APT SATELLITE HOLDINGS LIMITED

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

2010 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2010, which had been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

RESULTS

Turnover

In 2010, the Group's turnover continued to grow tremendously, with annual turnover amounted to HK$719,435,000 (2009: HK$578,115,000), representing an increase of 24.4% amounting HK$141,320,000 as compared to 2009. The increase of turnover is mainly due to the growth in revenue from the core business of the Group.

Profit before taxation

In 2010, the Group's profit before taxation amounted to HK$272,433,000 (2009: HK$211,904,000), representing an increase of 28.6% amounting HK$60,529,000 as compared to 2009.

Profit

As at 31 December 2010, the Group's profit attributable to equity shareholders amounted to HK$198,499,000 (2009: HK$254,084,000). Basic earnings per share was HK47.93 cents (2009: HK61.48 cents).

(Excluding a deferred tax credit of HK$88,863,000 recognised in 2009 as a result of terminating the Lease Agreement in relation to APSTAR 2R, the Group's profit attributable to shareholders for year 2010 should have recorded an increase of 20.1% amounting HK$33,278,000 as compared to 2009.)

DIVIDENDS

In view of the fact that the years in 2010 and 2011 are the peak periods of capital expenditure investment for the implementation of APSTAR 7 and its back up satellite, APSTAR 7B, the Board has resolved not to declare any payment of final dividend in cash for the financial year ended 31 December 2010 (2009: nil).

BONUS ISSUE

The Board of Directors has proposed to make a bonus issue of shares (the "Bonus Issue") to the shareholders of the company on the basis of 1 bonus share for every 2 shares held by the shareholders whose names appear on the register of members of the Company on 24 May 2011. The bonus shares will rank pari passu in all respects with the then existing shares in issue.

The Bonus Issue is conditional, upon the passing of the relevant resolutions at the forthcoming annual general meeting which will be held on 24 May 2011 and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the new shares to be issued under the Bonus Issue.

A circular which set out the details of the Bonus Issue will be sent to the shareholders as soon as practicable.

BUSINESS REVIEW

In-Orbit Satellites

In 2010, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) system and earth station have been operating under normal condition during the year, and continue in providing quality and reliable service to our customers. The in-orbit satellites, APSTAR 2R, APSTAR 6 and APSTAR 5, being located in their orbital positions at 76.5ºE, 134ºE and 138ºE respectively, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa and Europe and are the most important satellite resources in Asia Pacific region.

APSTAR 2R

APSTAR 2R, which was launched in October 1997, positioned at 76.5ºE orbital slot, contains 28 C-band transponders and 16 Ku-band transponders. As at 31 December 2010, its utilisation was 83.2%.

APSTAR 5

APSTAR 5, which was launched in June 2004, positioned at 138ºE orbital slot, the Group owns 20 C-band transponders and 9 Ku-band transponders of the satellite. As at 31 December 2010, its utilisation was 80.6%.

APSTAR 6

APSTAR 6, which was launched in April 2005, positioned at 134ºE orbital slot, contains 38 C-band transponders and 12 Ku-band transponders. As at 31 December 2010, its utilisation was 78.7%.

Satellites on Construction

APSTAR 7

For the purpose of replacing APSTAR 2R, which will retire by the end of 2012, the Group has invested for the construction of APSTAR 7. APSTAR 7 is a Spacebus 4000 C2 Platform high power geostationary communication satellite with 28 C-band transponders and 28 Ku-band transponders. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7. The Ku-band transponders are built with China Beam, Middle East and North Africa Beam, African Beam and Steerable Beam, so as to further expand the coverage and capacity of satellite resources. The construction progress of APSTAR 7 has been smooth and the satellite has entered the Assembly, Integration and Test Stage. It is expected that APSTAR 7 will be launched by the Long March LM-3B Enhanced version launch vehicle of China in the first quarter of 2012.

APSTAR 7B (back up satellite for APSTAR 7)

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

TRANSPONDER LEASE SERVICES

During year 2010, the Group has maintained a high utilisation rates. While the Group can keep our step hold in our existing market shares, we can also successfully establish new customers and explore new markets whereby the market outreach is even broader by achieving sales breakthrough in Nepal, Philippines, Cambodia, India and New Zealand.

SATELLITE TV BROADCASTING AND UPLINK SERVICES

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

In 2010, the Group has achieved outstanding market development and progress in satellite broadcasting services while securing the existing customers. A substantial number of television broadcasters including the Xin Hua TV Channel of China, broadcast their TV content via the Platform of APSTAR 6 to Asia Pacific region.

SATELLITE TELECOMMUNICATION SERVICES

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

BUSINESS PROSPECTS

The global financial turbulences and debt crisis did not cause any major impact to the transponder market in the Asia Pacific region in 2010, where supply and demand has been maintained at a basically stable level, resulting in the appropriate growth in transponder business.

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

For the purpose of replacing APSTAR 2R, the Group will closely monitor the construction progresses of APSTAR 7 and APSTAR 7B so as to assure the quality, delivery and launch of the new satellites.

The Group is actively promoting the APSTAR 2R Replacement Programme to the market and the market feedback has been excellent. So far there has been a significant number of customers on APSTAR 2R, including HBO, who are willing to continue their services with APSTAR 7. While maintaining the existing customers, the Group will gear up the promotion and sales in respect of the Ku-band transponders of APSTAR 7 so as to develop the emerging markets in the Middle East, Central Asia, Africa, and Asia Pacific regions.

CORPORATE GOVERNANCE

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

FINANCIAL REVIEW

As at 31 December 2010, the Group's financial position remains very strong and we have achieved continuous improvement in our operating results. The table below sets out the financial performance for the year ended 31 December 2010 and 31 December 2009:

	2010	2009	Change
HK$ thousand			
Turnover	**719,435**	578,115	+24%
Gross profit	**350,076**	256,066	+37%
Profit before taxation	**272,433**	211,904	+29%
Profit attributable to shareholders	**198,499**	254,084	-22%
Total assets	**3,802,982**	3,118,579	+22%
Total liabilities	**1,315,420**	829,422	+59%
EBITDA Margin (%)	**82%**	76%	+6%
Gearing ratio (%)	**35%**	27%	+8%
Liquidity ratio	**0.58 times**	0.97 times	-0.39 times

The turnover of the Group in 2010 increased by 24% from 2009 to HK$719,435,000 due to certain customer contracts related to APSTAR 2R have been assigned to the Group since 9 July 2009. The profit attributable to shareholders decreased by 22% to HK$198,499,000 because a deferred tax credit in relation to APSTAR 2R was recorded in 2009 as compared to this year. Excluding the deferred tax credit, profit attributable to shareholders was HK$165,221,000 in 2009, representing a 20% increase in 2010.

Finance costs

For the year ended 31 December 2010, the Group's finance costs increased by HK$1,462,000 as compared to finance cost of HK$4,868,000 for the last year. The increase in finance costs was mainly attributable to full year interest expenses on bank borrowings were recorded in 2010 whilst only six month bank loan interest expenses were recorded in 2009. Finance cost of HK$2,810,000 directly related to the construction of APSTAR 7 and APSTAR 7B has been capitalised during the year.

Other net income

Other net income for the year ended 31 December 2010 decreased to HK$5,242,000, as compared to other net income of HK$35,535,000 for the last year. The decrease was mainly due to a gain of HK$30,149,000 arising from the disposal of two transponders of APSTAR 5 in 2009 and no such disposal in 2010.

Income Tax

Income tax expenses for the year ended 31 December 2010 increased to HK$73,934,000, as compared to income tax credit of HK$42,180,000 for the last year. The increase was mainly due to a deferred tax credit was recognised as a result of the Termination Lease Agreement in relation to APSTAR 2R for the year ended 31 December 2009. The details of income tax of the Group are set out in note 9 to this announcement.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group's capital expenditure incurred for fixed assets and intangible assets was HK$1,162,641,000 for 2010 (2009: HK$789,013,000). The increase was mainly due to the payment of HK$1,156,704,000 for the construction of the APSTAR 7 and APSTAR 7B and payment of HK$5,937,000 for new addition of equipments. The Group expects to incur significant capital expenditures in the next two years during construction of APSTAR 7 and its backup satellite APSTAR 7B. The Group expects to finance the above capital expenditures through internal funding, cash flows from operating activities and bank financing.

During the year, the Group entered into a term loan facility (the "Banking Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited. The Banking Facility, up to a maximum loan amount of US$200,000,000, was applied to finance APSTAR 7 including its construction, launch costs and their related constructions and insurance premium. The Banking Facility is secured by the assignment of the construction and the termination payments under construction and launching contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7. For the year ended 31 December 2010, US$51,000,000 (approximately HK$397,800,000) has been drawn down under the Banking Facility.

In addition, during the year, the Group entered into a loan agreement ("Loan Agreement") with a fellow subsidiary in relation to the provision of a facility for the progress payments under the APSTAR 7B Satellite Procurement Contract. The Loan Agreement is up to Euro100,000,000 or equivalent amount in United States Dollar. For the year ended 31 December 2010, US$3,000,000 (approximately HK$23,400,000) has been drawn down under the Loan Agreement.

As at 31 December 2010, the total borrowings amounted to approximately HK$687,939,000 (as at 31 December 2009: approximately HK$209,731,000). Secured bank loans as at 31 December 2010 were subject to variable interest rates ranging from 2.03% to 2.15% p.a. whilst a loan from a fellow subsidiary as at 31 December 2010 carried variable interest rates at 2.33% to 2.46% p.a. The Group recorded an increase of approximately HK$454,808,000 in the total borrowings during the year ended 31 December 2010, which were mainly used for the capital expenditures of APSTAR 7 and APSTAR 7B.

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

Year of Maturity

	HK$
Repayable within one year or on demand	139,016,000
Repayable after one year but within five years	548,923,000
	687,939,000

As at 31 December 2010, the Group's total liabilities were HK$1,315,420,000, an increase of HK$485,998,000 as compared to 31 December 2009, which was mainly due to the new borrowings as described above. As a result, the gearing ratio (total liabilities/ total assets) has increased to 35%, representing a 8% increase as compared to 31 December 2009.

For the year ended 31 December 2010, the Group recorded a net cash outflow of HK$154,445,000 (2009: net cash inflow of HK$154,389,000) which included net cash inflow from operating activities of HK$613,001,000 and net cash of HK$470,903,000 generated from financing activities. This was offset by the net cash of HK$1,231,397,000 used in investing activities and HK$6,952,000 decrease in cash due to the change in foreign exchange rates.

The increase in cash inflow from operating activities as compared to last year was due to the increase in turnover. The increase in cash used in investing activities was mainly due to progress payments made for the construction of APSTAR 7 and APSTAR 7B during the year. The increase in net cash inflow from financing activities was mainly due to the increase in net borrowings in 2010 as compared to 2009.

As at 31 December 2010, the Group has approximately HK$121,485,000 cash and cash equivalents and HK$76,917,000 pledged bank deposits. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming year.

Capital structure

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

Foreign exchange exposure

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures except for satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated by 3.7% against the Hong Kong Dollar during the year ended 31 December 2010. The management does not foresee a material adverse foreign exchange risk to the Group.

The Group had entered into satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B in a contract price of approximately Euro128,500,000 and Euro114,600,000 respectively. In order to meet the coming progress payment, the Group has entered into the Banking Facility where the Group is able to purchase foreign currency forward contract up to maximum of US$150,000,000. Given the volatile exchange rates movements experienced, Euro/USD exchange rate in particular, the Group has entered into forward exchange contracts to hedge against its exposure to potential exchange rate risks. As at 31 December 2010, outstanding Euro forward contracts amounted to Euro8,990,000 which will be applied to next progress payment of APSTAR 7 and APSTAR 7B. The Group continues to adopt a conservative approach on monitoring foreign exchange exposure.

Charges on group assets

At 31 December 2010, the pledged bank deposits of HK$76,917,000 (2009: HK$8,300,000) are related to certain commercial arrangements and banking facilities during the year.

At 31 December 2010, 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$4,189,000 (2009: HK$4,305,000).

Capital commitments

As at 31 December 2010, the Group has outstanding capital commitments of HK$2,200,662,000 (2009: HK$1,189,481,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the progress payment for the construction of satellites APSTAR 7 and APSTAR 7B.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 17 of this announcement.

Material acquisitions and disposals

On 10 June 2010 a resolution was passed by a wholly-owned subsidiary of the Company, by way of member's voluntary winding up, to dissolve Skywork Corporation which was a wholly-owned subsidiary incorporated in the British Virgin Island. It was dissolved on 1 July 2010.

Save as above, there were no other material acquisitions or disposals of any subsidiaries, associates or joint ventures of the Group during the year.

FINANCIAL HIGHLIGHTS

Consolidated Income Statement for the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 *$'000*
Turnover	4	**719,435**	578,115
Cost of services		**(369,359)**	(322,049)
Gross profit		**350,076**	256,066
Other net income	5	**5,242**	35,535
Administrative expenses		**(76,788)**	(80,680)
Valuation gain/(loss) on investment properties		**233**	(295)
Profit from operations		**278,763**	210,626
Finance costs	7	**(6,330)**	(4,868)
Gain from liquidation of a subsidiary	10	**–**	6,146
Profit before taxation	8	**272,433**	211,904
Income tax (expense)/credit	9	**(73,934)**	42,180
Profit for the year and attributable to equity shareholders of the Company		**198,499**	254,084
Earnings per share	12		
Basic		**47.93 cents**	61.48 cents
Diluted		**47.92 cents**	61.48 cents

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	2010	2009
	$'000	*$'000*
Profit for the year	**198,499**	254,084
Other comprehensive income for the year		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(1,380)**	(5,492)
Cashflow hedge: movement in hedging reserve	**(2,233)**	–
Total comprehensive income for the year	**194,886**	248,592

Consolidated Balance Sheet at 31 December 2010

(Expressed in Hong Kong dollars)

	Note	**2010**	2009
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**3,363,090**	2,536,021
Investment properties		**2,665**	4,864
Intangible asset	13	**133,585**	133,585
Club memberships		**5,537**	5,537
Prepaid expenses		**21,890**	25,547
		3,526,767	2,705,554
Current assets			
Trade receivables, net	14	**59,903**	116,846
Deposits, prepayments and other receivables		**17,624**	11,730
Amount due from immediate holding company		**286**	219
Pledged bank deposits		**76,917**	8,300
Cash and cash equivalents		**121,485**	275,930
		276,215	413,025
Current liabilities			
Payables and accrued charges	15	**177,394**	198,859
Rentals received in advance		**58,645**	59,411
Amount due to a fellow subsidiary		**65**	–
Secured bank borrowings due within one year		**139,016**	69,690
Derivative financial instrument		**2,233**	–
Current taxation		**99,557**	96,997
		476,910	424,957
Net current liabilities		**(200,695)**	(11,932)
Total assets less current liabilities carried forward		**3,326,072**	2,693,622

Consolidated Balance Sheet at 31 December 2010 (Continued)

(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Total assets less current liabilities brought forward		**3,326,072**	2,693,622
Non-current liabilities			
Secured bank borrowings due after one year		**525,523**	140,041
Loan from a fellow subsidiary	16	**23,400**	–
Deposits received		**35,157**	36,247
Deferred income		**160,718**	195,550
Deferred tax liabilities		**93,712**	32,627
		838,510	404,465
Net assets		**2,487,562**	2,289,157
Capital and reserves			
Share capital		**41,454**	41,327
Share premium		**1,294,539**	1,287,536
Contributed surplus		**511,000**	511,000
Capital reserve		**4,926**	9,217
Revaluation reserve		**368**	368
Exchange reserve		**340**	1,720
Hedging reserve		**(2,233)**	–
Other reserves		**345**	212
Accumulated profits		**636,823**	437,777
Total equity		**2,487,562**	2,289,157

(Expressed in Hong Kong dollars)

Notes:

1. STATEMENT OF COMPLIANCE

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

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2010 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 and derivative financial instruments are stated at fair value.

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments and two new Interpretations that are first effective for the current accounting period of the Group and the Company. The equivalent new HKFRSs, 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 3 (revised 2008), Business combinations

– Amendments to IAS/HKAS 27, Consolidated and separate financial statements

– Amendment to IAS/HKAS 39, Financial instruments: Recognition and measurement – eligible hedged items

– Improvements to IFRSs/HKFRSs (2009)

– IFRIC/HK(IFRIC) 17, Distributions of non-cash assets to owners

– HK (Int) 5, *Presentation of Financial Statements* – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

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

The amendments to IAS/HKAS 39 and the issurance of HK(Int) 5 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. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to IFRS/HKFRS 3, IAS/HKAS 27 and IFRIC/HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a noncash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to IFRS/HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS/HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

– The amendment introduced by the Improvements to IFRSs/HKFRSs (2009) omnibus standard in respect of IAS/HKAS 17, Leases, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

As a result of the amendment to IAS/HKAS 17, Leases, arising from the "Improvements to IFRSs/ HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the Government's land policy of renewal without payment of additional land premium will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

4. SEGMENTAL REPORTING

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

The Group's operating business are organised and managed separately according to the nature of satellite services, which each segment representing a strategic business segment that offers different services in the global market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the year ended 31 December 2010 and 2009 were mainly derived from provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

Segment results, assets and liabilities

Geographical segments

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

The following table represents aggregate turnover based on geographical locations of customers for the year ended 31 December 2010 and 2009.

	Hong Kong		**Other regions in the PRC**		**Singapore**		**Indonesia**		**Others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**20010**	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**72,161**	63,958	**179,209**	151,755	**78,007**	82,094	**148,254**	108,548	**241,804**	171,760	**719,435**	578,115

5. OTHER NET INCOME

Other net income primarily includes the following:

	2010	2009
	$'000	*$'000*
Interest income	**1,142**	1,419
Rental income in respect of properties	**386**	485
(Loss)/gain on disposal of property, plant and equipment	**(225)**	30,149

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

During 2010 and 2009, the Group conducted a review of its property, plant and equipment and it was concluded that no impairment is required.

7. FINANCE COSTS

	2010	2009
	$'000	*$'000*
Interest on bank borrowings and loan from a fellow subsidiary	**7,716**	2,466
Less: amount capitalised into construction in progress*	**(2,810)**	–
	4,906	2,466
Interest expense on deferred consideration	**1,199**	2,101
Other borrowing costs	**225**	301
	6,330	4,868

* The borrowing costs have been capitalised at a rate of 2.0515% – 2.4647% per annum (2009: nil).

8. PROFIT BEFORE TAXATION

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

	2010	2009
	$'000	*$'000*
Auditors' remuneration		
– audit services	**1,042**	1,137
– tax services	**120**	120
– other services	**112**	365
Depreciation	**319,472**	265,049
Foreign currency exchange loss	**2,219**	309
Operating lease charges: minimum lease payments		
– land and buildings and equipment	**197**	450
– satellite transponder capacity	**2,540**	3,483
Impairment loss on trade and other receivables (written back)/recognised	**(147)**	1,462
Recovery of bad debts previously written off	**–**	(677)

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2010	2009
	$'000	*$'000*
Current tax – Overseas		
Tax for the year	**12,849**	12,175
Deferred tax – Hong Kong		
Origination of temporary differences	**61,085**	(54,355)
Actual tax expense/(credit)	**73,934**	(42,180)

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% (2009: 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.

10. GAIN ON 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 in 2009.

11. DIVIDENDS

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

	2010	2009
	$'000	*$'000*
Final dividend	**–**	–

At a board meeting held on 24 March 2011, the Board of Directors has recommended to make a bonus issue to all shareholders whose names appear on the register of members of the Company as at the close of business on 24 May 2011, on the basis of 1 bonus share for every 2 shares held.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company $198,499,000 (2009: $254,084,000) and the weighted average of 414,101,000 ordinary shares (2009: 413,265,000 shares) in issue during the year ended 31 December 2010.

(i) Weighted average number of ordinary shares

	2010	2009
	Number	*Number*
Issued ordinary shares at 1 January	**413,265,000**	413,265,000
Effect of share options exercised	**836,000**	–
Weighted average number of ordinary shares at 31 December	**414,101,000**	413,265,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of $198,499,000 (2009: $254,084,000) and the weighted average of 414,232,000 ordinary shares (2009: 413,265,000 shares) during the year ended 31 December 2010.

(i) Weighted average number of ordinary shares (diluted)

	2010	2009
	Number	*Number*
Weighted average number of ordinary shares at 31 December	**414,101,000**	413,265,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**131,000**	–
Weighted average number of ordinary shares (diluted) at 31 December	**414,232,000**	413,265,000

13. INTANGIBLE ASSET

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

	2010	2009
	$'000	*$'000*
Orbital slot	**133,585**	133,585

The Group has obtained the right to operate a satellite at an orbital slot through the Termination Lease Agreement of APSTAR 2R. Such intangible asset is considered to have an indefinite life.

No impairment of the intangible asset is recorded as of 31 December 2010 and 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 5.5%.

14. TRADE RECEIVABLES, NET

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:

	2010	2009
	$'000	*$'000*
0 – 30 days	**44,735**	80,017
31 – 60 days	**10,424**	18,742
61 – 90 days	**3,910**	5,025
91 – 120 days	**204**	4,866
Over 120 days	**630**	8,196
	59,903	116,846

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

15. PAYABLES AND ACCRUED CHARGES

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

	2010	2009
	$'000	*$'000*
0 – 3 months	**149,017**	115,125
4 – 6 months	**–**	–
7 – 9 months	**–**	–
9 – 12 months	**–**	–
	149,017	115,125
Accrued expenses	**28,377**	83,734
At 31 December	**177,394**	198,859

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

16. LOAN FROM A FELLOW SUBSIDIARY

The balance represents financing provided by a fellow subsidiary of the Company with respect to the procurement of APSTAR 7B. The loan is secured by the assignment of the procurement contract of APSTAR 7B (including but not limited to all related right and services). As at 31 December 2010, the loan is interest bearing at LIBOR plus 2% mark-up and due for payment on 31 December 2012. Early payment of all or part of the balance maybe made at any time before the repayment date without penalty.

17. 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 bank in respect of the banking facilities granted to its subsidiary. The extent of such banking facilities utilised by the subsidiary at 31 December 2010 amounted to $678,600,000 (2009: $210,600,000).

HUMAN RESOURCES

As at 31 December 2010, the Group had 92 employees. The Group continues to provide on the job training to employees which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

On 19 June 2001, the Company first granted share options to its employees including executive directors. In 2010, a substantial number of employees have exercised their share options which fully indicate that they have confidence in the Group's future development.

AUDIT COMMITTEE

The Group's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited financial report for the period ended 31 December 2010. The Audit Committee has also reviewed the result and statement of the Board in relation to effectiveness of the internal control system and the independence of the Company's auditors.

The Audit Committee comprises of three independent non-executive directors including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong and Mr. Cui Liguo.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 2010, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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

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

E.1.2 – the Chairman of the Board was absent in the Annual General Meeting held on 25 May 2010 as he had to handle another emergent matter. However, other representatives of the Board including Executive Directors and Independent No-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

INCREASE OF SHARE CAPITAL

The Board of Directors has proposed to increase the authorised share capital of the Company from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 each in the capital of the Company. This proposal is subject to the passing of the relevant resolution at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2011 to Tuesday, 24 May 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed Bonus Issue and for attending and voting at the Annual General Meeting of the Company to be held on Tuesday, 24 May 2011, all properly completed transfer forms accompanied by the relevant share certificates must be lodged 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 not later than 4:30 p.m. on Wednesady, 18 May 2011.

ANNUAL REPORT PUBLICATION

The Company's 2010 Annual Report for the year ended 31 December 2010 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

In 2010, the Group continued to achieve encouraging and excellent results. I would like to take this opportunity to express my sincere gratitude to all the customers of the Group for their support over the years and I would also like to express my grateful gratitude to my fellow Directors and all our staff for their unremitting effort and valuable contribution to the development of the Group.

By Order of the Board
Rui Xiaowu
Chairman

Hong Kong, 24 March 2011

The Directors as at the date of this announcement are as follows:

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
Zhuo Chao
Tseng Ta-mon *(alternate director of Yin Yen-liang)*

Independent Non-Executive Directors:

Lui King Man
Lam Sek Kong
Cui Liguo