procurement Contract comprises: a) the APSTAR 7B Satellite, and related services and Deliverable Items (save for items in (b)): an aggregate of Euro 110,400,000 (approximately HK$1,134,139,000); and b) satellite control centre and base band subsystem: an aggregate of Euro 1,900,000 (approximately HK$19,519,000); and

c) On-line support for in-orbit operations and on site support: an aggregate of Euro 2,300,000 (approximately HK$23,627,900).

APT (HK) shall pay the down payment equivalent to Euro 2,400,000 (approximately HK$24,655,000) within 10 days after the date of signing of the APSTAR 7B Satellite Procurement Contract.

The contract price shall be paid by APT (HK) to the Satellite Contractor in accordance with the payment plan in the APSTAR 7B Satellite Procurement Contract upon completion of each applicable progress, within 30 days from the date of receipt of such invoice, in Euros.

In case of delayed payment, interest calculated at average 1 month Euro Interbank Offer Rate for the calendar month (when the delay first occurs) + 1.5% per annum shall be charged until actual payment.

Major Conditions : The APSTAR 7B Satellite Procurement Contract is subject to the approval of the Company. If APT (HK) does not obtain the said approval from the Company within 45 days after the Effective Date, the APSTAR 7B Satellite Procurement Contract shall be deemed terminated, unless otherwise agreed by the parties. In case of such termination, the Satellite Contractor shall be entitled to keep the amount of the down payment received from APT (HK) and APT (HK) shall pay to the Satellite Contractor an amount of Euro 4,100,000 (approximately HK$42,119,000) within 10 days after the date of termination.

Delivery : The Satellite Contractor shall deliver the APSTAR 7B Satellite to the nearest airport of the designated launch site no later than 27 months after the Effective Date.

If the APSTAR 7B Satellite is not delivered by the delivery date as stated above, the Satellite Contractor agrees to pay to APT (HK), as liquidated damages of Euro 43,012.5 (approximately HK$441,867), Euro 86,025 (approximately HK$883,735) and Euro 57,350 (approximately HK$589,157) for each day of delay in the first, second and third 40 days of delay periods respectively, except for the first 30 days of delay where the liquidated damages payment for the first 30 days will not be paid until the occurrence of the 31st day of delay.

The maximum payment to APT (HK) for the late delivery of the APSTAR 7B Satellite is Euro 7,455,500 (approximately HK$76,590,352). The liquidated damages is subject to a 30% reduction in case the launch of APSTAR 7B Satellite is also delayed for reasons not attributable to the Satellite Contractor.

If the APSTAR 7B Satellite is not available for the completion of the launch readiness review within 35 days after the date of its delivery to the designated launch site for reasons attributable to the Satellite Contractor, then the Satellite Contractor shall pay to APT (HK) an amount of Euro 18,000 (approximately HK$184,914) for each day of delay starting from the 36th day after the date of its delivery, up to a maximum of Euro 810,000 (approximately HK$8,321,130). The liquidated damages provided above shall be in lieu of all other rights by law, in equity or contract and shall be the sole remedy to which APT (HK) shall be entitled for late delivery of the APSTAR 7B Satellite, other than the right to terminate for default by the Satellite Contractor.

Title and Risk : The transfer of title and risk to the APSTAR 7B Satellite shall pass to APT (HK) upon lift-off of the launch vehicle from the ground support equipment.

Transfer of risk and the transfer of title to the Deliverable Items (other than the APSTAR 7B Satellite) and the documentation shall pass to APT (HK) at the time of physical delivery and final acceptance of the APSTAR 7B Satellite.

Termination : (1) APT (HK), may by written notice to the Satellite Contractor, terminate the APSTAR 7B Satellite Procurement Contract in whole or in part, prior to completion. In such event, it is agreed that the termination charges applicable to any portion of the work under the APSTAR 7B Satellite Procurement Contract shall be negotiated but shall in no event exceed the total costs, direct and indirect, incurred by the Satellite Contractor in the performance of the work prior to the termination of the contract, including reasonable costs properly incurred with respect to termination and settlement with vendors and subcontractors as a result of such termination, plus a 6% profit on such costs.

(2) APT (HK) may terminate the APSTAR 7B Satellite Procurement Contract in whole or in part by written notice of default if:

(a) the Satellite Contractor fails to deliver the APSTAR 7B Satellite to the place of delivery on or before 120 days after the scheduled delivery date; or

(b) the Satellite Contractor fails to perform any of its material obligations and has not cured such failure within 45 days after receipt from APT (HK) of a written notice of such default; or

(c) the Satellite Contractor becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filing thereof; or

(d) the Satellite Contractor is unable (i) to confirm to APT (HK) in writing by the Effective Date plus 120 days any Export Licence (except for satellite propellant) have been or will be obtained by the Effective Date plus 180 days; or (ii) to obtain by the Effective Date plus 180 days any Export Licence (except for satellite propellant) or a letter issued by the concerned governmental authorities exempting the Satellite Contractor from such export licences.

Upon such partial or complete termination, the Satellite Contractor shall, within 2 months reimburse to APT (HK) any amount paid to it under the APSTAR 7B Satellite Procurement Contract up to the date of termination plus an additional sum ranging from 4% to 8% of such reimbursement (depending on the circumstances of termination).

(3) The Satellite Contractor shall be entitled to, after providing written notice to APT (HK), to stop all or part of the work if:

(a) APT (HK) fails to make any undisputed payment to the Satellite Contractor within 30 days after such payment has become due and payable; or

(b) APT (HK) fails to perform any of its material obligations under the APSTAR 7B Satellite Procurement Contract, and has not cured such failure within 30 days after receipt from the Satellite Contractor of a written notice of such default.

Upon such work stoppage, APT (HK) shall indemnify the Satellite Contractor against all reasonable costs and expenses properly incurred by the Satellite Contractor in respect of such stoppage and any subsequent resumption of the work, provided that the Satellite Contractor shall take all reasonable steps to minimise the occurrence of such costs and expenses.

Indemnity : (1) Each party shall indemnify and hold harmless the other party, its officers, employees, agents, assignees or successors or any of them ("Indemnitees") from any loss, damage, liability or expense, resulting from any loss or damage to property or injury, or death to persons, arising from any occurrence in the performance of the APSTAR 7B Satellite Procurement Contract until the transfer of title to the APSTAR 7B Satellite to APT (HK), except to the extent caused by any fault or negligent act or omission of the Indemnitees and subject to the aggregate liability of Euro 20,000,000 (approximately HK$205,460,000).

(2) After the engine start command is sent to the launch vehicle for the purpose of launch and subject to the limitation of liability, APT (HK) shall indemnify and hold harmless the Satellite Contractor and its subcontractors, their employees and/or representatives from any and all liabilities which may arise from losses or damages of any kind suffered by third parties including but not limited to those suffered by employees, and representatives of such third parties and the customers of APT (HK) arising out of the operation of the APSTAR 7B Satellite, provided that such losses or damages are not caused by gross negligence or wilful misconduct of the Satellite Contractor. The launch and in-orbit insurance taken by APT (HK) to cover its exposure shall include a waiver of subrogation against the Satellite Contractor, its subcontractors and their employees and/or representatives and insurance companies.

(3) The Satellite Contractor shall indemnify and hold harmless APT (HK), its directors, officers, shareholders, employees, agents, and consultants from and against any liability, expense or legal and similar costs as a result of any threatened or actual claim or action alleging the infringement of any patent, copyright, or industrial design, mask work, trademark, or any other intellectual property right, or alleging unauthorised use or disclosure of any proprietary technical data and information in respect of the APSTAR 7B Satellite or any other item delivered or used under the APSTAR 7B Satellite Procurement Contract or in respect of all activities and services to be performed by the Satellite Contractor under the APSTAR 7B Satellite Procurement Contract.

Guarantees :

(1) The Satellite Contractor shall arrange the issuance of a parent company guarantee equivalent to the total contract price by TAS in favour of APT (HK) within 2 months after the Effective Date, which shall be valid from the Effective Date up to the date of completion of in-orbit acceptance review of the APSTAR 7B Satellite or the Effective Date plus 34 months or the date on which APT (HK) notifies the Satellite Contractor of the termination of the APSTAR 7B Satellite Procurement Contract or the date on which the Satellite Contractor is entitled to terminate the APSTAR 7B Satellite Procurement Contract, whichever comes earlier.

(2) The Satellite Contractor shall arrange the issuance of a parent company guarantee by TAS in favour of APT (HK) within 1 month after the in-orbit acceptance review, which shall be valid during the nominal operation lifetime of the APSTAR 7B Satellite and the total amount shall be Euro 10,160,000 (approximately HK$104,373,680).

(3) APT (HK) shall arrange the issuance of a parent company guarantee by the Company equivalent to the total contract price in favour of the Satellite Contractor within 2 months after the Effective Date, which shall be valid from the Effective Date up to the date of completion of in-orbit acceptance review of the APSTAR 7B Satellite or the Effective Date plus 34 months, or on the date upon the APSTAR 7B Satellite Procurement Contract is assigned, whichever becomes earliest.

Assignment	:	APT (HK) shall be entitled to assign, by written notice to the Satellite Contractor, the APSTAR 7B Satellite Procurement Contract to China Satcom. In the case of any such assignment, China Satcom shall assume all the rights and obligations of APT (HK) under the APSTAR 7B Satellite Procurement Contract (including liability, jointly and severally with APT (HK), for any past breaches of this contract). The Satellite Contractor shall unconditionally enter into an amendment to the APSTAR 7B Satellite Procurement Contract with APT (HK) and China Satcom upon receiving such written notice from APT (HK) regarding the assignment.

Basis of consideration and funding of APSTAR 7B Satellite

The contract price and the terms of the APSTAR 7B Satellite Procurement 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 loan facility arranged under the Loan Agreement and internal resources of the Company.

Reasons and benefits for entering into the transaction

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. The Company entered into the APSTAR 7 Satellite Procurement Contract with the Satellite Contract or shortly after the completion of the termination of the 1999 lease agreement and ancillary agreement in respect of APSTAR 2R Satellite in July 2009, for the replacement of APSTAR 2R Satellite, which will expire at the end of 2012. It is intended that APSTAR 7 Satellite will replace APSTAR 2R Satellite in the first half of 2012. The entering into of the APSTAR 7B Satellite Procurement Contract is a precautionary step taken in respect of the backup plan for the replacement of APSTAR 2R Satellite in case APSTAR 7 Satellite cannot successfully replace APSTAR 2R Satellite.

The directors of the Company (including the independent non-executive directors) believe that the terms of the transaction (including the forfeiture provision in the event the Company's approval is not obtained, having regard to the agreement by the Satellite Contractor to commence preparation of manufacturing of APSTAR 7B Satellite after the Effective Date to meet the delivery schedule and the minimal risk that shareholders approval is not obtained) are fair and reasonable and in the interests of the shareholders as a whole.

It is expected that approval by the Company of the APSTAR 7B Satellite Procurement Contract will be given to APT (HK) after the approval by Independent Shareholders at the SGM of the transactions contemplated under the Co-operation Agreement (including the provision of loan facility under the Loan Agreement). In the absence of any unforeseeable circumstances, the Company considers that the risk associated with the forfeiture of the down payment and the payment of the compensation in the event that APT (HK) fails to proceed with the transaction is minimal.

Information on the parties to the APSTAR 7B Satellite Procurement Contract and their respective holding companies

The Satellite Contractor

The Satellite Contractor, is a company organised under the laws of France and a wholly owned subsidiary of TAS. The Contractor is the counterparty to the APSTAR 7B Satellite Procurement Contract, pursuant to which it shall manufacture and deliver to APT (HK) the APSTAR 7B Satellite.

TAS

TAS, a company organised under the laws of France, is a European leader in satellite systems and major player in orbital infrastructures. TAS is a joint venture between Thales (67%) and Finmeccanica (33%). TAS sets the global standard in solutions for space telecoms, radar and optical earth observation, defence and security, navigation and science. The company possess industrial sites in France, Italy, Spain and Belgium. Further information of TAS can be obtained from its website: www.thalesaleniaspace.com.

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 related services.

APSTAR 7B SATELLITE LAUNCH SERVICES AGREEMENT

Date	:	23 April 2010
Parties	:	(1) APT (HK)
		(2) the Launch Contractor
		The Launch Contractor is a subsidiary of CASC and CASC and its associates are interested in approximately 57.14% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.68% 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 7B Satellite (the launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC within the initial launch period between 15 July 2012 and 15 October 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 7B 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$67,000,000 (approximately HK$522,600,000), subject to deduction. APT (HK) shall pay the first payment equivalent to US$3,250,000 (approximately HK$25,350,000) within 30 days upon receipt of notification of payment by the Launch Contractor, provided that such payment shall no later than 31 January 2011. Subject to the Optional Services, the remaining of the contract price shall be paid by APT (HK) to the Launch Contractor not later than 2 months prior to the launch. All payments under the APSTAR 7B Satellite Launch Services Agreement 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 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, 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 APSTAR 7B Satellite Launch Services Agreement, 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 APSTAR 7B Satellite Launch Services Agreement, 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 APSTAR 7B Satellite Launch Services Agreement is subject to the Independent Shareholders' approval to be obtained in a shareholders' general meeting of the Company to be held.

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

APT (HK) is entitled to terminate the APSTAR 7B Satellite Launch Services Agreement:

(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 APSTAR 7B Satellite Launch Services Agreement 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 APSTAR 7B Satellite Launch Services Agreement 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 APSTAR 7B Satellite Launch Services Agreement. 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 7B 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 7B 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 : 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$2,000,000 (approximately HK$15,600,000). The amount of consideration payable for the Optional Services will be subject to actual usages.

Governing law : the PRC laws

Basis of consideration

The contract price and the terms of the APSTAR 7B Satellite Launch Services Agreement 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 transaction

The entering into the APSTAR 7B Satellite Launch Services Agreement is in line with the Company's backup plan for the replacement of APSTAR 2R Satellite. In the event that the launch of APSTAR 7 Satellite fails, APT (HK) will launch APSTAR 7B Satellite to replace APSTAR 2R Satellite before its expected expiration by the end of 2012.

The Directors (excluding 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 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 China to government and private entities. It is the counterparty to the APSTAR 7B Satellite Launch Services Agreement, pursuant to which it shall provide the launch and associated services of the APSTAR 7B Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC.

CO-OPERATION AGREEMENT

Date	:	23 April 2010
Parties	:	(1) APT (HK) (2) China Satcom China Satcom is a subsidiary of CASC and CASC and its associates are interested in approximately 57.14% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.68% interest in the Company, China Satcom is therefore a connected person of the Company under the Listing Rules.
Subject Matter	:	China Satcom and APT (HK) will co-operate in the procurement of APSTAR 7B Satellite. China Satcom will arrange financing to APT (HK) for the specific purpose of payment of the progress payments under the APSTAR 7B Satellite Procurement Contract.

In the event that launch of APSTAR 7 Satellite is successful and in commercial operation, APT (HK) will assign all APT (HK)'s rights under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policies (if any) in respect of APSTAR 7B Satellite, on an as-is basis, to China Satcom. Such assignments shall be collectively referred to as the "Assignment".

APT (HK) is entitled to launch APSTAR 7B Satellite to replace APSTAR 2R Satellite no later than 30 September 2012 in the event of (i) the delay in delivery of APSTAR 7 Satellite or (ii) failure in the launch of APSTAR 7 Satellite provided that APT (HK) shall inform China Satcom of the same no later than 30 September 2012 in written.

APT (HK) shall indemnify China Satcom all costs and expenses reasonably incurred upon receipt of invoices, subject to a maximum of US$500,000 (approximately HK$3,900,000) in case the conditions precedent for the Assignment shall not be satisfied. APT (HK) shall repay all loan and interest accrued under the Loan Agreement (as described below) received by no later than 31 December 2012.

Conditions Precedent for the Co-operation Agreement to become effective	:	The Co-operation Agreement will not be effective until: (i) the Satellite Contractor and APT (HK) sign the APSTAR 7B Satellite Procurement Contract, the relevant reporting, announcement and independent shareholders' approval requirement under the Listing Rules be complied and the APSTAR 7B Satellite Procurement Contract becomes effective; and (ii) the relevant reporting, announcement and approval requirement under the Listing Rules in respect of Co-operation Agreement having been complied with.
Precedents for the Assignment	:	The Assignment is conditional on the success in the launch of APSTAR 7 Satellite to designated orbital position and the relevant in-orbit tests is successful and APSTAR 7 Satellite is in commercial operation, replacing APSTAR 2R Satellite during the first half of 2012.
Consideration	:	(1) China Satcom will be assigned all rights and liabilities under the APSTAR 7B Satellite Procurement Contract at a consideration equal to all payments (including the down payment) made by APT (HK).

		(2) In respect of the APSTAR 7B Satellite Launch Services Agreement and insurance policy in respect of the launch has been taken by APT (HK) for APSTAR 7B Satellite, the same will be assigned to China Satcom at cost. Shareholders and investors should note that APT (HK) may not take out insurance policy until 2012, the premium payable will be subject to market conditions.
Payment of consideration for the Assignment	:	(1) 50% of the consideration shall be paid by China Satcom upon receipt of written notice of assignment by APT (HK); and (2) the remaining 50% of the consideration shall be paid by China Satcom upon the unconditionally entering into the amendment to the APSTAR 7B Satellite Procurement Contract by APT (HK), China Satcom and the Satellite Contractor.
Title and Risk	:	The transfer of all risks under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and insurance policy (if any) in respect of the launch (including but not limited to risks of technology, commerce, launch, test and monitoring) shall pass to China Satcom upon completion of the transaction contemplated under the Co-operation Agreement.
Termination	:	Each party to the Co-operation Agreement may terminate the Co-operation Agreement by 7 days prior written notice without any liability if: (a) the other party to the Co-operation Agreement breaches or fails to comply any provision of the Co-operation Agreement and fails to remedy within 30 days of its receipt of a notice regarding its breaches or defaults; or (b) any Force Majeure which can not be resolved within 90 days since its occurrence; or (c) the non-satisfaction of the conditions precedent for the Assignment within specified time; or (d) agreed by all parties to the Co-operation Agreement.
Undertakings	:	APT (HK) shall not alter the design of APSTAR 7B Satellite or the terms of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement or the insurance policy without the prior consent of China Satcom.
Governing law	:	the PRC laws

Basis of consideration and use of proceeds

The consideration payable by China Satcom is arrived at with reference to the price payable by APT (HK) under the relevant satellite procurement contract, launch service agreement and insurance policy. The proceeds received by APT (HK) in respect of the assignment of rights under the APSTAR 7B Satellite Procurement Contract. APSTAR 7B Satellite Launch Services Agreement and the insurance policy to be taken will be applied by APT (HK) to repay the loan it received under the Loan Agreement (as more particularly described below).

Reasons and benefits for entering into the transaction

Notwithstanding the possibility of an unsuccessful launch of APSTAR 7 Satellite is low, as a precautionary action, APT (HK) has to enter into the APSTAR 7B Satellite Procurement Contract as soon as practicable for the backup plan to replace APSTAR 2R Satellite. China Satcom also requires the acquisition of a satellite for its commercial operation in a longer term. The parties will both benefit from the synergy as a result of the entering into of the Co-operation Agreement whereby the cost of entering into satellite procurement contracts will be reduced and the risk thereof is better controlled. Given the consideration payable by China Satcom is arrived at with reference to the price payable by APT (HK) under the relevant satellite procurement contract, launch service agreement and insurance policy, it is not expected that the Company will have any significant gain on the Assignment. Nevertheless, the Company's cost incurred in respect of this backup plan is expected to be aggregated financial cost in respect of the Loan Agreement.

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 of China Satcom

China Satcom is a wholly-owned subsidiary of CASC, which is a state-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. China Satcom is a renowned satellite operator in Mainland China providing satellite communication services.

LOAN AGREEMENT

Date	:	23 April 2010
Parties	:	(1) APT (HK); and
		(2) the Lender
		To the best of the directors' knowledge, information and belief, having made all reasonable enquiry, the Lender is a subsidiary of China Satcom and thus a connected person of the Company.

Facility Amount	:	The Lender will provide a facility of up to Euro 100,000,000 or equivalent amount in US dollars (approximately HK$1,027,300,000) for the specific purpose of payment of the progress payments under the APSTAR 7B Satellite Procurement Contract.
Period	:	The facility will be made to APT (HK) by instalments no later than 3 business days prior to each progress payment date under the APSTAR 7B Satellite Procurement Contract, provide that an irrevocable drawdown notice is issued to the Lender 10 days prior to each drawdown.
Interest rate	:	Cost of fund of the Lender, which will be determined with reference to the then prevailing bank lending rate immediately prior to each progress payment under the APSTAR 7B Satellite Procurement Contract.
Conditions Precedent for drawdown	:	The Company having complied with applicable reporting, announcement and independent shareholders' approval requirement under the Listing Rules.
Repayment	:	APT (HK) shall repay the facility together with all interests accrued thereon in full no later than 31 December 2012. In the event that the Assignment does not occur due to non-satisfaction of the precedents for the Assignment, APT (HK) shall repay (i) 5% of the facility no later than 30 September 2012 and (ii) the remained 95% shall be repaid no later than 31 December 2012, together with all interests accrued.
Prepayment	:	APT (HK) may prepay all or part of the facility and interests payable, without penalty.
Default	:	If APT (HK) fails to repay (including the interest accrued) on or before 31 December 2012 (or other date agreed by the parties to the Loan Agreement), an interest representing the Lender's cost of fund on the unpaid amount shall be payable from the due date to the date of full repayment.
Governing law	:	Hong Kong laws

Reasons and benefits for entering into the transaction

In view of the nature of the transactions contemplated under Co-operation Agreement, the rights of the APSTAR 7B Satellite Procurement Contract will be transferred and assigned to China Satcom upon fulfilment of the transfer conditions thereunder and that China Satcom will have to pay a consideration representing all progress payments made by APT (HK) under the APSTAR 7B Satellite Procurement Contract and APSTAR 7B Satellite Launch Services Agreement, the low possibility of an unsuccessful launch of APSTAR 7 Satellite, the loan made by the Lender will facilitate and serve as an orderly and smooth payment of the progress payments by China Satcom and alleviate the financial burden on APT (HK). Further, it is expected that the Lender is able to obtain a more favourable interest rate from banks than APT (HK).

Information on the Lender

The Lender is a wholly-owned subsidiary of China Satcom and its principal activities comprise provision of satellite communications engineering services and related service.

FINANCIAL EFFECT OF THE TRANSACTIONS OF THE GROUP

Based on the unaudited pro forma financial information of the Group as set out in Appendix II to this circular, assuming APSTAR 7 Satellite will be successfully launched in the first half of 2012 and rights under the APSTAR 7B Satellite Procurement Contract and APTSTAR 7B Satellite Launch Services Agreement will be assigned to China Satcom under the Co-operation Agreement, there would have been an increase of approximately HK$975,705,000 in the Group's current assets. The payment under the APSTAR 7B Satellite Procurement Contract and the APSTAR 7B Satellite Launch Services Agreement would have been funded by the Loan Agreement and internal resources and this would result in a net decrease of HK$25,350,000 in cash and an increase of HK$9,352,000 and HK$979,655,000 in the short-term and long-term liabilities, respectively. Ultimately, there would have been a net increase of HK$950,355,000 in net current assets and a net increase of HK$950,355,000 in total assets with net assets decreased slightly from HK$2,289,157,000 to HK$2,250,505,000.

When APSTAR 7 Satellite has been successfully launched during the first half of 2012, all payments related to APSTAR 7B Satellite Procurement Contract and APSTAR 7B Satellite Launch Services Agreement shall be fully reimbursed under the Co-operation Agreement, except the estimated borrowing cost of HK$38,652,000, which is directly related to arranging financing for APSTAR 7B Satellite, would be recognised as impairment losses on property, plant and equipment, as such costs must be borne by the Group under the Co-operation Agreement. Accordingly, profit for the year would be reduced by HK$38,652,000.

In the event that APSTAR 7 Satellite failed to launch in the first half of 2012 and the APSTAR 7B Satellite will be launched by the Group, there would have been an increase of approximately HK$1,753,071,000 in the Group's property, plant and equipment. The payment under the APSTAR 7B Satellite Procurement Contract would have been funded by the Loan Agreement whilst the payment under the APSTAR 7B Satellite Launch Services Agreement would have been funded by the internal resources and external borrowings in future and be payable in accordance with the payment plan stipulated in the contract. These would result in an increase in the short-term and long-term liabilities by approximately HK$9,352,000 and HK$1,568,383,000, respectively. Ultimately, the acquisition of APSTAR 7B would have been a net increase of HK$1,577,735,000 in total assets and there would not have any effect on earnings on the Group.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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. As APSTAR 2R Satellite will expire at the end of 2012, the Company entered into the APSTAR 7 Satellite Procurement Contract with the Satellite Contractor shortly after the completion of the termination of the 1999 lease agreement and ancillary agreement in respect of APSTAR 2R Satellite in July 2009. It is intended that APSTAR 7 Satellite will replace APSTAR 2R Satellite in the first half of 2012 for the business continuity and maintenance of customer base of APSTAR 2R Satellite. In an effort to control the risk of unsuccessful launch of APSTAR 7 Satellite and the replacement of APSTAR 2R Satellite in time before its expiry by APSTAR 7 Satellite, the Group has entered into the APSTAR 7B Satellite Procurement Contract which is a precautionary step taken in respect of the backup plan for the replacement of APSTAR 2R Satellite. With this backup plan in place, the Group is able to achieve a higher assurance and probability that the replacement of APSTAR 2R Satellite can take place as planned before its expiry at the end of 2012 such that the business continuity and customer base maintenance in respect of APSTAR 2R Satellite, which is important to the long-term development and business growth of the Group, can be assured. In the event APSTAR 7B Satellite has to be launched, APT (HK) will not assign its rights under the APSTAR 7B Satellite Procurement Contract together with the APSTAR 7B Satellite Launch Services Agreement and insurance policy (if any) to China Satcom, and therefore has to repay the facility taken under the Loan Agreement to China Satcom in full no later than 31 December 2012 with the Group's then financial resources available, including its internally generated funds, new banking facilities and compensation fund, if any, that would have been paid by insurance companies pursuant to the insurance policy as a result of the launch failure of APSTAR 7 Satellite.

LISTING RULES REQUIREMENTS

The satellite procurement contract in respect of APSTAR 7 Satellite entered into with the Satellite Contractor in September 2009 was a very substantial acquisition based on the relevant percentage ratios. Given that such contract was approved by the Shareholders in general meeting of the Company and the consideration payable under the APSTAR 7B Satellite Procurement Contract exceeds 25% but is less than 100% of the audited consolidated total assets of the Company as at 31 December 2009 and the market capitalisation of the Company, the transaction contemplated under the APSTAR 7B Satellite Procurement Contract constitutes a major transaction of the Company under the Listing Rules. APT International, the substantial shareholder of the Company holding approximately 51.68% interest in the Company, has approved the APSTAR 7B Satellite Procurement Agreement.

The APSTAR 7B Satellite Launch Services Agreement constitutes a connected transaction of the Company given the Launch Contractor is a subsidiary of CASC and CASC and its associates are interested in approximately 57.14% interests in APT International. As such, the APSTAR 7B Satellite Launch Services Agreement is subject to Independent Shareholders' approval at the SGM under Rule 14A.18 of the Listing Rules. Given that APT (HK) entered into a launch service agreement with the

Launch Contractor in respect of APSTAR 7 Satellite in November 2009, the values and the aggregate consideration payable under the two launch service agreements are aggregated. The aggregated value and aggregated consideration represent more than 25% but less than 100% of the audited consolidated total assets of the Company as at 31 December 2009 and the market capitalisation of the Company, respectively and the APSTAR 7B Satellite Launch Services Agreement constitutes a major transaction of the Company.

As China Satcom is a subsidiary of CASC, China Satcom is therefore a connected person of the Company under the Listing Rules. The Co-operation Agreement and the transactions and arrangements contemplated thereunder (being loan facility arranged by a subsidiary of China Satcom to APT (HK) under the Loan Agreement and the assignment of rights of APT (HK) under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policy in respect of APSTAR 7B Satellite in case APSTAR 7 Satellite is successfully launched and in commercial operation) will constitute connected transactions of the Company. As such, the Co-operation Agreement is subject to Independent Shareholders' approval at the SGM under Rule 14A.18 of the Listing Rules. The transactions contemplated under the Co-operation Agreement also constitute a very substantial disposal of the Company given the expected maximum aggregate consideration payable in respect of the assignment of rights exceeds 75% of the total assets and market capitalisation of the Company. APT International, China Satcom, CASC and their respective associates will be required to abstain from voting in respect of the resolutions approving the Co-operation Agreement, the APSTAR 7B Satellite Launch Services Agreement and the respective transactions and arrangements contemplated thereunder.

The provision of loan facility by the Lender, a subsidiary of China Satcom, under the Loan Agreement is without security and on normal commercial terms. As such, the financial assistance provided thereunder is exempt from disclosure and independent shareholders approval requirement pursuant to Rule 14A.65(4) of the Listing Rules.

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, 3 June 2010 at 11:00 a.m.. for the purpose of considering and, if thought fit, passing, among others, the ordinary resolution to approve the the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangements contemplated thereunder. A notice convening the SGM is set out on pages 144 to 145 of this circular.

As at the Latest Practicable Date, APT International held approximately 51.68%, CASC and its associates and a subsidiary of China Satcom held in aggregate approximately 10.42%, of the total issued share capital of the Company. In view of the interest of China Satcom in its subsidiary and the Launch Contractor is a subsidiary of CASC whose interest in APT International and CASC's associates, APT International, CASC and its associates will be required to abstain from voting in respect of the resolutions approving the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement and the respective transactions and arrangements contemplated thereunder.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please 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, 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 Shareholders 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 APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the Loan Agreement 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 resolutions to be proposed at the SGM to approve the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangement 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement for inclusion in this circular.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

17 May 2010

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
LAUNCH SERVICES AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
CO-OPERATION AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE

We have been appointed as the Independent Board Committee to advise you in connection with the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangements contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 17 May 2010 (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 APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangements contemplated thereunder. We wish to draw your attention to the letter from the Board on pages 5 to 27 of the Circular, which sets out information in connection with, among others, the major and connected transaction of the APSTAR 7B Satellite Launch Services Agreement and the very substantial disposal and connected transaction of the Co-operation Agreement in respect of APSTAR 7B Satellite 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement set out on pages 30 to 44 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement 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 resolutions to be proposed at the SGM to approve the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangements contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lui King Man	**Lam Sek Kong**	**Cui Liguo**
Independent Non-executive Directors	*Independent Non-executive Directors*	*Independent Non-executive Directors*

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

17 May 2010

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
LAUNCH SERVICES AGREEMENT IN RESPECT OF APSTAR 7B SATELLITE

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
CO-OPERATION AGREEMENT IN RESPECT OF APSTAR 7B 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 APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement, details of which are set out in the letter from the Board of Directors (the "Letter from the Board") contained in the circular dated 17 May 2010 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 26 April 2010, the Company announced, amongst other things, that APT (HK), a wholly-owned subsidiary of the Company, had, on 23 April 2010, entered into (i) the APSTAR 7B Satellite Launch Services Agreement with the Launch Contractor pursuant to which the Launch Contractor shall provide launch and associated services of the Group's APSTAR 7B Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, the PRC between 15 July 2012 and 15 October 2012 or such period as the parties may agree; and (ii) the Co-operation Agreement with China Satcom pursuant to which (a) China Satcom will arrange financing to APT (HK) for the specific purpose of payment of the progress payments under the APSTAR 7B Satellite Procurement Contract; (b) in the event that the launch of APSTAR 7 Satellite is successful and APSTAR 7 Satellite is in commercial operation, APT (HK) will assign all its rights under the APSTAR 7B Satellite Procurement Contract at a consideration equal to all payments made by APT (HK); and (c) in the event that the

APSTAR 7B Satellite Launch Services Agreement becomes operative and insurance policy in respect of the launch has been taken by APT (HK) for APSTAR 7B Satellite, the same will be assigned together with the APSTAR 7B Satellite Procurement Contract to China Satcom at cost.

Both the Launch Contractor and China Satcom are subsidiaries of CASC, which along with its associates, are interested in approximately 57.14% of APT International, which in turn is a substantial shareholder holding approximately 51.68% of the issued share capital of the Company. Accordingly, the Launch Contractor and China Satcom are connected persons of the Company within the meaning of the Listing Rules, and the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement constitute connected transactions pursuant to Chapter 14A of the Listing Rules and are subject to, among other things, the approval of the Independent Shareholders in a general meeting of the Company.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the respective terms of the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the respective resolutions to approve the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement.

2. 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 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.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

3.1 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 2009 which are extracted from the Company's annual reports for 2007, 2008 and 2009.

Income Statements
(Amount in HK$'000)

	For the year ended 31 December		
	2007	**2008**	**2009**
Turnover	451,626	403,672	578,115
Cost of services	(314,792)	(277,581)	(322,049)
Gross profit	136,834	126,091	256,066
Other net income	26,334	68,871	35,535
Administrative expenses	(81,896)	(84,838)	(80,680)
Valuation (losses)/gains on investment properties	226	(12)	(295)
Impairment loss recognised in respect of property, plant and equipment	(98)	(8,397)	–
Profit from operations	81,400	101,715	210,626
Finance cost	(55,345)	(24,844)	(4,868)
Gain from liquidation of a subsidiary	–	–	6,146
Share of results on jointly controlled entities	(894)	2,397	–
Gain on disposal of a subsidiary	–	3,193	–
Gain on disposal of a jointly controlled entity	–	9,590	–
Profit before taxation	25,161	92,051	211,904
Income tax	(20,445)	(42,551)	42,180
Profit for the year / period	4,716	49,500	254,084

Balance Sheets
(Amount in HK$'000)

	(As at 31 December)		
	2007	**2008**	**2009**
Non-current assets	2,630,528	2,227,631	2,705,554
Current assets	505,054	318,652	413,025
Current liabilities	(390,942)	(186,273)	(424,957)
Non-current liabilities	(755,949)	(319,445)	(404,465)
Net current (liabilities)/assets	114,112	132,279	(11,932)
Net assets	1,988,691	2,040,565	2,289,157

As noted in the table above, the Group recorded revenue of approximately HK$578.1 million for the year ended 31 December 2009, which represents an increase of approximately 43.2% from approximately HK$403.6 million for the year ended 31 December 2008. Furthermore, profit for the year increased by approximately 413.3% from approximately HK$49.5 million in 2008 to approximately HK$254.1 million for the year ended 31 December 2009. As mentioned in the annual report of the Company for the year ended 31 December 2009 (the "Annual Report"), the increases in revenue and profit for the year were primarily due to: (i) an increase of approximately 45% in revenue generated from the Group's Satellite Transponder Capacity Services and Related Services from HK$385,391,000 for the year ended 31 December 2008 to HK$557,749,000 for the year ended 31 December 2009. The increase was primarily due to certain customer contracts related to APSTAR 2R being assigned to the Group after the Group had completed the termination of a 1999 lease agreement and an ancillary agreement on 9 July 2009; (ii) a decrease in finance costs of approximately 80% from HK$24,844,000 in 2008 to HK$4,868,000 for the year ended 31 December 2009 due to the full repayment of certain banking facilities for APSTAR 5 and APSTAR 6 in 2008; and (iii) an income tax credit of HK$42,180,000 mainly due to deferred tax credit being recognised as a result of the termination of a lease agreement in relation to APSTAR 2R.

Consolidated audited net assets of the Group increased by approximately 12.2% from approximately HK$2,040.6 million as at the end of 31 December 2008 to approximately HK$2,289.2 million for the year ended 31 December 2009.

3.2 Reasons for entering into the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement

APSTAR 7B Satellite Launch Services Agreement

As explained in the circular of the Company dated 27 November 2009 (the "November 2009 Circular"), APT (HK) entered into the APSTAR 7 Satellite procurement contract to replace its APSTAR 2R satellite and had further entered into a launch services contract (the "Primary Launch Service Agreement") with the Launch Contractor for the provision of launch services in respect of the launch of APSTAR 7 Satellite between 1 February 2012 and 30 April 2012. The Primary Launch Service Agreement was approved by the Independent Shareholders at a special general meeting of the Company held on 17 December 2009.

Given the importance of the timely replacement of APSTAR 2R Satellite, and as mentioned in the Letter from the Board, the Company has entered into the APSTAR 7B Satellite Procurement Contract as a backup plan for any failure with APSTAR 7 Satellite. In addition to the construction of APSTAR 7B Satellite, and in order to provide the supporting launch for APSTAR 7B, the Company has also entered into the APSTAR 7B Satellite Launch Services Agreement, so that in the event that APSTAR 7 Satellite encounters any problems (whether in its construction, delivery, launch, etc.), the Company will still be able to implement such backup plan for the replacement of APSTAR 2R through APSTAR 7B during the launch window of 15 July 2012 and 15 October 2012.

As previously mentioned in the November 2009 Circular, 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. 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. The Launch Contractor also has an excellent track record in successful launches spanning over 30 years and has already successfully launched four of the Group's six satellites and only recorded one failed launch in 1995 of APSTAR 2. Furthermore, the Launch Contractor was responsible for the successful launch of APSTAR 6, the last satellite of the Group launched and which was built on the Spacebus SB4100 series satellite platform supplied by Alcatel Space, the predecessor to the Satellite Contractor behind both APSTAR 7 Satellite and APSTAR 7B Satellite. As such, given the strengths of the Launch Contractor and its experience in co-operation with the Satellite Contractor in all relevant technical aspects in relation to the launch of the Group's satellites, including the up-coming launch of APSTAR 7 Satellite, the Board considers that it is in the interests of the Company to utilise the services of the Launch Contractor again for this backup plan.

In light of the above, we concur with the Directors' view that, given the limited number of reliable commercial launch service providers, the track record of the Launch Contractor and the successful previous experience of and current cooperation between the Satellite Contractor and the Launch Contractor, the fact that the Launch Contractor is responsible for the launch of APSTAR 7 Satellite, the selection of the Launch Contractor for the launch of APSTAR 7B Satellite pursuant to the APSTAR 7B Satellite Launch Services Agreement is acceptable and in the interests of the Company and the Shareholders as a whole.

Co-operation Agreement

As mentioned above, the construction of APSTAR 7B Satellite is a precautionary measure by the Company for any potential failure in APSTAR 7 Satellite. As a result, and assuming that APSTAR 7 Satellite successfully replaces APSTAR 2R Satellite, APSTAR 7B Satellite will be rendered surplus to the Group's requirements. In this situation, the Company may be required to seek a buyer in the market for such surplus satellite. We understand from the Directors that identifying potential buyers in the satellite industry for APSTAR 7B Satellite, which has been built to such bespoke technical specifications, would be limited. As such, the Company may be faced with disposing of APSTAR 7B Satellite for an undesired value, or fully writing off such costs. In addition, APT (HK) would likely expense the first down payment of US$3,250,000 (approximately HK$25,350,000), which would be capitalized before the Assignment, as it would no longer require the Launch Contractor's services under the APSTAR 7B Satellite Launch Services Agreement.

As mentioned in the Letter from the Board, China Satcom has expressed its interest in a need for a comparable satellite for its longer term commercial operations. As such, the Company has entered into the Co-operation Agreement with China Satcom, not only to share the costs of the APSTAR 7B Satellite Procurement Contract by arranging financing for the progress payments under the APSTAR 7B Satellite Procurement Contract but also to assume the obligations of APT (HK) under the terms of the APSTAR 7B Satellite Procurement Contract and the APSTAR 7B Satellite Launch Services Agreement in the event that APSTAR 7 Satellite successfully commences full commercial operation. Given that China Satcom has agreed not only to share the economic burden of the construction of the backup satellite but will also take possession and assume all related costs of APSTAR 7B Satellite and related arrangement, if rendered surplus to the Group's requirements, the costs and risks to the Company in relation to APSTAR 7B satellite are effectively fully underwritten by an associated company. The Directors believe that the Co-operation Agreement is acceptable and in the interests of the Company and the Shareholders as a whole. We concur with this view.

3.3 Principal terms of the APSTAR 7B Satellite Launch Services Agreement

Set out below is a summary of the principal terms of the APSTAR 7B Satellite Launch Services Agreement:

Date	:	23 April 2010
Parties	:	(1) APT (HK); and (2) the Launch Contractor
Subject matter	:	The Launch Contractor shall provide the launch and associated services of APSTAR 7B 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 15 July 2012 to 15 October 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 APSTAR 7B 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$67,000,000 (approximately HK$522,600,000).

Payment terms	:	First down payment, equivalent to US$3,250,000 (approximately HK$25,350,000), shall be payable within 30 days upon receipt of notification of payment by the Launch Contractor, provided that such payment shall not be later than 31 January 2011. Subject to the Optional Services (as defined below), the remainder of the contract price shall be paid no later than 2 months prior to the launch. All payments under the APSTAR 7B Satellite Launch Services Agreement 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 APSTAR 7B Satellite Launch Services Agreement, 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 APSTAR 7B Satellite Launch Services Agreement, the Launch Contractor shall upon APT (HK)'s request offer better or more favourable terms and conditions including prices to APT (HK).
Major conditions	:	The APSTAR 7B Satellite Launch Services Agreement 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 APSTAR 7B Satellite Launch Services Agreement 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 APSTAR 7B Satellite Launch Services Agreement 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); or

(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 APSTAR 7B Satellite Launch Services Agreement. 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 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 "Optional Services"). 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$2,000,000 (approximately HK$15,600,000). 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 APSTAR 7B Satellite Launch Services Agreement, we consider it appropriate to compare the cost of the launch services provided for APSTAR 7B Satellite by the Launch Contractor with the cost of launch services provided for APSTAR 7 Satellite also by the Launch Contractor. As compared to the Primary Launch Service Agreement, the terms and contract price of the APSTAR 7B Satellite Launch Services Agreement are largely identical. The contract price of U$67,000,000 for the launch of APSTAR 7B Satellite is slightly lower than the contract price of US$68,000,000 for the launch of APSTAR 7 Satellite. However, under the terms of the APSTAR 7B Satellite Launch Services Agreement and given the nature of this arrangement as a contingency for any failure in APSTAR 7 Satellite, approximately US$3,250,000 (approximately HK$25,350,000) is payable as a down payment, no later than 31 January 2011 with the remainder (being approximately 95% of the contract price) only payable to the Launch Contractor two months before the date of launch, at the time when the Company is likely to be able to confirm whether or not the launch and commercial operation of APSTAR 7 is successful. We have also discussed with the Company the aforementioned terms of payment and have been advised by the Directors that such payment terms are in line with the Company's usual practice in relation to backup satellite launches.

Furthermore, we understand that the contract price and terms of the APSTAR 7B Satellite Launch Services Agreement have been negotiated on an arm's length basis and having regard to the earlier negotiation of the Primary Launch Service Agreement. As such, we are of the view that the contract price and terms of the APSTAR 7B Satellite Launch Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3.4 Principal terms of the Co-operation Agreement

Set out below is a summary of the principal terms of the Co-operation Agreement:

Date	:	23 April 2010
Parties	:	(1) APT (HK); and (2) China Satcom
Subject Matter	:	China Satcom and APT (HK) will co-operate in the procurement of APSTAR 7B Satellite. China Satcom will arrange financing to APT (HK) for the specific purpose of payment of the progress payments under the APSTAR 7B Satellite Procurement Contract. In the event that launch of APSTAR 7 Satellite is successful and in commercial operation, APT (HK) will assign all APT (HK)'s rights under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policies (if any) in respect of APSTAR 7B Satellite, on an as-is basis, to China Satcom (such assignments shall be collectively referred to as the "Assignment"). APT (HK) is entitled to launch APSTAR 7B Satellite to replace APSTAR 2R Satellite no later than 30 September 2012 in the event of (i) the delay in delivery of APSTAR 7 Satellite; or (ii) failure in the launch of APSTAR 7 Satellite provided that APT (HK) shall inform China Satcom of the same no later than 30 September 2012 in written. APT (HK) shall indemnify China Satcom all costs and expenses reasonably incurred upon receipt of invoices, subject to a maximum of US$500,000 (approximately HK$3,900,000) in case the conditions precedent for the Assignment shall not be satisfied. APT (HK) shall repay all advances and interest accrued under the Loan Agreement (as described below) received by no later than 31 December 2012.

Conditions precedent for the Co-operation Agreement to become effective	:	The Co-operation Agreement will not be effective until: (i) the Satellite Contractor and APT (HK) sign the APSTAR 7B Satellite Procurement Contract, the relevant reporting, announcement and independent shareholders' approval requirement under the Listing Rules be complied and the APSTAR 7B Satellite Procurement Contract becomes effective; and (ii) the relevant reporting, announcement and approval requirement under the Listing Rules in respect of the Co-operation Agreement having been complied with.
Precedents for the Assignment	:	The Assignment is conditional on the success in the launch of APSTAR 7 Satellite to designated orbital position and the relevant in-orbit tests is successful and APSTAR 7 Satellite is in commercial operation, replacing APSTAR 2R Satellite during the first half of 2012.
Consideration	:	(1) China Satcom will be assigned all rights and liabilities under the APSTAR 7B Satellite Procurement Contract at a consideration equal to all progress payments (including the down payment) made by APT (HK). (2) In respect of the APSTAR 7B Satellite Launch Services Agreement and insurance policy in respect of the launch has been taken by APT (HK) for APSTAR 7B Satellite, the same will be assigned to China Satcom at cost. APT (HK) may not take out insurance policy until 2012, the premium payable will be subject to market conditions.
Payment of consideration for the Assignment	:	(i) 50% of the consideration shall be paid by China Satcom upon receipt of written notice of assignment by APT (HK); and (ii) the remaining 50% of the consideration shall be paid by China Satcom upon the unconditionally entering into the amendment to the APSTAR 7B Satellite Procurement Contract by APT (HK), China Satcom and the Satellite Contractor.

Title and risk	:	The transfer of all risks under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and insurance policy (if any) in respect of the launch (including but not limited to risks of technology, commerce, launch, test and monitoring) shall pass to China Satcom upon completion of the transaction contemplated under the Co-operation Agreement.
Termination	:	Each party to the Co-operation Agreement may terminate the Co-operation Agreement by 7 days prior written notice without any liability if: (a) the other party to the Co-operation Agreement breaches or fails to comply any provision of the Co-operation Agreement and fails to remedy within 30 days of its receipt of a notice regarding its breaches or defaults; or (b) any force majeure which cannot be resolved within 90 days since its occurrence; or (c) the non-satisfaction of the conditions precedent for the Assignment within specified time; or (d) agreed by all parties to the Co-operation Agreement.
Undertakings	:	APT (HK) shall not alter the design of APSTAR 7B Satellite or the terms of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement or the insurance policy without the prior consent of China Satcom.
Governing law	:	PRC laws

In assessing the fairness and reasonableness of the terms and the contract price of the Co-operation Agreement, we have considered this arrangement in the context of APSTAR 7B Satellite as a backup for APSTAR 7 Satellite and in light of the success or failure of APSTAR 7 Satellite.

In the event that APSTAR 7 Satellite successfully replaces APSTAR 2R Satellite, APT (HK) will take delivery of APSTAR 7B Satellite from the Satellite Contractor and assign all APT (HK)'s rights under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policies (if any) on an as-is basis to China Satcom. Such rights will be assigned, in respect of the APSTAR 7B Satellite Procurement Contract, at consideration equal to all progress payments made by the Company, and at cost in respect of the APSTAR 7B Satellite Launch Services Agreement and any insurance policy taken out (if any). As such, in the event that APSTAR 2R Satellite is successfully replaced by APSTAR 7 Satellite, the Company's obligations under the backup arrangements with regards to APSTAR 7B Satellite shall be assigned to China Satcom at no significant economic cost or risk to the Company, other than the financial costs in respect of the Loan Agreement.

In accordance with the terms of the Loan Agreement, the financial costs to the Company shall be equivalent to the cost of funds to the Lender, which shall be determined with reference to the prevailing bank lending rate immediately prior to each progress payment under the APSTAR 7B Satellite Procurement Contract. Given that such financial costs are expected to be at a cost no higher than the prevailing bank lending rate, which is equal to the Lender's own direct financial costs, we consider that the arrangement for the payment of the financial costs under the Loan Agreement to be fair and reasonable.

In the event that APSTAR 7 Satellite does not successfully replace APSTAR 2R, the Company shall be required to launch and deliver APSTAR 7B Satellite as a replacement for APSTAR 2R Satellite, in which case, the Assignment shall not occur and the obligations under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policies (if any), shall remain with the Company. In both events, China Satcom shall assist with arranging financing to APT (HK) for payment of the progress payments under the APSTAR 7B Satellite Procurement Contract.

Given that the construction of APSTAR 7B Satellite and its respective arrangements are for contingency purposes, the Co-operation Agreement offers the Company the opportunity to provide a full backup package at no additional cost or risk (other than the financial costs in respect of the Loan Agreement) if the package is not realised. Furthermore, China Satcom shall arrange financing to APT (HK) for payment under the APSTAR 7B Satellite Procurement Contract, thereby alleviating the financial burden on the costs of the backup plan. As such, we are of the view that the terms of the Co-operation Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3.5 Potential financial effects of the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement

As stated in the Letter from the Board, in respect of the APSTAR 7B Satellite Launch Services Agreement (assuming that the Company does not assign the agreement to China Satcom under the Co-operation Agreement), the contract price of US$67.0 million (approximately HK$522.6 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 financial information of the Group set out in Appendix II to the Circular, prepared to illustrate the effect of (i) the APSTAR 7B Satellite Procurement Contract; (ii) the APSTAR 7B Satellite Launch Services Agreement; and (iii) the Co-operation Agreement under the assumption that APSTAR 7B Satellite will be launched by the Group in case APSTAR 7 Satellite failed to launch in the first half of 2012, the Group would have net current liabilities of approximately HK$196,620,000, as compared to net current liabilities of approximately HK$11,932,000 as at 31 December 2009, although the Group's overall net asset position would remain unchanged as approximately HK$2,289,157,000 before and after the transactions.

On the other hand and assuming that APSTAR 7 Satellite will be successfully launched in 2012 and the rights under the APSTAR 7B Satellite Launch Services Agreement will be transferred to China Satcom under the Co-operation Agreement, the Group's overall net asset position would be reduced slightly from approximately HK$2,289,157,000 as at 31 December 2009 to approximately HK$2,250,505,000 as a result of the impairment loss of approximately HK$38,652,000, which represents the borrowing costs on the banking facilities in respect of APSTAR 7B Satellite. While all sums owed by APT (HK) under the APSTAR 7B Satellite Launch Services Agreement shall be fully reimbursed by China Satcom, the

Company is still liable, pursuant to the terms of the Co-operation Agreement, for any borrowing costs and other expenses directly related to arranging financing for APSTAR 7B Satellite.

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 APSTAR 7B Satellite Launch Services Agreement would not adversely affect the sufficiency of working capital of the Group.

4. RECOMMENDATION

Having considered the factors outlined in this letter, we are of the opinion that the terms of the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Furthermore, given the factors mentioned above, we are of the view that the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement have been made on normal commercial terms and in the ordinary and usual course of business. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to approve the APSTAR 7B Satellite Launch Services Agreement and the Co-operation Agreement at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited

Ambrose Lam
Principal Director

Alexander Tai
Principal Director

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Group for each of the years ended 31 December 2007, 2008 and 2009 and the audited consolidated balance sheets as at 31 December 2007, 2008 and 2009 which were extracted from annual reports of the Company for the years ended 31 December 2008 and 2009:–

CONSOLIDATED INCOME STATEMENT

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Turnover	578,115	403,672	451,626
Cost of services	(322,049)	(277,581)	(314,792)
Gross profit	256,066	126,091	136,834
Other net income	35,535	68,871	26,334
Administrative expenses	(80,680)	(84,838)	(81,896)
Valuation (losses)/gains on investment properties	(295)	(12)	226
Impairment loss recognised in respect of property, plant and equipment	–	(8,397)	(98)
Profit from operations	210,626	101,715	81,400
Finance costs	(4,868)	(24,844)	(55,345)
Gain from liquidation of a subsidiary	6,146	–	–
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	211,904	92,051	25,161
Income tax credit/(expense)	42,180	(42,551)	(20,445)
Profit for the year	254,084	49,500	4,716
Attributable to:			
Equity shareholders of the Company	254,084	49,587	5,581
Minority interests	–	(87)	(865)
Profit for the year	254,084	49,500	4,716
Earnings per share			
– Basic	61.48 cents	12.00 cents	1.35 cents
– Diluted	61.48 cents	12.00 cents	1.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	254,084	49,500	4,716
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries	(5,492)	3,205	1,368
Others	–	8	6
Total comprehensive income for the year	248,592	52,713	6,090
Attributable to:			
Equity shareholders of the Company	248,592	52,800	6,955
Minority interests	–	(87)	(865)
Total comprehensive income for the year	248,592	52,713	6,090

Note:

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, figures for 2007 have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

CONSOLIDATED BALANCE SHEET

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	2,521,953	2,183,468	2,508,321
Interest in leasehold land held for own use under an operating lease	14,068	14,444	14,820
Investment properties	4,864	5,159	5,171
Intangible asset	133,585	–	–
Interest in jointly controlled entities	–	–	3,529
Amount due from a jointly controlled entity	–	–	69,839
Club memberships	5,537	5,537	5,537
Prepaid expenses	25,547	19,023	14,137
Deferred tax assets	–	–	9,174
	2,705,554	2,227,631	2,630,528
Current assets			
Trade receivables, net	116,846	67,143	80,409
Deposits, prepayments and other receivables	11,730	26,728	23,240
Amount due from immediate holding company	219	155	101
Amount due from a jointly controlled entity	–	–	5,530
Other financial assets	–	102,277	–
Pledged bank deposits	8,300	808	83,749
Cash and cash equivalents	275,930	121,541	312,025
	413,025	318,652	505,054
Current liabilities			
Payables and accrued charges	198,859	41,335	38,727
Rentals received in advance	59,411	40,608	33,679
Loan from a minority shareholder	–	6,088	7,488
Secured bank borrowings due within one year	69,690	–	217,961
Current taxation	96,997	98,242	93,087
	424,957	186,273	390,942
Net current (liabilities)/assets	(11,932)	132,379	114,112
Total assets less current liabilities carried forward	2,693,622	2,360,010	2,744,640

	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Total assets less current liabilities brought forward	2,693,622	2,360,010	2,744,640
Non-current liabilities			
Secured bank borrowings due after one year	140,041	–	462,374
Deposits received	36,247	23,093	19,624
Deferred income	195,550	209,370	207,787
Deferred tax liabilities	32,627	86,982	66,164
	404,465	319,445	755,949
Net assets	2,289,157	2,040,565	1,988,691
Capital and reserves			
Share capital	41,327	41,327	41,327
Share premium	1,287,536	1,287,536	1,287,536
Contributed surplus	511,000	511,000	511,000
Capital reserve	9,217	9,330	9,557
Revaluation reserve	368	368	368
Exchange reserve	1,720	7,212	4,007
Other reserves	212	123	115
Accumulated profits	437,777	183,669	133,855
	2,289,157	2,040,565	1,987,765
Minority interests	–	–	926
Total equity	2,289,157	2,040,565	1,988,691

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 as published in the 2009 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 *$'000*	2008 *$'000*
Turnover	3 & 15	578,115	403,672
Cost of services		(322,049)	(277,581)
Gross profit		256,066	126,091
Other net income	4	35,535	68,871
Administrative expenses		(80,680)	(84,838)
Valuation losses on investment properties	18	(295)	(12)
Impairment loss recognised in respect of property, plant and equipment	16(a)	–	(8,397)
Profit from operations		210,626	101,715
Finance costs	5(a)	(4,868)	(24,844)
Gain from liquidation of a subsidiary	11	6,146	–
Share of results of jointly controlled entities		–	2,397
Gain on disposal of a subsidiary	9	–	3,193
Gain on disposal of a jointly controlled entity	10	–	9,590
Profit before taxation	5	211,904	92,051
Income tax credit/(expense)	6(a)	42,180	(42,551)
Profit for the year		254,084	49,500
Attributable to:			
Equity shareholders of the Company	12	254,084	49,587
Minority interests		–	(87)
Profit for the year		254,084	49,500
Earnings per share	14		
– Basic		61.48 cents	12.00 cents
– Diluted		61.48 cents	12.00 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	2009 *$'000*	2008 *$'000*
Profit for the year	254,084	49,500
Other comprehensive income for the year (after tax and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	(5,492)	3,205
Others	–	8
Total comprehensive income for the year	248,592	52,713
Attributable to:		
Equity shareholders of the Company	248,592	52,800
Minority interests	–	(87)
Total comprehensive income for the year	248,592	52,713

CONSOLIDATED BALANCE SHEET

At 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	16(a)	2,521,953	2,183,468
Interest in leasehold land held for own use under an operating lease	17	14,068	14,444
Investment properties	18	4,864	5,159
Intangible asset	19	133,585	–
Club memberships		5,537	5,537
Prepaid expenses	21	25,547	19,023
		2,705,554	2,227,631
Current assets			
Trade receivables, net	22	116,846	67,143
Deposits, prepayments and other receivables	21	11,730	26,728
Amount due from immediate holding company		219	155
Other financial assets	23	–	102,277
Pledged bank deposits	34	8,300	808
Cash and cash equivalents	24	275,930	121,541
		413,025	318,652
Current liabilities			
Payables and accrued charges	25	198,859	41,335
Rentals received in advance		59,411	40,608
Loan from a minority shareholder		–	6,088
Secured bank borrowings due within one year	26	69,690	–
Current taxation	29(a)	96,997	98,242
		424,957	186,273
Net current (liabilities)/assets		(11,932)	132,379
Total assets less current liabilities carried forward		2,693,622	2,360,010

	Note	2009 $'000	2008 $'000
Total assets less current liabilities brought forward		2,693,622	2,360,010
Non-current liabilities			
Secured bank borrowings due after one year	26	140,041	–
Deposits received	27	36,247	23,093
Deferred income	28	195,550	209,370
Deferred tax liabilities	29(b)	32,627	86,982
		404,465	319,445
Net assets		2,289,157	2,040,565
Capital and reserves			
Share capital	30	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus	32	511,000	511,000
Capital reserve	32	9,217	9,330
Revaluation reserve	32	368	368
Exchange reserve	32	1,720	7,212
Other reserves	32	212	123
Accumulated profits	32	437,777	183,669
Total equity		2,289,157	2,040,565

BALANCE SHEET

At 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	16(b)	–	–
Interest in subsidiaries	20(a)	615,862	615,862
		615,862	615,862
Current assets			
Amounts due from subsidiaries	20(b)	1,331,286	1,336,714
Other receivables and prepayments		315	297
Cash and cash equivalents	24	209	493
		1,331,810	1,337,504
Current liabilities			
Payables and accrued charges	25	5,486	4,922
Net current assets		1,326,324	1,332,582
		1,942,186	1,948,444
Capital and reserves			
Share capital	30	41,327	41,327
Share premium		1,287,536	1,287,536
Contributed surplus	32	584,358	584,358
Capital reserve	32	9,217	9,330
Accumulated profits	32	19,748	25,893
		1,942,186	1,948,444

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009 (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 2008	41,327	1,287,536	511,000	9,557	368	4,007	115	133,855	1,987,765	926	1,988,691
Reversal of minority interest arising from disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(839)	(839)
Cancellation of share options	–	–	–	(227)	–	–	–	227	–	–	–
Total comprehensive income for the year	–	–	–	–	–	3,205	8	49,587	52,800	(87)	52,713
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
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
Cancellation of share options	–	–	–	(113)	–	–	–	113	–	–	–
Statutory reserve transfer during the year	–	–	–	–	–	–	89	(89)	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(5,492)	–	254,084	248,592	–	248,592
At 31 December 2009	41,327	1,287,536	511,000	9,217	368	1,720	212	437,777	2,289,157	–	2,289,157

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Share capital	Share premium	Contributed surplus	Capital reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
The Company						
At 1 January 2008	41,327	1,287,536	584,358	9,557	29,397	1,952,175
Cancellation of share options	–	–	–	(227)	227	–
Total comprehensive loss for the year	–	–	–	–	(3,731)	(3,731)
At 31 December 2008	41,327	1,287,536	584,358	9,330	25,893	1,948,444
At 1 January 2009	41,327	1,287,536	584,358	9,330	25,893	1,948,444
Cancellation of share options	–	–	–	(113)	113	–
Total comprehensive loss for the year	–	–	–	–	(6,258)	(6,258)
At 31 December 2009	41,327	1,287,536	584,358	9,217	19,748	1,942,186

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Cash generated from operations	24(b)	434,756	302,143
Overseas profits tax paid		(96)	–
Overseas tax paid		(13,323)	(7,404)
Net cash generated from operating activities		421,337	294,739
Investing activities			
Payment of the purchase of intangible asset		(133,585)	–
Payment of the purchase of property, plant and equipment		(506,680)	(5,528)
Proceeds from disposal of property, plant and equipment		70,719	141,559
Repayments from jointly controlled entities		–	69,839
Interest received		1,271	12,157
(Increase)/decrease in pledged bank deposits		(7,492)	82,942
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		(42,045)	(102,277)
Proceeds from other financial assets		144,322	–
Net cash (used in)/generated from investing activities		(473,490)	219,060
Financing activities			
Interest paid		(2,466)	(23,649)
Repayment of bank borrowings		(23,400)	(683,056)
Inception of bank borrowings		232,830	–
Repayment of loan from minority interest		(422)	–
Net cash generated from/(used in) financing activities		206,542	(706,705)
Net increase/(decrease) in cash and cash equivalents		154,389	(192,906)
Cash and cash equivalents at 1 January	24(a)	121,541	312,025
Effect of foreign exchange rates changes		–	2,422
Cash and cash equivalents at 31 December	24(a)	275,930	121,541

Notes on the Financial Statements

For the year ended 31st December 2009

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("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.

The IASB has issued one new IFRS, a number of amendments and new interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new HKFRSs, amendments and new 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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The preparation of financial statements in conformity with IFRSs 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 IFRSs and HKFRSs that have significant effect on the financial statements and major sources of estimates uncertainty are discussed in note 41.

(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 and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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(k).

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

(d) 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 arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(h)).

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 is recognised immediately in profit or loss.

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

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(g)) 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 profit or loss. Rental income from investment properties is accounted for as described in note 1(r)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(g)), 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(g).

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.

(f) 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(h)):

– 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(g)); and

– other items of plant and equipment.

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

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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.

(g) 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(e)); 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(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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(e)).

(h) Impairment of assets

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

Investments in equity securities (other than investments in subsidiaries) 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;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

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

(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(h)(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.

(i) Intangible asset

Intangible asset represents the right to operate satellite at an orbital slot with an indefinite useful life and is not amortised. The useful life of an intangible asset is indefinite and is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life.

(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 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/sell 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) 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 profit or loss as incurred.

The employees of the Group participate in retirement plans managed by respective local governments of the municipalities in which the Group operates in the People's Republic of China (the "PRC"). The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to profit or loss 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 profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

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

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 profit or loss as follows:

(i) Transponder utilisation income and related services

Income from provision of satellite transponder capacity and related services is recognised in profit or loss in equal instalments over the accounting periods covered by the contract term, except where an alternative basis is more representative of the pattern of benefits to be derived from the satellite transponder capacity utilised.

(ii) Service income

Service income in respect of provision of satellite-based broadcasting and telecommunications services and other service is recognised when services are provided.

(iii) Interest income

Interest income is recognised as if accrued using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(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 profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

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 in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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/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 Group's financial statements. The impact of the remainder of these developments on the Group's financial statements 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 year ended 31 December 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 the Group's financial statements 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 TURNOVER

The principal activities of the Group are the maintenance, operation, and provision of satellite transponder capacity and related services and satellite-based broadcasting and telecommunications services and other services.

Turnover represents income received and receivable from provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunications services and other services. The amount of each category of revenue recognised in turnover during the year is as follows:

	2009	**2008**
	$'000	*$'000*
Income from provision of satellite transponder capacity and related services	557,749	385,391
Income from provision of satellite-based broadcasting and telecommunications services	18,388	18,153
Service income	1,978	128
	578,115	403,672

4 OTHER NET INCOME

	2009	**2008**
	$'000	*$'000*
Other net income primarily includes the following:		
Interest income	1,419	11,433
Rental income in respect of properties	485	549
Gain on disposal of property, plant and equipment *(note 16(d))*	30,149	51,595

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2009	2008
	$'000	*$'000*
Interest on bank borrowings wholly repayable within five years	2,466	22,033
Interest expense on deferred consideration	2,101	–
Other borrowing costs	301	2,811
	4,868	24,844

(b) Staff costs

	2009	2008
	$'000	*$'000*
Staff costs (including directors' emoluments)		
Pension contributions	1,871	2,185
Salaries, wages and other benefits	44,161	47,247
	46,032	49,432

(c) Other items

	2009	2008
	$'000	*$'000*
Auditors' remuneration		
– audit services	1,137	1,165
– tax services	120	–
– other services	365	10
Depreciation	264,673	214,470
Amortisation on leasehold land held for own use	376	376
Foreign currency exchange loss/(gain)	309	(687)
Operating lease charges: minimum lease payments		
– land and buildings and equipment	450	546
– satellite transponder capacity	3,483	4,533
Impairment loss on trade and other receivables	1,462	5,637
Recovery of bad debts previously written off	(677)	–
Impairment loss on property, plant and equipment *(note 16(a))*	–	8,397

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	**2008**
	$'000	*$'000*
Current tax – Overseas		
Tax for the year	12,175	12,560
Deferred tax – Hong Kong		
Origination of temporary differences	(54,355)	33,248
Effect on deferred tax balances resulting from a change in tax rate	–	(3,257)
	(54,355)	29,991
Actual tax (credit)/expense	(42,180)	42,551

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% (2008: 16.5%) of the estimated assessable profits for the year. Overseas tax includes the profits tax and withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to the customers which are located outside Hong Kong.

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

	2009	**2008**
	$'000	*$'000*
Profit before taxation	211,904	92,051
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	35,109	14,985
Overseas withholding tax	11,964	12,560
Overseas profits tax	210	–
Tax effect of non-deductible expenses	19,375	4,310
Tax effect of non-taxable revenue	(22,607)	(13,401)
Tax effect of unused tax losses not recognised	824	13,170
Tax effect of prior year's unrecognised deferred tax utilised this year	–	(166)
Tax effect in respect of termination of lease agreement *(note i)*	(88,863)	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	(3,257)
Others *(note ii)*	1,808	14,350
Actual tax(credit)/expense	(42,180)	42,551

Note:

(i) Pursuant to a lease agreement entered in 1999 ("1999 Lease Agreement"), a subsidiary of the Company transferred the entire business of APSTAR 2R and substantially all the satellite transponders of APSTAR 2R. Such transaction was accounted for as a disposal of property, plant and equipment in 1999 and a profit was recorded.

In 2006, Hong Kong's Inland Revenue Department (the "IRD") accepted the settlement proposal of treating the sales proceeds from the disposal of APSTAR 2R as taxable income arising over the remaining life of APSTAR 2R until the tax assessment year of 2012/2013.

During the year, the Group entered into a Termination lease agreement ("Termination") to cancel, terminate and extinguish all rights, duties, liabilities and obligations of the 1999 Lease Agreement with payment of $537,069,000. The payment is allocated to the estimated fair value of property, plant and equipment and intangible asset, respectively, as it is considered that the remaining life span of the transponder capacity of APSTAR 2R has been transferred to the Group upon Termination. Followed the tax treatment in respect of the sales proceeds in relation to the 1999 Lease Agreement, management considered the payment should be treated as a reduction of sales proceeds over the remaining life of APSTAR 2R until the tax assessment year of 2012/2013.

(ii) The balance in 2008 was related to tax provision on gains arising from the disposal of certain transponders in 2006.

In November 2007, a subsidiary of the Company was requested to supply information to 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 *$'000*	Salaries, allowances and benefits in kind *$'000*	Retirement scheme contributions *$'000*	Performance related incentive payments *$'000*	Termination benefits *$'000*	2009 Total *$'000*
Executive directors						
Cheng Guangren *(note c)*	50	2,644	175	700	–	3,569
Qi Liang *(note c)*	50	1,843	130	640	–	2,663
Tong Xudong *(note c)*	21	908	61	–	944	1,934
Non-executive directors						
Rui Xiaowu *(note a)*	–	–	–	–	–	–
Lim Toon	50	–	–	–	–	50
Yin Yen-liang	50	–	–	–	–	50
Wu Zhen Mu	50	–	–	–	–	50
Yong Foo Chong	50	–	–	–	–	50
Wu Jinfeng	29	–	–	–	–	29
Tseng Ta-mon *(note b)*	–	–	–	–	–	–
Independent non-executive directors						
Lui King Man	200	–	–	–	–	200
Lam Sek Kong	200	–	–	–	–	200
Cui Liguo	200	–	–	–	–	200
Huan Guocang	200	–	–	–	–	200
	1,150	5,395	366	1,340	944	9,195

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

Notes:

(a) Mr. Rui Xiaowu, a non-executive director, has waived his directors' fees for 2009 and 2008.

(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 $2,635,000 (2008: $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 (2008: three) whose remuneration is disclosed in note 7. The aggregate of emoluments in respect of the other two (2008: two) individuals are as follows:

	2009	**2008**
	$'000	*$'000*
Salaries and other emoluments	2,878	3,014
Performance related incentive payments	882	628
Retirement benefits contributions	201	206
Termination benefits	977	932
	4,938	4,780

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	**2008**
$Nil to $1,000,000	–	–
$1,000,001 to $1,500,000	–	–
$2,000,001 to $2,500,000	2	2
	2	2

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 in 2008.

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 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 GAIN FROM LIQUIDATION OF A SUBSIDIARY

Pursuant to the resolution dated 22 May 2009, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the company entered into voluntary liquidation. CTIA has been dissolved on 13 January 2010 and a gain of $6,146,000 was recognised on liquidation.

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of $6,258,000 (2008: $3,731,000) which has been dealt with in the financial statements of the Company.

13 DIVIDEND

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

	2009	**2008**
	$'000	*$'000*
Final dividend	–	–

14 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $254,084,000 (2008: $49,587,000) and the weighted average of 413,265,000 ordinary shares (2008: 413,265,000 shares) in issue during the year ended 31 December 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 years 2009 and 2008.

15 SEGMENTAL REPORTING

The Group manages its businesses by service offering and geography. In a manner 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

For the purposes of assessing segment performance and allocating resources between segments, 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.

Business segments

The following table represents turnover and profit information for business segments for the year ended 31 December 2009 and 2008.

	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	557,749	385,391	18,388	18,153	–	–	576,137	403,544
Inter-segment turnover	10,400	11,115	–	1,357	(10,400)	(12,472)	–	–
Total	568,149	396,506	18,388	19,510	(10,400)	(12,472)	576,137	403,544
Service income							1,978	128
							578,115	403,672
Segment result	247,222	120,833	5,404	(8,904)	–	–	252,626	111,929
Service income							1,978	128
Unallocated other net income							35,240	68,859
Unallocated administrative expenses								
– staff costs							(46,032)	(48,990)
– office expenses							(33,186)	(30,211)
Profit from operations							210,626	101,715
Finance costs							(4,868)	(24,844)
Gain from liquidation of a subsidiary							6,146	–
Share of results of jointly controlled entities							–	2,397
Gain on disposal of a subsidiary							–	3,193
Gain on disposal of a jointly controlled entity							–	9,590
Profit before taxation							211,904	92,051
Income tax credit/(expenses)							42,180	(42,551)
Profit for the year							254,084	49,500

	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*
Depreciation for the year	264,321	212,011	352	2,459			264,673	214,470
Impairment loss for the year	–	1,739	–	6,658			–	8,397
Significant non-cash expenses (other than depreciation)	811	657	651	4,980			1,462	5,637
Capital expenditure incurred for fixed assets and intangible asset during the year	788,773	7,098	240	359			789,013	7,457

	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*
Segment assets	2,853,238	2,186,865	10,385	8,154	(43,743)	(35,465)	2,819,880	2,159,554
Investment properties							4,864	5,159
Club memberships							5,537	5,537
Unallocated assets							288,298	376,033
Total assets							3,118,579	2,546,283
Segment liabilities	389,027	350,007	48,254	60,997	(43,743)	(35,465)	393,538	375,539
Deferred tax liabilities							32,627	86,982
Unallocated liabilities							403,257	43,197
Total liabilities							829,422	505,718

Geographical segments

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

The following table represents aggregate turnover based on geographical locations of customers for the year ended 31 December 2009 and 2008.

	Hong Kong		Other regions in the PRC		Singapore		Indonesia		Others		Unallocated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover from external customers	63,958	54,292	151,755	165,162	82,094	53,976	108,548	77,235	171,760	53,007	578,115	403,672

16 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication station $'000	Communication satellites $'000	Construction in progress $'000	Total $'000
Cost:								
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
At 1 January 2009	98,429	12,131	43,946	125,899	–	4,829,172	6,529	5,116,106
Additions	–	86	38	269	–	404,979	250,056	655,428
Disposals	–	–	(261)	(4,814)	–	(62,589)	–	(67,664)
Effect of cost adjustment *(Note ii)*	–	–	–	–	–	(11,700)	–	(11,700)
Transfer	–	5,100	2,223	5,663	–	–	(12,986)	–
At 31 December 2009	98,429	17,317	45,946	127,017	–	5,159,862	243,599	5,692,170
Accumulated depreciation:								
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
At 1 January 2009	21,690	4,696	40,462	102,076	–	2,763,714	–	2,932,638
Charge for the year	2,019	1,060	1,390	9,322	–	250,882	–	264,673
Written back on disposal	–	–	(260)	(4,812)	–	(22,022)	–	(27,094)
At 31 December 2009	23,709	5,756	41,592	106,586	–	2,992,574	–	3,170,217
Net book value:								
At 31 December 2009	74,720	11,561	4,354	20,431	–	2,167,288	243,599	2,521,953
At 31 December 2008	76,739	7,435	3,484	23,823	–	2,065,458	6,529	2,183,468

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 was estimated to be less than their carrying amount. Accordingly, an impairment loss of $8,397,000 in respect of a communication satellite, APSTAR IA, and TV uplink and broadcasting equipment was recognised and charged to profit or loss in 2008. Based on the Group's assessment, no impairment loss is required in 2009.

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 6 satellite. During the year, $11,700,000 (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.

(b) The Company

	Motor vehicle
	$'000
Cost:	
At 1 January 2008, 31 December 2008 and 31 December 2009	411
Accumulated depreciation:	
At 1 January 2008, 31 December 2008 and 31 December 2009	411
Net book value:	
At 31 December 2008 and 31 December 2009	–

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

	Land and buildings	
	2009	**2008**
	$'000	*$'000*
Medium-term leases in Hong Kong	74,720	76,739

(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 5 with 54 transponders were completed and APSTAR 5 was put into service on 13 August 2004. Based on the arrangements entered into by the Group and the vendor, Loral Orion, Inc ("Loral Orion"), the Group assumed the risks and rewards of 37 transponders ("APT Transponders") for the entire operational life of APSTAR 5 under finance leases, while the risks and rewards relating to the other 17 transponders remained with Loral Orion. As at 31 December 2009, the net book value of communication satellites held under finance leases in connection with APSTAR 5 amounted to $563,672,000 (2008: $670,814,000).

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 5, for their remaining operational lives at a total consideration of $282,865,000. On 29 September 2006, 18 August 2008 and 18 August 2009, Telesat Satellite LP ("Telesat," the successor of Loral Orion) partially exercised its right to take up 2, 4 and 2 APT Transponders, at a total consideration of $70,716,000, $141,433,000 and $70,716,000 respectively. As a result, a gain of $17,503,000 and $51,490,000 and $30,149,000 arising from disposal of the 2, 4 and 2 APT Transponders was recognised in 2006, 2008 and 2009 respectively. There is no remaining APT transponders subject to this arrangement at 31 December 2009 (2008: $43,278,000).

(e) In-orbit insurance of satellites

As of 31 December 2009, 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 $2,167,288,000 (2008: $2,065,458,000) as of 31 December 2009.

(f) Addition of satellites

Addition of satellite for the year ended 31 December 2009 related to the estimated fair value of HK$404,979,000 of the remaining life span of the transponder capacity of APSTAR 2R upon Termination of 1999 lease agreement. (note 6(b)(i))

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

	The Group
	$'000
Cost:	
At 1 January 2008, 31 December 2008 and 31 December 2009	18,678
Accumulated depreciation:	
At 1 January 2008	3,858
Charge for the year	376
At 31 December 2008	4,234
At 1 January 2009	4,234
Charge for the year	376
At 31 December 2009	4,610
Net book value:	
At 31 December 2009	**14,068**
At 31 December 2008	14,444

18 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2009 at $4,864,000 (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 $295,000 (2008: $12,000) has been recognised in profit or loss 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 $190,000 (2008: $254,000).

19 INTANGIBLE ASSET

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

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
Orbital slot	133,585	–	–	–

The Group has obtained the right to operate satellite at an orbital slot through Termination. Such intangible asset is considered to have an indefinite life.

No impairment of the intangible asset is recorded as of 31 December 2009.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation by discounting future cash flows annually. The cash flows used in the calculation is based on the most up-to-date budgets and plans formally approved by management for the three years ending 31 December 2012 with subsequent transition to perpetuity. Subsequent to 2012, the estimated income derived from provision of satellite transponder capacity and related services to perpetuity is used which complies with general expectations for the business. The present value of cash flows is calculated by discounting with a discount rate of approximately 6.6%.

20 INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Interest in subsidiaries

	The Company	
	2009	**2008**
	$'000	*$'000*
Unlisted shares, at cost	615,862	615,862

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

(c) Particulars of subsidiaries

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

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

			Proportion of ownership interest			
Name of Company	Place of incorporation and operation*	Particulars of issued and paid up capital and debt securities	Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	–	Investment holding
Acme Star Investment Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite Company Limited	Hong Kong	Ordinary Class "A" HK$100; Non-voting Deferred Class "B" HK$542,500,000	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Enterprise Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Global Company Limited	Cayman Islands	US$2	100%	–	100%	Investment holding
APT Satellite Link Limited	Cayman Islands	US$2	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Telewell Limited	Hong Kong	HK$2	100%	–	100%	Inactive
APT Satellite TV Development Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite television 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%	Inactive
The 138 Leasing Partnership	Hong Kong	Partners capital HK$329,128,857	N/A	N/A	N/A	Inactive

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	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activities
Ying Fai Realty (China) Limited	Hong Kong/PRC	HK$20	100%	–	100%	Property holding
亞訊通信技術開發（深圳）有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	Wholly-owned foreign enterprises, PRC	Registered capital HK$10,000,000	100%	–	100%	Provision of satellite transponder capacity
Middle East Ventures Limited	British Virgin Islands	US$1	100%	–	100%	Investment holding
Middle East Satellite FZE	Ras Al Khaimah Free Trade Zone, United Arab Emirates	AED300,000	100%	–	100%	Management & Project Management Consultancy

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

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

21 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 2009 $'000	The Group 2008 $'000
Balance at 31 December	32,947	29,104
Less: current portion (included in deposits, prepayments and other receivables under current assets)	(7,400)	(10,081)
Non-current portion	25,547	19,023

22 TRADE RECEIVABLES, NET

	The Group 2009 $'000	The Group 2008 $'000
Due from third parties	106,171	64,584
Due from subsidiaries of certain shareholders of the Company	5,298	41
Due from holding company of a shareholder of the Company	5,377	2,518
	116,846	67,143

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	
	2009	**2008**
	$'000	*$'000*
0 – 30 days	80,017	57,087
31 – 60 days	18,742	2,920
61 – 90 days	5,025	2,532
91 – 120 days	4,866	2,379
Over 120 days	8,196	2,225
	116,846	67,143

The Group's credit policy is set out in note 33(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(h)).

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	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
At 1 January	13,867	13,532	–	–
Impairment loss recognised	1,462	5,824	–	–
Uncollectible amounts written off	–	(187)	–	–
Reversal as a result of disposal of a subsidiary	–	(5,302)	–	–
At 31 December	15,329	13,867	–	–

At 31 December 2009, the Group's trade receivables of $15,329,000 (2008: $13,867,000) 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 $1,462,000 (2008: $5,824,000) 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	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
Less than 1 month past due	80,017	57,087	–	–
1 to 3 months past due	23,767	5,452	–	–
More than 3 months past due	13,062	4,604	–	–
At 31 December	116,846	67,143	–	–

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.

23 OTHER FINANCIAL ASSETS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
Financial assets at fair value through profit or 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 year.

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks and other financial institutions	217,326	114,046	–	–
Cash at bank and on hand	58,604	7,495	209	493
Cash and cash equivalents in the balance sheet and cash flow statement	275,930	121,541	209	493

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

	The Group	
	2009	**2008**
	$'000	*$'000*
Profit before taxation	211,904	92,051
Adjustment for:		
Depreciation	264,673	214,470
Amortisation of leasehold land held for own use	376	376
Gain on disposal of property, plant and equipment	(30,149)	(51,595)
Net valuation losses on investment properties	295	12
Interest income	(1,419)	(11,433)
Finance costs	4,868	24,844
Gain from liquidation of a subsidiary	(6,146)	–
Impairment loss for trade and other receivables	1,462	5,637
Impairment loss recognised in respect of property, plant and equipment	–	8,397
Share of results of jointly controlled entities	–	(2,397)
Gain on disposal of a subsidiary	–	(3,193)
Gain on disposal of jointly controlled entity	–	(9,590)
Operating profit before changes in working capital:	445,864	267,579
(Increase)/decrease in trade receivables, net	(51,165)	7,468
Increase in prepaid expenses	(6,524)	(4,886)
Increase in amount due from immediate holding company	(64)	(54)
Decrease/(increase) in deposits, prepayments and other receivables	15,146	(4,499)
Increase in payables and accrued charges	1,662	5,937
Increase in rentals received in advance	18,803	8,316
Decrease in amount due from a jointly controlled entity	–	5,530
(Decrease)/increase in deferred income	(2,120)	13,283
Increase in deposits received	13,154	3,469
Cash generated from operations	434,756	302,143

25 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	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
0 – 3 months	115,125	5,979	2,268	17
4 – 6 months	–	–	–	–
7 – 9 months	–	–	–	–
9 – 12 months	–	–	–	–
	115,125	5,979	2,268	17
Accrued expenses	83,734	35,356	3,218	4,905
At 31 December	198,859	41,335	5,486	4,922

Included in the payables and accrued charges at 31 December 2009 was a deferred consideration of $53,707,000 in relation to the Termination as mentioned in note 6(b)(i). Interest on deferred consideration is fixed at 8% per annum and the outstanding balance is expected to be settled within one year.

26 SECURED BANK BORROWINGS

	The Group	
	2009	**2008**
	$'000	*$'000*
Bank loans	209,731	–
Less: Amount due within one year included under current liabilities	(69,690)	–
Amount due after one year	140,041	–
The bank borrowings are repayable as follows:		
Within one year or on demand	69,690	–
After one year but within five years	140,041	–
	209,731	–

27 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.

28 DEFERRED INCOME

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

29 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents

	The Group 2009 $'000	2008 $'000
Overseas tax payable	4,370	7,254
Balance of overseas tax provision relating to prior years	92,627	90,988
	96,997	98,242

(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 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
At 1 January 2009	305,419	(321,438)	104,359	(1,358)	86,982
Charged/(credited) to consolidated income statement	(27,267)	73,867	(101,264)	309	(54,355)
At 31 December 2009	**278,152**	**(247,571)**	**3,095**	**(1,049)**	**32,627**

	The Group 2009 $'000	2008 $'000
Net deferred tax liabilities recognised in the consolidated balance sheet	32,627	86,982

(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 $122,129,000 (2008: $64,180,000) and other deductible temporary differences of $789,000 (2008: $905,000) as the realisation of the assets was considered less than probable. The tax losses do not expire under current tax legislation.

30 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares *'000*	**Issued and fully paid share capital** *$'000*
Ordinary shares of $0.10 each		
At 31 December 2008 and 31 December 2009	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 2009, the Group's strategy, which was unchanged from 2008, 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 2009 and 2008 was as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*
Current Liabilities:				
Payables and accrued charges	198,859	41,335	5,486	4,922
Loan from a minority shareholder	–	6,088	–	–
Secured bank borrowings due within one year	69,690	–	–	–
	268,549	47,423	5,486	4,922
Non-current liabilities:				
Secured bank borrowings due after one year	140,041	–	–	–
Total debt	408,590	47,423	5,486	4,922
Less: Cash and cash equivalents	(275,930)	(121,541)	(209)	(493)
Pledged bank deposits	(8,300)	(808)	–	–
Net debt	124,360	(74,926)	5,277	4,429
Total equity	2,289,157	2,040,565	1,943,526	1,948,444
Adjusted capital	2,289,157	2,040,565	1,943,526	1,948,444
Net debt-to-adjusted capital ratio	5%	N/A	1%	1%

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 31 December 2009, US$30,000,000 (approximately $234,000,000) has been drawn down against the Banking Facilities and APT HK has repaid US$3,000,000 (approximately $23,400,000) during the year.

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 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 year ended 31 December 2009, the Group complied with all of the above covenants.

At 31 December 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 $4,305,000 (2008: $4,422,000).

31 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 31 December 2009, 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 31 December 2009 and 2008, no options was granted and exercised 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:

	2009 *Number*	2008 *Number*
At 1 January	3,290,000	3,370,000
Cancelled during the year	(40,000)	(80,000)
At 31 December	3,250,000	3,290,000
Options vested at 31 December	3,250,000	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 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 2009.

32 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(e).

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

At 31 December 2009, the Company's reserves available for distribution amounted to $604,106,000 (2008: $610,251,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

33 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 10% (2008: 20%) and 37% (2008: 72%) 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	2009					
	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	**198,859**	**(198,859)**	**(198,859)**	**–**	**–**	–
Secured bank borrowings	**209,731**	**(218,914)**	**(74,602)**	**(96,534)**	**(47,778)**	–
	408,590	**(417,773)**	**(273,461)**	**(96,534)**	**(47,778)**	–

The Company						
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Payables and accrued charges	**5,486**	**(5,486)**	**(5,486)**	–	–	–

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)	–	–	–

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2009, the Group's outstanding bank loans consisted of variable interest rate loans only. From time to time, the Group may enter into interest rate swap agreements designed to mitigate exposure to interest rate risks, although the Group did not consider it necessary to do so in 2009. 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	**2009** Effective interest rate	**2009**	**2008** Effective interest rate	**2008**
	%	*'000*	*%*	*'000*
Variable rate borrowings:				
Secured bank borrowings	2.09	2,466	–	–

(ii) Sensitivity analysis

At 31 December 2009, 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 $1,759,000 (2008: nil) so far as the effect on interest-bearing financial instruments is concerned.

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

(d) 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 and Euro 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	**2009**	**2009**	**2008**	**2008**
	Euro	*Renminbi*	*Euro*	*Renminbi*
	'000	*'000*	*'000*	*'000*
Trade receivables	–	2,299	–	238
Deposits, prepayments and other receivables	–	378	–	1,316
Other financial assets	–	–	–	90,003
Cash and cash equivalents	12,817	53,560	–	28,082
Payables	(8,736)	(435)	–	(2,245)
Overall net exposure	4,081	55,802	–	117,394

(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	**2009**		**2008**	
	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	+/-2,647	+/-5	+/-6,670
Euro	+/-5	+/-1,803	+/-5	–

(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

During the year, other financial assets were settled.

34 PLEDGES OF ASSETS

At 31 December 2009, the pledged bank deposits of $8,300,000 (2008:$808,000) are related to certain commercial arrangements and Banking Facilities during the year.

At 31 December 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 $4,305,000 (2008: $4,422,000).

35 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 $75,864,000.

(ii) The Company has given guarantees to bank in respect of the Banking Facilities granted to its subsidiary. The extent of such Banking Facilities utilized by the subsidiary at 31 December 2009 amounted to $210,600,000 (2008: nil).

36 COMMITMENTS

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

	The Group	
	2009	**2008**
	$'000	*$'000*
Contracted for	1,189,481	534
Authorised but not contracted for	530,400	965
	1,719,881	1,499

37 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2009, 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	
	2009	**2008**
	$'000	*$'000*
Within one year	82	278
After one year but within five years	8	25
	90	303

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	
	2009	**2008**
	$'000	*$'000*
Within one year	164	48

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 $485,000 (2008: $549,000). At the balance sheet date, certain properties with an aggregate carrying value of $10,780,000 (2008: $11,235,000) 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 $113,000 (2008: $251,000). Depreciation charged for the year in respect of these properties was $160,000 (2008: $160,000).

Service income earned relating to leasing of facilities equipment during the year was $1,978,000 (2008: $96,504). 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 $2,431,000 (2008: $96,504) and after one but within five years amounting $2,605,000 (2008: nil).

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

38 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.

39 MATERIAL RELATED PARTY TRANSACTIONS

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

	2009	**2008**
	$'000	*$'000*
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to subsidiaries of certain shareholders of the Company *(note i)*	57,035	11,432
Income from provision of satellite transponder capacity and provision of satellite-based telecommunication services to a holding company of a shareholder of the Company *(note i)*	46,766	40,745
Management fees paid to a subsidiary of a shareholder of the holding company *(note ii)*	(2,813)	(1,216)
Management fee income from a jointly controlled entity *(note iii)*	–	363

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		Trade receivables		Payables and accrued charges		Rentals received in advance and deferred income	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Immediate holding company	219	155	–	–	–	–	–	–
Subsidiaries of certain shareholders of the Company	–	–	5,298	41	318	1,266	5,847	190
Holding company of a shareholder of the Company *(note (i))*	–	–	5,377	2,518	–	–	180,593	178,177
A subsidiary of a shareholder of the holding company	–	–	–	–	412	–	–	–

Notes:

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

(ii) Management fees are paid to a subsidiary of a shareholder of the holding company for services rendered during the year.

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

(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:

	2009	**2008**
	$'000	*$'000*
Short-term employee benefits	11,094	12,902
Performance related incentive payment	5,799	5,259
Other long-term benefits	681	756
Termination benefits	1,921	1,511
	19,495	20,428

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

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2009 to be APT Satellite International Company Limited and China Aerospace Science & Technology Corporation, which is incorporated in the British Virgin Islands and PRC, respectively. Both entities do not produce financial statements available for public use.

41 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(f) and 16.

(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 2009, the Group had made provisions for bad debts in the amount of $1,462,000 (2008: $5,637,000).

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 the cessation of business, bankruptcy or debt re-structuring is completed, or the process of litigation or adjudication is completed, or incapability of debt repayment which is supported by objective evidence, the Group will consider to write off the debt.

(iii) Impairment of property, plant and equipment

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

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

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its use value and fair market value as assessed both by the Group and by an independent professional property appraiser. If the use value or fair market value of the property, plant and equipment are lower than their carrying amount, the Group may be required to record additional impairment loss not previously recognised. Details of the impairment loss of property, plant and equipment are disclosed in note 16.

(iv) Amortisation and impairment of intangible assets

The Group assesses the impairment of intangible asset on an annual basis, or whenever events or changes in circumstances indicate that the carrying amount is likely to exceed the recoverable amount. The Group measures for impairment using a projected discounted cash flow method. If the carrying value of the intangible asset is more than its recoverable amount, the carrying amount of the intangible asset is reduced to its recoverable amount. Testing for impairment requires significant subjective judgements by management. Any changes in the estimates used could have a material impact on the calculation of the recoverable amount and result in an impairment charge.

(v) Contingencies and provisions

Contingencies, representing an obligation that are neither probable nor certain at the date of the financial statements, or a probable obligation for which the cash outflow is not probable, are not recorded.

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

To estimate the expenditure that the Group is likely to bear in order to settle an obligation, the management of the Group takes into consideration all of the available information at the closing date for its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded. For details, please refer to note 35 on contingent liabilities.

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

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 2009 and which have not been adopted in these financial statements.

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
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 interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2010, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding interest-bearing bank borrowings of approximately HK$257,400,000 (approximately US$33,000,000). 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 (approximately HK$390,000,000) which was earmarked to be applied to finance the termination of the 1999 lease agreement and ancillary agreement of APSTAR 2R Satellite and working capital requirements of the Group. As at 31 March 2010, US$36,000,000 has been drawn down against the above term loan facility and approximately US$3,000,000 was repaid up to 31 March 2010. The Group's bank borrowings are denominated in US$ 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 Satellite and APSTAR 5 Satellite, APSTAR 2R Satellite 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 Satellite and APSTAR 5 Satellite and any accrued interest within the charged account. The net book value of the pledged properties of APT (HK) as at 31 March 2010 amounted to approximately HK$4,276,000. As at 31 March 2010, the Group also had pledged bank deposits of approximately HK$11,645,000 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 March 2010 amounted to HK$257,400,000 (approximately US$33,000,000).

Capital commitments

At 31 March 2010, the Group has the following outstanding capital commitments not provided for in the Group's financial statements:

	At 31 March 2010 *HK$'000*
Contracted for	1,584,758
Authorised but not contracted for	–
	1,584,758

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 31 March 2010.

4. DISCLAIMER

Save as aforesaid and apart from intra-group liabilities and normal payables, the Group did not, at the close of business on 31 March 2010, 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.

5. SUBSEQUENT CHANGE OF INDEBTEDNESS

During April 2010, a working mandate in respect of the bank loan facility ("Facility") of US$200 million (approximately HK$1,560 million) to APT (HK) has been signed with a bank for the purposes of payment of part of the APSTAR 7 Satellite project cost.

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 March 2010 until the Latest Practicable Date.

6. WORKING CAPITAL

Taking into account the Facility and the financial resources available to the Group, including the internally generated funds, the available banking facilities and the Loan Agreement, 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.

7. MANAGEMENT DISCUSSION AND ANALYSIS

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 5 Satellite and APSTAR 6 Satellite, despite the fierce market competition in the Asia Pacific region including China market.

APSTAR 6

APSTAR 6 Satellite 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 5

APSTAR 5 Satellite 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 5 Satellite and APSTAR 6 Satellite 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 2R Satellite 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 2R Satellite and substantially all of the satellite transponders of APSTAR 2R Satellite. 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 2R Satellite of HK$2,114,758,000 as taxable income arising over the remaining life of APSTAR 2R Satellite 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 2R Satellite 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 2R Satellite 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 5 and APSTAR 6 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 5 and APSTAR 6 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 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.

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 5 Satellite and APSTAR 6 Satellite.

APSTAR 6 Satellite

APSTAR 6 Satellite 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 5 Satellite

APSTAR 5 Satellite 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 5 Satellite and APSTAR 6 Satellite 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 APTSTAR 5 Satellite and APSTAR 6 Satellite 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.

For the year ended 31 December 2009

Business Review

In 2009, the APSTAR satellite systems have maintained fairly high utilization rates. The core business has grown rapidly as compared to 2008. 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. As announced by the Company on 10 July 2009, the case that one of the two beacon transmitters of APSTAR 5 Satellite has suffered from an anomaly has no impact on the normal operation of the satellite. During the period, the Group has terminated the 1999 Lease Agreement of APSTAR 2R Satellite and entered into a satellite procurement contract and a launch services contract of APSTAR 7 Satellite, adding significant momentum to business growth and development of the Group.

APSTAR 5

APSTAR 5 Satellite commenced commercial operation in August 2004. It contains 38 C band and 16 Ku band transponders. As at 31 December 2009, its utilization rate attributable to APT's transponders was 80.5%.

APSTAR 6

APSTAR 6 Satellite commenced commercial operation in June 2005. It contains 38 C band and 12 Ku band transponders. As at 31 December 2009, its utilization rate was 70.8%.

APSTAR 2R

On 1 June 2009, APT Satellite Company Limited (APT-HK), a wholly-owned subsidiary of the Company, entered into a lease termination agreement with Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited (jointly "Telesat") for the termination of the 1999 Lease Agreement of APSTAR 2R Satellite ("the Termination Lease Agreement). The transaction was closed on 9 July 2009. Upon closing of the transaction, Telesat's leasehold interest of the 43 transponders was terminated and the corresponding customer contracts of APSTAR 2R Satellite were assigned to APT-HK.

APSTAR 2R Satellite, a FS1300 model satellite with 28 C-band and 16 Ku-band transponders, was launched in October 1997. The C-band transponders cover Europe, Asia, Africa, and Australia, approximately 75% of the world's population and Ku-band transponders mainly cover China and other peripheral countries and regions. As at 31 December 2009, its utilization rate was 87.4%.

APSTAR 7

APSTAR 7 Satellite is the replacement satellite of APSTAR 2R, which will expire at the end of 2012. On 29 September 2009, APT-HK has entered into a satellite procurement contract with Thales Alenia Space France (the "Satellite Procurement Contract"), for the manufacturing and delivering of APSTAR 7 Satellite. The satellite is a Spacebus 4000 C2 Platform with 28 C-band and 28 Ku-band high power geostationary communication satellite.

On 8 November 2009, APT-HK has entered into a launch services contract with China Great Wall Industry Corporation (the "Launch Services Contract"), for the launch and associated services of APSTAR 7 Satellite on launch vehicle LM-3B enhanced version at the Xichang Satellite Launch Center at Xichang in Sichuan Province, PRC.

The implementation of the Satellite Procurement Contract and the Launch Services Contract for APSTAR 7 Satellite have been smooth.

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. On 27 February 2010, the Broadcasting Authority of Hong Kong has granted a new Non-domestic Television Programme Service Licence to APT TV for a period of validity of 12 years and accepted the surrender of the Satellite TV Uplink and Downlink Licence. The Group's broadcasting services will be continued based on the newly granted Non-domestic Television Programme Service Licence.

Satellite Telecommunication Services and Facility Services

APT Telecom Services Limited, 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. Further, APT-HK has also signed an agreement with a multinational IT firm for the provision of advanced facility services to an internationally well known airliner for 12 years.

Business Prospects

The global economy still has not fully recovered and there will be a lot of uncertainties in the supply and demand of transponders in the region. It is anticipated that market competition will continue to be fierce in 2010. However, APSTAR 2R Satellite will help increase the revenue of the Group and the successful implementation of APSTAR 7 Satellite Procurement and Launch Services will pave the solid ground for the rapid future development of the Group.

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.

Financial Highlights:

	2009	**2008**	**Change**
	HK$'000	*HK$'000*	*%*
Turnover	578,115	403,672	+43%
Gross profit	256,066	126,091	+103%
Profit after taxation	254,084	49,500	+413%
Profit attributable to shareholders	254,084	49,587	+412%
Basic Earnings per share (HK cents)	61.48 cents	12.00 cents	+49.48 cents
Total assets	3,118,579	2,546,283	+22%
Total liabilities	829,422	505,718	+64%
Gearing ratio (%)	27%	20%	+7%

The Group recorded a turnover and profit after taxation of HK$578,115,000 and HK$254,084,000 for 2009. The turnover and profit attributable to shareholders increased by 43% and 412% as compared to last year. The increase in net profit was principally the result of the following factors:

Satellite Transponder Capacity Services and Related Services

Revenue from Satellite Transponder Capacity Services and Related Services for the year ended 31 December 2009 increased by approximately 45% to HK$557,749,000, as compared to revenues of HK$385,391,000 for last year. The increase of revenue was primarily due to certain customer contracts related to APSTAR 2R Satellite have been assigned to the Group after the Group has completed the termination of the 1999 lease agreement and the ancillary agreement on 9 July 2009. Details of the Termination Lease Agreement transaction are set out in the announcement dated 1 June 2009 and 9 July 2009 and the circular dated 22 June 2009. In addition, the revenue from APSTAR 5 Satellite and APSTAR 6 Satellite also increased.

Satellite-based broadcasting and telecommunications services

Revenue from Satellite-based Broadcasting and Telecommunications Services for the year ended 31 December 2009 slightly increased to HK$18,388,000, as compared to revenue of HK$18,153,000 for last year. This was primarily due to increase in demand of VSAT (Very Small Aperture Telecommunication) services.

Finance costs

The finance costs decreased by 80% to HK$4,868,000 for the year ended 31 December 2009. This was primary due to the Group incurred finance costs of HK$24,844,000 for the year ended 31 December 2008 under APSTAR 5 Satellite and APSTAR 6 Satellite banking facility which have been fully repaid during 2008. For the year ended 31 December 2009, the Group has drawn down US$30,000,000 (approximately HK$234,000,000) under the new general banking facilities of which US$3,000,000 was repaid before year end. The interest from new bank borrowing of HK$2,466,000 was incurred during the year.

Other net income

Other net income, which mainly consisted of a gain of HK$30,149,000 arising from the disposal of two transponders of APSTAR 5 Satellite. In addition, interest income of HK$1,419,000 was recognised for the year ended 31 December 2009, a decrease of HK$10,014,000 as compared to last year, which was largely the result of the decrease of average bank deposit amount and interest rates on bank deposits during the year.

Gain on disposal of a subsidiary

The Group sold its entire interest in Beijing Asia Pacific East Communication Network Limited on 2 April 2008 at a gain of HK$3,193,000. There was no disposal of any subsidiary during the year.

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

The Group sold its entire interest in APT Satellite Telecommunications Limited ("APT Telecom") on 3 October 2008. The share of result of APT Telecom and the gain on disposal of APT Telecom were HK$2,397,000 and HK$9,590,000, respectively for the year ended 31 December 2008. There was no disposal of any jointly controlled entity in 2009.

Gain from liquidation of a subsidiary

During the year, CTIA VSAT Network Limited ("CTIA"), a subsidiary of the Company entered into voluntary liquidation and a gain of HK$6,146,000 was recognised.

Income Tax

The Group recorded income tax credit of HK$42,180,000 for the year ended 31 December 2009, mainly due to a deferred tax credit was recognised as a result of the Termination Lease Agreement in relation to APSTAR 2R Satellite. The details of income tax of the Group are set out in note 6 to these financial statements.

Capital Expenditure, Liquidity, Financial Resources and Gearing Ratio

The Group's capital expenditure incurred for fixed assets and intangible assets was HK$789,013,000 in 2009 (2008: HK$7,457,000). The increase was mainly due to the payment made for acquisition of APSTAR 2R for the consideration of HK$538,564,000; the progress payment of HK$243,553,000 for the construction of the APSTAR 7 Satellite and payment of HK$6,896,000 for new addition of equipment.

During the year, the Group entered into an arrangement of general banking facilities (the "Banking Facilities") with Bank of China (Hong Kong) Limited. The Banking Facilities, including a term loan facility in the maximum loan amount of US$50,000,000, was applied to finance the Termination Lease Agreement and working capital requirements of the Group. The Banking Facilities is secured by certain properties of the Group, the assignment of revenue to be generated from service contracts relating to APSTAR 2R Satellite and APSTAR 5 Satellite, APSTAR 2R Satellite insurance claim proceeds, and charge over a charged account which holds certain customer deposits and payments received on services to be provided by APSTAR 2R Satellite.

For the year ended 31 December 2009, US$30,000,000 (approximately HK$234,000,000) has been drawn down and US$3,000,000 (approximately HK$23,400,000) has been repaid pursuant to the repayment schedule of the Banking Facilities. Total outstanding secured bank loan as at 31 December 2009 amounted to HK$209,731,000. The debt maturity profile (net of unamortised finance cost) of the Group was as follows:

Year of Maturity	*HK$*
Repayable within 1 year or on demand	69,690,000
Repayable after one year but within five years	140,041,000
	209,731,000

As at 31 December 2009, the Group's total liabilities were HK$829,422,000, an increase of HK$323,704,000 as compared to 31 December 2008, which was mainly due to the secured bank loan as described above. As a result, the gearing ratio (total liabilities/total assets) has increased to 27%, representing a 7% increase as compared to 31 December 2008.

For the year ended 31 December 2009, the Group recorded a net cash inflow of HK$154,389,000 (2008: net cash outflow of HK$192,906,000) which included net cash inflow from operating activities of HK$421,337,000 and net cash of HK$206,542,000 generated from financing activities. This was offset by the net cash of HK$473,490,000 used in investing activities.

The increase in cash inflow from operating activities as compared to last year was due to the increase in turnover for APSTAR 2R Satellite, APSTAR 5 Satellite and APSTAR 6 Satellite. Net cash used in investing activities was mainly due to progress payment made for the construction of APSTAR 7 and the payment made for the acquisition of APSTAR 2R. Net cash inflow generated from financing activities was mainly due to new bank borrowings of HK$232,830,000.

As at 31 December 2009, the Group has approximately HK$275,930,000 cash and cash equivalents and HK$8,300,000 pledged deposits. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming year.

Capital structure

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

Foreign exchange exposure

Revenue of the Group was mainly in 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 and Euro; 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 stablised. Management expects that the exchange rate of Renminbi in coming year does not have a material adverse foreign exchange risk to the Group.

During the year, the Group entered into a satellite procurement contract at a contract price of approximately Euro 128,500,000. In order to meet the coming payable progress payment, the Group maintained cash balance of Euro 12,817,000 as at 31 December 2009. The Group presently does not engage in any foreign currency hedging activities. However, conservative approach is adopted on monitoring foreign exchange exposure. Forward contracts will be considered to hedge the foreign currency exposure in trading and capital expenditures when it is considered appropriate.

Charges on group assets

At 31 December 2009, the pledged bank deposits of HK$8,300,000 (2008: HK$808,000) are related to certain commercial arrangements and Banking Facilities during the year.

At 31 December 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 HK$4,305,000 (2008: HK$4,422,000).

Capital commitments

As at 31 December 2009, the Group has outstanding capital commitments of HK$1,189,481,000 (2008: HK$534,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the progress payment for the construction of a satellite.

Contingent Liabilities

The details of contingent liabilities of the Group are set out in note 35 of these financial statements.

Human Resources

As at 31 December 2009, the Group had 88 employees (2008: 85). 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 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.

8. OUTLOOK

As mentioned in the circular of the Company in respect of satellite procurement contract and the launch services agreement in respect of APSTAR 7 Satellite, although 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 replacement of APSTAR 2R Satellite is 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.

The signing of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the Loan Agreement are the precautionary steps in the implementation of the Company's backup plan for the commissioning of APSTAR 7 Satellite for the replacement of APSTAR 2R Satellite. APSTAR 7 Satellite is scheduled to be launched during the first half of 2012 and the initial launch period of APSTAR 7B Satellite is between 15 July 2012 and 15 October 2012 (in case the launch of APSTAR 7 Satellite is not successful).

9. 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 2009, the date to which the latest published audited consolidated accounts of the Group were made up.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma financial information of the Group prepared to illustrate the effect of the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement, the Loan Agreement and the Co-operation Agreement on the assets and liabilities and results of the Group, assuming 1) APSTAR 7B Satellite will be launched by the Group in case APSTAR 7 Satellite failed to launch in the first half of 2012; 2) APSTAR 7 Satellite will be launched successfully in the first half of 2012 and rights under APSTAR 7B Satellite Procurement Contract and APSTAR 7B Satellite Launch Services Agreement will be assigned to China Satcom upon the completion of the transactions under the Co-operation Agreement. The unaudited pro forma financial information of the Group was prepared based on the Group's unadjusted financial information as at and for the year ended 31 December 2009 extracted from the audited consolidated balance sheet and audited consolidated income statement of the Group as at and for the year ended 31 December 2009, as set out in the annual report of the Group for the year ended 31 December 2009, after making certain pro forma adjustments as set out in the notes below.

This unaudited pro forma financial information of the Group is based on a number of assumptions, estimates, uncertainties and currently available information and has been prepared for illustrative purposes only. As a result of its hypothetical nature, it may not give a true picture of the financial position and results of the Group as at and for the year ended 31 December 2009 or at any future date or periods.

Scenario 1: Assumed APSTAR 7B Satellite will be launched by the Group in case APSTAR 7 Satellite failed to launch in the first half of 2012

	The Group as at 31 December 2009 (audited)	Pro forma adjustments in respect of the Loan Agreement	Pro forma adjustments in respect of APSTAR 7B Satellite Procurement Contract	The Group after the procurement of APSTAR 7B Satellite	Pro forma adjustments in respect of APSTAR 7B Satellite Launch Services Agreement	The Group after the procurement and launching of APSTAR 7B Satellite
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		<Note 3>	*<Note 4>*		*<Note 5>*	
Non-current assets						
Property, plant and equipment	2,521,953	53,185	1,177,286	3,752,424	522,600	4,275,024
Interest in leasehold land held for own use under an operating lease	14,068			14,068		14,068
Investment properties	4,864			4,864		4,864
Intangible asset	133,585			133,585		133,585
Club memberships	5,537			5,537		5,537
Deposit and prepaid expenses	25,547			25,547		25,547
	2,705,554			3,936,025		4,458,625
Current assets						
Trade receivables, net	116,846			116,846		116,846
Deposits, prepayments and other receivables	11,730			11,730		11,730
Amount due from immediate holding company	219			219		219
Pledged bank deposits	8,300			8,300		8,300
Cash and cash equivalents	275,930	1,027,300	(1,177,286)	125,944	(25,350)	100,594
	413,025			263,039		237,689
Current liabilities						
Payable and accrued charges	198,859			198,859		198,859
Amount due to a related company	–	9,352		9,352		9,352
Rentals received in advance	59,411			59,411		59,411
Secured bank borrowings due within one year	69,690			69,690		69,690
Current taxation	96,997			96,997		96,997
	424,957			434,309		434,309

	The Group as at 31 December 2009 (audited) *HK$'000*	Pro forma adjustments in respect of the Loan Agreement *HK$'000* *<Note 3>*	Pro forma adjustments in respect of APSTAR 7B Satellite Procurement Contract *HK$'000* *<Note 4>*	The Group after the procurement of APSTAR 7B Satellite *HK$'000*	Pro forma adjustments in respect of APSTAR 7B Satellite Launch Services Agreement *HK$'000* *<Note 5>*	The Group after the procurement and launching of APSTAR 7B Satellite *HK$'000*
Net current liabilities	(11,932)			(171,270)		(196,620)
Total assets less current liabilities	2,693,622			3,764,755		4,262,005
Non-current liabilities						
Amounts due to related companies	–	43,833		43,833	497,250	541,083
Secured bank borrowings due after one year	140,041			140,041		140,041
Loan from a related company	–	1,027,300		1,027,300		1,027,300
Deposits received	36,247			36,247		36,247
Deferred income	195,550			195,550		195,550
Deferred tax liabilities	32,627			32,627		32,627
	404,465			1,475,598		1,972,848
Net assets	2,289,157			2,289,157		2,289,157

Notes:

1. The unadjusted statement of assets and liabilities of the Group are extracted from the audited consolidated balance sheet of the Group as at 31 December 2009.

2. The above unaudited pro forma financial information of the Group has not taken into account the effect of the Satellite Procurement Contract and the Launch Service Contract in respect of APSTAR 7 Satellite. Details of the Satellite Procurement Contract, the Launch Service Contract and the related pro forma net assets statement are set out in the circulars of the Company dated 19 October 2009 and 27 November 2009.

3. The adjustments represent: i) receipt of the loan of Euro 100,000,000 (equivalent to HK$1,027,300,000) granted by the Lender under the Loan Agreement for the sole purpose of financing the procurement of APSTAR 7B Satellite; ii) accrual of the loan payable of Euro 100,000,000 (equivalent to HK$1,027,300,000) which is due to be repaid to the Lender no later than 31 December 2012; iii) the borrowing cost of Euro 5,177,000 (equivalent to HK$53,185,000) incurred under the Loan Agreement which is calculated based on the LIBOR rate plus a 2% mark-up is included as additions to property, plant and equipment and as payables to a related company.

4. The adjustments represent: i) the additions to the property, plant and equipment of Euro 114,600,000 (equivalent to HK$1,177,286,000) in respect of the APSTAR 7B Satellite Procurement Contract; ii) payment of Euro 114,600,000 (equivalent to HK$1,177,286,000) made to the contractor funded by the loan of Euro 100,000,000 (note 3 refers) and internal resources.

   Additions to the property, plant and equipment relating to APSTAR 7B Satellite are as follows:

	HK$'000
APSTAR 7B Satellite and related services and deliverable items	1,134,139
Satellite Control Centre and Base Band Sub-system	19,519
On-line support for in-orbit operations and on-site support	23,628
Total contract price	1,177,286

5. The adjustments represent: i) the payment of US$3,250,000 (equivalent to HK$25,350,000) relating to the down payment of the APSTAR 7B Satellite Launch Services Agreement; ii) the additions of US$67,000,000 (equivalent to HK$522,600,000) which represent the total contract cost of the APSTAR 7B Satellite Launch Services Agreement; iii) accrual of the remaining balance of the contract price of US$63,750,000 (equivalent to HK$497,250,000) payable to the Launch Contractor within 27 months from the effective date of the Launch Services Agreement. Payments to be made by the Group pursuant to the APSTAR 7B Satellite Launch Services Agreement are expected to be funded from internal sources and external borrowings in the future. The estimated discounted cash flow would be HK$474,977,000 and are based on the average interest rate of the bank borrowings of the Group as at 31 March 2010.

6. The borrowing cost to be recorded in the consolidated financial statements of the Group in the first half of 2012 shall be based on the market price on the transaction date, which may be different from the estimated borrowing cost as shown in the unaudited pro forma financial information.

7. For the purposes of the unaudited pro forma financial information of the Group, the amounts denominated in Euro and US$ have been translated into HK$ at an exchange rate of Euro 1=HK$10.273 and US$1=HK$7.8 respectively.

8. No adjustment has been made to reflect any operating results or other events subsequent to 31 December 2009. In addition, no adjustment has been made to reflect any future capital expenditure.

Scenario 2: Assumed APSTAR 7 Satellite will be launched successfully in first half of 2012 and right under APSTAR 7B Satellite Procurement Contract and APSTAR 7B Satellite Launch Services Agreement will be assigned to China Satcom upon completion of the transactions under the Co-operation Agreement

	The Group as at 31 December 2009 (audited)	Pro forma adjustments in respect of the Loan Agreement	Pro forma adjustments in respect of APSTAR 7B Satellite Procurement Contract	The Group after the procurement of APSTAR 7B Satellite	Pro forma adjustments in respect of APSTAR 7B Satellite Launch Services Agreement	Pro forma adjustments in respect of the Co-operation Agreement	The Group after the acquisition and disposal of APSTAR 7B Satellite
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		<Note 3>	*<Note 4>*		*<Note 5>*	*<Note 6>*	
Non-current assets							
Property, plant and equipment	2,521,953	38,652	950,355	3,510,960	25,350	(1,014,357)	2,521,953
Interest in leasehold land held for own use under an operating lease	14,068			14,068			14,068
Investment properties	4,864			4,864			4,864
Intangible asset	133,585			133,585			133,585
Club memberships	5,537			5,537			5,537
Deposit and prepaid expenses	25,547			25,547			25,547
	2,705,554			3,694,561			2,705,554
Current assets							
Trade receivables, net	116,846			116,846			116,846
Deposits, prepayments and other receivables	11,730			11,730			11,730
Amount due from immediate holding company	219			219			219
Amount due from a related company	–			–		975,705	975,705
Pledged bank deposits	8,300			8,300			8,300
Cash and cash equivalents	275,930	950,355	(950,355)	275,930	(25,350)		250,580
	413,025			413,025			1,363,380
Current liabilities							
Payable and accrued charges	198,859			198,859			198,859
Amount due to a related company	–	9,352		9,352			9,352
Rentals received in advance	59,411			59,411			59,411
Secured bank borrowings due within one year	69,690			69,690			69,690
Current taxation	96,997			96,997			96,997
	424,957			434,309			434,309

	The Group as at 31 December 2009 (audited) HK$'000	Pro forma adjustments in respect of the Loan Agreement HK$'000 <Note 3>	Pro forma adjustments in respect of APSTAR 7B Satellite Procurement Contract HK$'000 <Note 4>	The Group after the procurement of APSTAR 7B Satellite HK$'000	Pro forma adjustments in respect of APSTAR 7B Satellite Launch Services Agreement HK$'000 <Note 5>	Pro forma adjustments in respect of the Co-operation Agreement HK$'000 <Note 6>	The Group after the acquisition and disposal of APSTAR 7B Satellite HK$'000
Net current (liabilities)/assets	(11,932)			(21,284)			929,071
Total assets less current liabilities	2,693,622			3,673,277			3,634,625
Non-current liabilities							
Amount due to a related company	–	29,300		29,300			29,300
Secured bank borrowings due after one year	140,041			140,041			140,041
Loan from a related company	–	950,355		950,355			950,355
Deposits received	36,247			36,247			36,247
Deferred income	195,550			195,550			195,550
Deferred tax liabilities	32,627			32,627			32,627
	404,465			1,384,120			1,384,120
Net assets	2,289,157			2,289,157			2,250,505

	The Group for the year ended 31 December 2009 (audited)	Pro forma adjustments in respect of the Loan Agreement	Pro forma adjustments in respect of APSTAR 7B Satellite Procurement Contract	The Group after the procurement of APSTAR 7B Satellite	Pro forma adjustments in respect of APSTAR 7B Satellite Launch Services Agreement	Pro forma adjustments in respect of the Co-operation Agreement	The Group after the acquisition and disposal of APSTAR 7B Satellite
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		<*Note 3*>	<*Note 4*>		<*Note 5*>	<*Note 6*>	
Turnover	578,115			578,115			578,115
Cost of services	(322,049)			(322,049)			(322,049)
Gross profit	256,066			256,066			256,066
Other net income	35,535			35,535			35,535
Administrative expense	(80,680)			(80,680)			(80,680)
Impairment losses on property, plant and equipment	–			–		(38,652)	(38,652)
Valuation losses on investment properties	(295)			(295)			(295)
Profit from operations	210,626			210,626			171,974
Finance Costs	(4,868)			(4,868)			(4,868)
Gain from liquidation of a subsidiary	6,146			6,146			6,146
Profit before taxation	211,904			211,904			173,252
Income tax credit	42,180			42,180			42,180
Profit for the year	254,084			254,084			215,432

Notes:

1. The unadjusted statement of assets and liabilities and income statement of the Group are extracted from the audited consolidated balance sheet and audited consolidated income statement of the Group as at and for the year ended 31 December 2009.

2. The above unaudited pro forma financial information of the Group has not taken into account the effect of the Satellite Procurement Contract and the Launch Service Contract in respect of APSTAR 7 Satellite. Details of the Satellite Procurement Contract, the Launch Service Contract and the related pro forma net assets statement are set out in the circulars of the Company dated 19 October 2009 and 27 November 2009.

3. The adjustments represent: i) the receipt of the loan of Euro 92,510,000 (equivalent to HK$950,355,000) granted by the Lender under the Loan Agreement for the sole purpose of financing the procurement of APSTAR 7B Satellite, up to the first half of 2012 when APSTAR 7 Satellite is expected to be successfully launched; ii) accrual of the loan payable of Euro 92,510,000 (equivalent to HK$950,355,000) which is due to be repaid to the Lender no later than 31 December 2012; iii) the borrowing cost of Euro 3,762,500 (equivalent to HK$38,652,000) incurred up to first half of 2012 under the Loan Agreement, which is calculated based on the LIBOR rate plus a 2% mark-up is included as additions to property, plant and equipment and as payables to a related company.

4. The adjustments represent: i) the additions to the property, plant and equipment of Euro 92,510,000 (equivalent to HK$950,355,000) in respect of the APSTAR 7B Satellite Procurement Contract; ii) payment of Euro 92,510,000 (equivalent to HK$950,355,000) made to the contractor funded by the loan of Euro 92,510,000 (note 3 refers) and internal resources.

   Additions to the property, plant and equipment relating to APSTAR 7B Satellite represent cost expected to be incurred up to first half of 2012 when APSTAR 7 Satellite is launched successfully and the breakdown is as follows:

	HK$'000
APSTAR 7B Satellite and related services and deliverable items	930,836
Satellite Control Centre and Base Band Sub-system	19,519
Total	950,355

5. The adjustment represents down payment made to the Launch Contractor in respect of the APSTAR 7B Satellite Launch Services Agreement, which will be fully reimbursed by China Satcom when rights under the APSTAR 7B Satellite Launch Services Agreement is assigned to China Satcom upon completion of the transactions contemplated under the Co-operation Agreement.

6. The adjustment represents: i) disposal of APSTAR 7B Satellite at its capitalised cost and amount to be recovered from China Satcom when rights under the APSTAR 7B Satellite Procurement Contract and APSTAR 7B Satellite Launch Services Agreement are assigned to China Satcom upon completion of the transactions contemplated under the Co-operation Agreement; ii) impairment loss of HK$38,652,000 is identified as the Co-operation Agreement entered into with China Satcom specified any borrowing cost and other expenses directly related to arranging financing for APSTAR 7B Satellite must be borne by the Group.

   The Co-operation Agreement and the Loan Agreement were entered into by APT (HK) with two separate related companies and for the reason that the Loan Agreement did not specify the amount due to be repaid by APT (HK) under the Loan Agreement can be settled by transferring the amount to be recovered under the Co-operation Agreement, the amount due from a related company is not netted off against loan from a related company.

   Furthermore, the Loan Agreement was entered into for the sole purpose of financing the procurement of APSTAR 7B Satellite and there was no specific term requiring APT (HK) to settle the loan immediately after APSTAR 7B Satellite is transferred under the Co-operation Agreement, accordingly the settlement of the loan is not regarded directly attributable to the disposal of APSTAR 7B Satellite.

7. No adjustment has been made to taxation on the basis that the assignment of rights under the Co-operation Agreement is capital in nature and accordingly the impairment losses recognised is not eligible for tax deduction.

8. The borrowing cost to be recorded in the consolidated financial statements of the Group in the first half of 2012 shall be based on the market price on the transaction date, which may be different from the estimated borrowing cost as shown in the unaudited pro forma financial information.

9. For the purposes of the unaudited pro forma financial information of the Group, the amounts denominated in Euro and US$ have been translated into HK$ at an exchange rate of Euro 1=HK$10.273 and US$1=HK$7.8 respectively.

10. No adjustment has been made to reflect any operating results or other events subsequent to 31 December 2009. In addition, no adjustment has been made to reflect any future capital expenditure.

2. LETTER FROM KPMG

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

17 May 2010

The Board of directors
APT Satellite Holdings Limited

Dear Sirs,

APT Satellite Holdings Limited ("the Company")

We report on the unaudited pro forma financial information ("the Pro Forma Financial Information") of the Company and its subsidiaries (collectively referred to as "the Group") set out on pages 128 to 133 in Appendix II of the Circular, dated 17 May 2010 ("the Circular") which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Satellite Procurement Contract in respect of APSTAR 7B Satellite between APT Satellite Company Limited ("APT (HK)") and Thales Alenia Space France, the Launch Service Agreement in respect of APSTAR 7B Satellite between APT (HK) and China Great Wall Industry Corporation, and the Co-operation Agreement in respect of APSTAR 7B Satellite between APT (HK) and China Satellite Communications 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 and notes 1 to 10 on pages 133 and 134 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 (the "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 financial position of the Group as at 31 December 2009 or any future date; or
- the results of the Group for the year ended 31 December 2009 or any future years.

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. 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:	414,435,000	0.10	41,443,500

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	405,000	400,000	0.19
Chen Xun *(Vice President)*	Personal	156,000(2)	110,000	0.06

(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) Chen Xun held 156,000 shares of the Company beneficially where 6,000 shares was held in the capacity 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 2009, 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	62.11%
APT Satellite International Company Limited		214,200,000	51.68%
China Aerospace International Holdings Limited	1(c)	31,200,000	7.53%
Temasek Holdings (Private) Limited	2	22,800,000	5.50%
Singapore Telecommunications Limited	2	22,800,000	5.50%

Notes:

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

   (a) CASC'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 28.57% indirect interest by virtue of its 100% shareholding in China Satellite Communications Corporation (中國衛星通信集團公司) ("China Satcom"), 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 2009, 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 2009, 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 2009), 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 2009); 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 2009) 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 2009).

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 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), related services and deliverable items, satellite control centre and base band subsystem and on-line support for in-orbit operations for an aggregate consideration of Euro 128,500,000;

(c) 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 for a consideration of US$68,000,000;

(d) the transponder service master agreement entered into between the Company and China Satcom dated 10 November 2009 in relation to, among other things, the provision of satellite transponder service with various annual caps on fee chargeable as follows:

		2009	2010	2011
		HK$'000	*HK$'000*	*HK$'000*
a.	Services outside Mainland China			
	by the Group to China Satcom or its associates	4,700	14,100	18,800
	by China Satcom or its associates to the Group	7,100	26,600	26,600
b.	Services inside Mainland China			
	by the Group to China Satcom or its associates	195,000	222,300	230,100

(e) the APSTAR 7B Satellite Launch Services Agreement;

(f) the APSTAR 7B Satellite Procurement Contract;

(g) the Co-operation Agreement; and

(h) the Loan Agreement.

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	Qualifications
Access Capital Limited	a corporation licensed 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 APSTAR 7B Satellite Launch Services Agreement, the Co-operation Agreement and the transactions and arrangements contemplated thereunder
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, FCS(PE), CEng, MIET.

(c) The branch share registrars of the Company in Hong Kong is Tricor Tengis Limited at 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 3 June 2010:

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

(b) the APSTAR 7B Satellite Launch Services Agreement;

(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 pages 28 to 29 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 30 to 44 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 2007, 31 December 2008 and 31 December 2009;

(g) the letter issued by KPMG in connection with the Unaudited Pro Forma Financial Information 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) this circular.

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of APT Satellite Holdings Limited (the "Company") 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, 3 June 2010 at 11:00 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions which will be proposed as ordinary resolutions as indicated below:

ORDINARY RESOLUTIONS

1. "**THAT** the APSTAR 7B Satellite Launch Services Agreement entered into on 23 April 2010 between APT Satellite Company Limited, a wholly-owned subsidiary of the Company and China Great Wall Industry Corporation in respect of APSTAR 7B Satellite (a copy of which has been produced to the meeting and marked "A" and signed by the chairman of the meeting for identification purposes) and the transactions contemplated thereunder are hereby approved AND THAT the directors of the Company be and are hereby authorised to do all such things and sign, seal, execute, perfect and deliver all such documents on behalf of the Company as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the APSTAR 7B Satellite Launch Services Agreement and all transactions contemplated thereunder."

2. "**THAT** the Co-operation Agreement entered into on 23 April 2010 between APT Satellite Company Limited, a wholly-owned subsidiary of the Company and China Satellite Communications Corporation in respect of APSTAR 7B Satellite (a copy of which has been produced to the meeting and marked "B" and signed by the chairman of the meeting for identification purposes) and the transactions and arrangements contemplated thereunder are hereby approved AND THAT the directors of the Company be and are hereby authorised to do all such things and sign, seal, execute, perfect and deliver all such documents on behalf of the Company as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Co-operation Agreement and all transactions contemplated thereunder."

By Order of the board of
APT Satellite Holdings Limited
Dr. Brian Lo
Company Secretary

Hong Kong, 17 May 2010

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

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited with 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, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be).

3. The form of proxy for use in connection with the above meeting is enclosed and such form is also published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com).