

**ANNUAL REPORT 2010**

**CONNECTING  
PEOPLE  
IN ASIA AND  
THE WORLD**

**ASIA SATELLITE  
TELECOMMUNICATIONS  
HOLDINGS LIMITED**

STOCK CODE: 1135



# Connecting people in Asia and the world through....

Launching Asia's first privately-owned  
**regional satellite in**

**1000**

Offering

**132**

high-quality C and  
Ku-band transponders

Being the gateway

in space to more than

**53**

countries in the Asia Pacific

Serving

**300+**

global and  
regional broadcasters  
and service providers

Delivering

**500+**

television and radio channels

Providing access to

**610m**

TV homes across the Asia-Pacific region

**Theme:** The theme of this Annual Report addresses how AsiaSat plays an important role in connecting people in every corner of the Asia Pacific, and bringing the world closer to them through the satellite communication platforms and services it provides seamlessly.

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## ABOUT AsiaSat

Asia Satellite Telecommunications Holdings Limited (the “Company”) indirectly owns Asia Satellite Telecommunications Company Limited (“AsiaSat”) and other subsidiaries (collectively the “Group”) and is listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (Stock Code 1135).

AsiaSat is Asia’s premier provider of high quality satellite services to the broadcasting and telecommunications markets. The Group owns and operates three satellites that are located in prime geostationary positions over the Asian landmass and provide access to two-thirds of the world’s population.

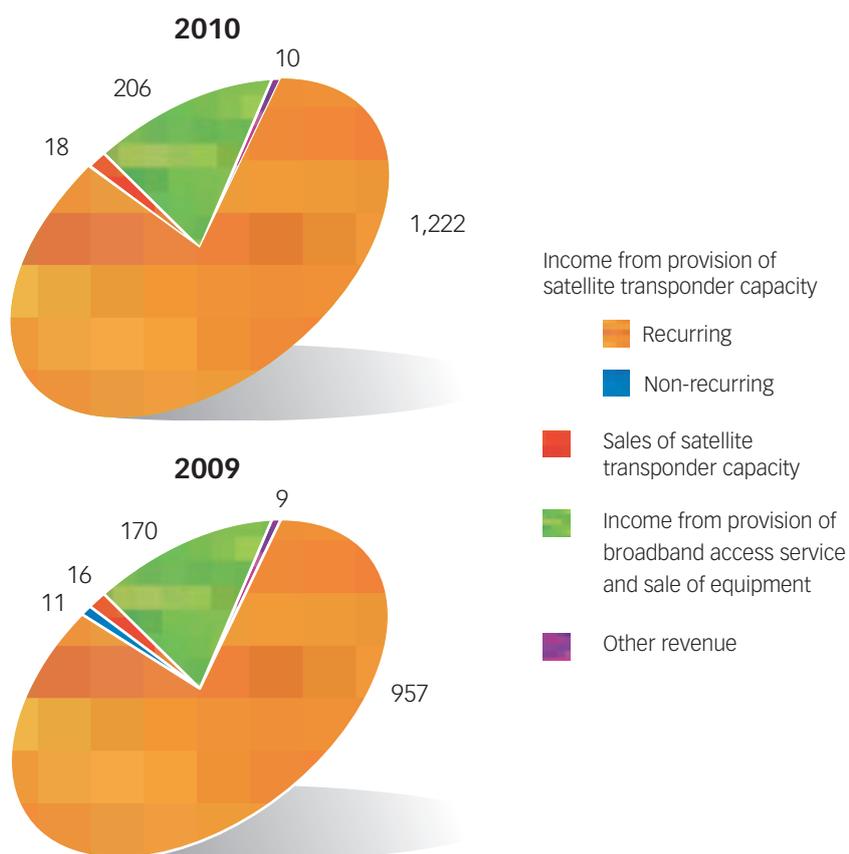
The Company’s strategy is to maximise the return from its core business of satellite transmission services while exploring convergence opportunities in satellite related new growth industries.

**[www.asiasat.com](http://www.asiasat.com)**

# Financial Highlights

		2010	2009	Change
Turnover	HK\$M	1,456	1,163	+25%
Profits attributable to owner of the Company	HK\$M	695	525	+32%
Dividend	HK\$M	207	156	+33%
Capital and reserves	HK\$M	6,045	5,498	+10%
Earnings per share	HK cents	178	135	+32%
Dividend per share	HK cents	53	40	+33%
Dividend cover	Times	3.4	3.4	—
Return on equity	Percent	11	10	+1%
Net assets per share — book value	HK cents	1,545	1,405	+10%

## ANALYSIS OF SALES BY BUSINESS (HK\$M)



# Corporate Information

## EXECUTIVE CHAIRMAN

Peter JACKSON (appointed on 1 August 2010)

## DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

MI Zeng Xin

## EXECUTIVE DIRECTOR

William WADE (appointed as Chief Executive Officer on 1 August 2010 and retitled as President and Chief Executive Officer on 1 January 2011)

## NON-EXECUTIVE DIRECTORS

JU Wei Min

LUO Ning (appointed on 22 January 2010)

GUAN Yi

DING Yu Cheng (resigned on 22 January 2010)

Sherwood P. DODGE (resigned as Chairman on 1 August 2010)

John F. CONNELLY

Nancy KU

Mark CHEN

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Edward CHEN

Robert SZE

James WATKINS

## AUDIT COMMITTEE

Robert SZE (Chairman)

Edward CHEN

James WATKINS

JU Wei Min (Non-voting)

Mark CHEN (Non-voting)

## NOMINATION COMMITTEE

Edward CHEN (Chairman)

MI Zeng Xin

Sherwood P. DODGE

## REMUNERATION COMMITTEE

James WATKINS (Chairman)

JU Wei Min

Nancy KU

## COMPANY SECRETARY

Sue YEUNG

## AUTHORISED REPRESENTATIVES

William WADE (appointed on 1 August 2010)

Sue YEUNG

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKER

The Hongkong and Shanghai  
Banking Corporation Limited

## OTHER BANKERS

China Construction Bank (Asia) Corporate Limited

Citibank N.A., Hong Kong Branch

DBS Bank Limited (Hong Kong Branch)

Standard Chartered Bank (Hong Kong) Limited

## PRINCIPAL SOLICITORS

Mayer Brown JSM

Paul, Weiss, Rifkind, Wharton & Garrison

## REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

## HEAD OFFICE

19/F Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong



**Connecting  
minds through  
HDTV, DTH and  
other video  
distribution services  
for news, sport,  
education and culture**

# Chairman's Statement

## RECORD RESULTS AND AN ENCOURAGING OUTLOOK

In my first Annual Report as Executive Chairman, I am delighted to record that, in 2010, AsiaSat achieved another set of record results.

This was particularly pleasing as our cautiously optimistic view at the time of the Interim Report proved correct, and the positive trend continued throughout the remainder of the year. The strength of the last six months enhanced the strong figures of the first half to set the 2010 year-end record.

While economic uncertainty continues to blight many parts of the world, it would appear that AsiaSat's markets in the Asia-Pacific region generally have stabilised and are now making good progress. Consumer appetite both for additional and superior content is generating demand on one hand, while prompting changes in government legislation on the other. As a result, we are seeing growth in new services with the implementation of new applications across the region.

AsiaSat is at the forefront of this development and, during the year, we launched our new Direct-to-Home (DTH) project in Taiwan and continued to see the introduction of High Definition Television (HDTV) in multiple markets. We renewed most of our existing major customer contracts that were due to expire and attracted a number of excellent new customers. In June and July, we played our part in facilitating the broadcast of 2010 FIFA World Cup, the most watched television event in history.

There were also corporate developments at our head office. On 1 August 2010, I retired as AsiaSat's Chief Executive Officer and was appointed Executive Chairman, and the Company's Deputy Chief Executive Officer, Mr. William WADE, succeeded me as Chief Executive Officer.

In November, I was honoured to receive the CASBAA *Lifetime Contribution Award 2010*. While this tribute was in my name, it did reflect the work of the whole AsiaSat team and they deserve equal recognition.

Looking ahead, we believe that the continued growth of telecommunications and television programming in the Asia-Pacific region will underpin the success of well-performing providers in the regional satellite industry for the foreseeable future. Our own core business is strong, our customer base is 'blue chip', and our Company is recognised as Asia's premier satellite operator. Combining these assets with our outstanding management team and staff, and with a debt-free balance sheet, we are in an excellent position to flourish and to seize opportunities that will add value.

# Chairman's Statement

## FINANCIAL RESULTS

### Turnover

Turnover in 2010 was HK\$1,456 million (2009: HK\$1,163 million), an increase of HK\$293 million, 25% up from the previous year. Some HK\$257 million of this rise came from growth in our core business driven by additional new channels, the expansion of DTH and HDTV, a lease agreement for the exclusive use of AsiaSat 2, and transponders leased to Power Star Limited, a subsidiary of DISH-HD Asia Satellite Limited ("DISH-HD Asia Satellite"), our joint venture in Taiwan. Our wholly-owned subsidiary, SpeedCast Holdings Limited ("SpeedCast"), also added to the uplift with a growth in its contribution of some HK\$36 million as a result of strong demand from its expanding roster of excellent customers.

### Profit

The profit attributable to shareholders for 2010 was HK\$695 million (2009: HK\$525 million), up 32%. The increase came largely from the substantial growth in revenue reported above, combined with the impact of tight controls on costs.

### Operating Expenses

Operating expenses in 2010, excluding depreciation and amortisation, were slightly down at HK\$313 million (2009: HK\$324 million). In the prior year, we incurred substantial legal and professional fees in association with new business activities while, in 2010, the equivalent amount was markedly less. As already noted, even though the overall level of business increased significantly during the year, I am pleased to report that we were able to maintain our expenses at a similar level to the prior year.

### Depreciation

Depreciation in 2010 was HK\$343 million (2009: HK\$265 million). The increase arose largely from a full 12 months' depreciation of AsiaSat 5 in 2010 compared to three months' depreciation in 2009 as the satellite commenced operation in October of that year.

### Cash Flows

During 2010, the Group had a net cash inflow of HK\$802 million (2009: outflow of HK\$962 million) after capital expenditures of HK\$602 million (2009: HK\$1,364 million) and dividends of HK\$156 million (2009: HK\$152 million). As at 31 December 2010, the Group reported a cash and cash equivalents balance of HK\$2,286 million (2009: HK\$1,484 million).

The Group continues to be debt free.



**Connecting**  
business and  
government  
through VSAT and  
the transmission of  
broadband, voice and data



# Connecting People

through cellular backhaul  
and maritime services  
in remote areas  
and on the high seas

# Chairman's Statement

## FINANCIAL RESULTS (CONTINUED)

### Dividend

At the forthcoming Annual General Meeting ("AGM") to be held on 24 May 2011, directors of the Company (the "Directors") will recommend a final dividend of HK\$0.45 per share (2009: HK\$0.32 per share). This, together with the interim dividend of HK\$0.08 per share (2009: HK\$0.08 per share), gives a total dividend of HK\$0.53 per share in 2010 (2009: HK\$0.40 per share). The register of members of the Company will be closed from Tuesday, 17 May 2011 to Tuesday, 24 May 2011 (both days inclusive), during which period no transfer of shares in the Company will be allowed.

## BUSINESS REVIEW

Fuller details of the Company's businesses are set out in the Operations Review that follows, and more detailed reports of the year's activities and public statements can be found on our website at [www.asiasat.com](http://www.asiasat.com).

### New satellite

#### *AsiaSat 7*

Our new satellite, formerly named AsiaSat 5C, is under construction in the U.S. and is progressing well. We are anticipating a launch in the fourth quarter of this year. The satellite is being built by Space Systems/Loral on the SS/L 1300 series satellite platform and will have a performance similar to that of AsiaSat 5.

### *In-orbit satellites*

During 2010, our in-orbit satellites performed well and delivered excellent service to our customers. We currently operate four satellites. Three are located in geostationary orbital positions over Asia to provide our customers with unmatched coverage over two-thirds of the world's population, and the fourth is positioned over Africa. Details of each are set out in the Operations Review.

The total number of transponders leased and sold on the Company's satellites, (excluding the former AsiaSat 2, now called AMOS-5i and leased to a single customer for exclusive use), as at 31 December 2010 was 97 (31 December 2009: 85). The overall utilisation rate was 73% (2009: 65%). This figure includes the six Broadcast Satellite Service (BSS) transponders dedicated to our DTH service and three transponders allocated for occasional use and Satellite News Gathering (SNG) services.

# Chairman's Statement

## SUBSIDIARY COMPANIES AND JOINT VENTURE

### SpeedCast

SpeedCast, our wholly-owned subsidiary, provides two-way satellite services including broadband access services to customers across Asia and beyond.

SpeedCast's turnover for the year ended 31 December 2010 was HK\$206 million (2009: HK\$170 million), an improvement of over 21%. The company recorded a net profit of HK\$23 million for the year (2009: HK\$14 million). This was mainly attributable to the growth in revenue from the two-way broadband access and maritime solutions businesses.

### DISH-HD Asia Satellite

AsiaSat holds 50% of this joint venture, formed with EchoStar Corporation in 2009. DISH-HD Asia Satellite delivers DTH satellite television services in Taiwan and other targeted regional markets. It launched its operations in June 2010 and is now providing its customers with a choice of some 40 High Definition (HD) or enhanced Standard Definition (SD) channels. As DISH-HD Asia Satellite is still in the early stage of operation, it incurred a loss of HK\$83 million (2009: HK\$24 million) in 2010, of which AsiaSat's share was HK\$42 million (2009: HK\$12 million).

## OUTLOOK

In 2010, AsiaSat achieved solid increases in all areas of our business and this momentum has been carried into 2011. The early part of this year has started well and we are experiencing demand for more capacity from existing and new customers, and this bodes well for the future.

However, as in the last two years, we remain aware of the economic uncertainty that is still faced by the global economy. As I have mentioned above, it is fortunate that our region and the satellite industry in general have maintained their healthy growth, and that AsiaSat, as market leader, has been able to maximise the opportunities that have arisen.

Looking to the future, the fundamentals of our industry remain sound and we believe that the Asian satellite market will continue to grow. In addition, there may well be expansion opportunities for AsiaSat, as the satellite industry in Asia continues to evolve. As the region's premier operator, being financially robust and debt free, we are very well placed to seize any opportunities that may arise.

# Chairman's Statement

## OUTLOOK (CONTINUED)

The two key drivers of long-term growth for our business remain the technological advantages that satellites offer over terrestrial systems as a platform for the broadcast industry, and a healthy level of competition across multiple platforms within Asia's television, internet and mobile telecommunications markets. HDTV technology, IPTV, video-to-mobile and DTH services, as well as mobile and internet connectivity in rural and remote areas, drive the industry forward.

For AsiaSat, the Company is well managed and continues to deliver high quality satellite capacity supported by an unmatched level of customer service. We remain optimistic and are encouraged by the future prospects for growth.

## DIRECTORS AND SENIOR MANAGEMENT

On 22 January 2010, we welcomed Mr. LUO Ning to the Board and expressed our thanks to Mr. DING Yu Cheng for his past years' service as a Director.

As reported, on 31 July 2010, I retired from my then position as Chief Executive Officer and was appointed as Executive Chairman. On 1 August 2010, Mr. William WADE, the former Deputy Chief Executive Officer, was appointed as Chief Executive Officer. In line with the international practice within our industry, effective 1 January 2011 the title of our Chief Executive Officer has been changed to President and Chief Executive Officer.

As I take over the Executive Chairman role, on behalf of the Board, I would like to thank Mr. Sherwood P. DODGE for his leadership as Chairman of AsiaSat since June 2009. I would also like to express our sincere appreciation to our customers, suppliers and equity holders for their support. In 2010, AsiaSat achieved excellent results and maintained its well deserved market leadership. For this, and for their commitment and dedication, I thank my fellow Directors and each member of management and staff.

**Peter JACKSON**

*Executive Chairman*

Hong Kong, 24 March 2011

# Operations Review

## MARKET REVIEW

Most of Asia's markets improved in 2010. However, some market commentators note that there are signs of increased inflation in the year ahead which may affect growth.

We remain optimistic, however, and consider that the worst of the global recession is behind us and that the risk of a double-dip, noted at this time last year, is fading. While the economic effect of the recent Japan's earthquake remains unclear, the region is underpinned by China's strength and buoyant Asian economies and we are pleased to see the regional satellite industry now moving forward again on a firmer footing.

The television broadcast business continues to grow and this will drive demand for satellite capacity. The number of Pay-TV systems is increasing across the region as a result of the availability of new distribution platforms including DTH satellite television and IPTV.

The healthy expansion of the market in the period under review is reflected in the performance of our customers' businesses. The number of television and radio channels delivered by AsiaSat has grown to more than 500, an increase of some 30% over last year. Currently AsiaSat serves over 150 broadcasters.

In addition to the quantity of television channels, these international and Asia-based broadcasters are striving to offer a higher-quality viewing experience through digital or HDTV in order to attract consumers in competitive markets. The increase in HDTV penetration across Asia in 2010 created excellent opportunities for AsiaSat in 2010, and we expect this trend to continue.

Telecommunication is also growing steadily and while it is not likely to become a major force for satellites in the near term, it will remain an important revenue stream for AsiaSat.

As the Chairman has noted, we believe that our industry will continue to be driven in the medium to long term by the fundamental advantages that satellites offer over terrestrial networks for certain applications. This is especially relevant in the fragmented Asia-Pacific region. In addition, regional governments are responding to consumer pressure and are improving communications infrastructure, mobile phone coverage and internet backbone connections to reach some of their least developed and inaccessible regions.

As I have noted, the combination of these factors is demonstrated in our strong pipeline of new business and our optimistic outlook for 2011.

# Operations Review

## MARKET REVIEW (CONTINUED)

### Supply — New Satellite Capacity

Steady growth in demand is reducing supply surpluses in some sectors, particularly in the premium sector in South Asia and Australia, although there is still an oversupply of satellite capacity in some regions. Over the next few years, new and replacement capacity will come on line as additional satellites are launched over Asia. This will cause the aggregate number of transponders to increase, but much of this capacity does not compete directly with AsiaSat as it serves specific markets or applications where AsiaSat does not currently operate.

Notwithstanding these new satellites, high-quality C-band transponders in Asia remain in short supply. In this regard, we are well placed, due to the fact that AsiaSat was one of the earliest satellite operators to enter the Asian market and has well-coordinated C-band slots that give us a positive advantage over many of our competitors.

Capacity is one thing, but performance is an equally critical success factor. Our ability to offer instantaneous and reliable access to most hotels, cable operators, DTH platforms and other Pay-TV platforms in the region is another competitive advantage. This impressive access and a matching reputation for reliability and attention to detail over the past 21 years have resulted in strong relationships with our leading broadcast customers. It is for these reasons that, despite excess capacity and very aggressive pricing in certain markets, we are confident in our ability to maintain our market leading position.

### Demand

The development of HDTV across Asia is now a key driver for the industry and is likely to remain so for some time. Regional HDTV penetration is still far below that of the U.S. and Europe, but the trend is clear and the growing aspirations of Asia's consumers are not likely to be dimmed.

Inevitably, this market is going to grow and we expect the demand for HDTV and DTH will create increased opportunities over the medium term for AsiaSat. As a result, our Company is, again, well placed to supply high-quality capacity in the market over the coming years.

Our China business, enabled by our master agreement with CITIC Networks, is beginning to bear fruit, while other contracts including Spacecom and contracts with customers in Vietnam, India, Israel and Pakistan generated growth for AsiaSat during the year. Our strategically positioned satellites cover the entire Asia region, and benefit us in many developing markets, particularly the significant markets of China and India.

In short, we are seeing quality driving quantity, and this is good for AsiaSat. In addition to HDTV, other developing technologies and value-added services will complement the growth in demand for satellite capacity across Asia in the years ahead.

# Operations Review

## MARKET REVIEW (CONTINUED)

### Market Strategies

As the Chairman has noted, we expect corporate growth opportunities to arise in 2011. Accordingly, we shall continue to explore potential acquisitions and strategic partnerships with operators and service providers where we believe they can complement our organic growth and increase our value to the shareholders.

### Performance Review

The Group achieved strong revenue growth in 2010. Turnover was up by HK\$293 million or 25% from 2009. This came from our core business of transponder leasing and was primarily driven by the expansion of DTH, HDTV conversion, new channels and an overall increase in market demand. Additional revenue was generated through a lease agreement for the exclusive use of AsiaSat 2 (now known as AMOS-5i), and leasing transponders to Power Star Limited, a subsidiary of DISH-HD Asia Satellite, our DTH satellite television services joint venture in Taiwan.

The profit attributable to shareholders for 2010 increased to HK\$695 million, up 32% over the previous year notwithstanding the start-up losses and the finance expenses in respect of the shareholder's loan associated with our new joint venture, DISH-HD Asia Satellite. This record profit was achieved as a result of excellent revenue growth, tighter control over costs and doubtful debts, reduced legal and professional fees and no impairment charges on certain assets of a subsidiary as compared to the prior year.

## SATELLITES

### New satellite

#### *AsiaSat 7*

This is our latest satellite, which is currently under construction by Space Systems/Loral in the U.S.

Originally called AsiaSat 5C, this satellite was planned to act as a backup for AsiaSat 5 in the event of launch failure. It is always AsiaSat's practice either to have enough time to build and launch another satellite or in cases where time is limited to have a backup under construction at the time of a launch so that we can assure our customers continuity of services in the unlikely event of a launch failure.

When AsiaSat 5 was safely positioned in orbit, the Board decided to continue with the construction of AsiaSat 5C and renamed it AsiaSat 7. The new satellite is on schedule for launch later this year. Depending on the market conditions as we approach the target launch date, management and the Board will determine whether AsiaSat 7 will be used to service new business or to replace AsiaSat 3S at the orbital location of 105.5°E.

AsiaSat 7 is being built on an SS/L 1300 series satellite platform and will have similar performance criteria to those of AsiaSat 5. It will provide high-quality geostationary satellite services for television broadcast, telephone networks, and VSAT networks for broadband multimedia services across the Asia-Pacific region.

# Operations Review

## SATELLITES (CONTINUED)

### In-orbit satellites

Our current in-orbit fleet — AsiaSat 3S, AsiaSat 4 and AsiaSat 5 — performed well throughout 2010 without incident. AsiaSat 2 was replaced by AsiaSat 5 in October 2009, and has since been leased to Spacecom, the operator of the AMOS satellite fleet, and renamed AMOS-5i. It is now positioned over Africa.

Our three AsiaSat satellites, are located over the Asian landmass. This enables our customers to provide comprehensive and reliable services throughout the geographically fragmented pan-Asian region. The quality and power of our satellites, plus the range of services that we offer, allow us to provide our customers cost-effective and efficient access to two-thirds of the world's population from each of our satellites.

**AsiaSat 3S** was launched in March 1999 and is located at the 105.5°E slot. It has 28 C-band and 16 Ku-band transponders. Its overall utilisation rate as at 31 December 2010 was 72% (2009: 71%).

**AsiaSat 4**, launched in April 2003, is positioned at 122°E. Its configuration offers 28 C-band and 20 Ku-band transponders including six fixed Hong Kong Broadcast Satellite Service (BSS) transponders. Its overall utilisation rate as at 31 December 2010 increased to 69% (2009: 68%).

**AsiaSat 5**, our newest in-orbit satellite, was launched in August 2009 and is positioned at 100.5°E. It commenced full service in October 2009. This satellite carries 26 C-band and 14 Ku-band transponders and its overall utilisation rate as at 31 December 2010 was 79% (2009: 54%).

As at 31 December 2010, the total number of transponders leased and sold on our three satellites (excluding AMOS-5i) was 97 (2009: 85 transponders), an increase of 14%, while the fleet's overall utilisation rate increased to 73% (2009: 65%). The revenue generated from occasional service amounted to HK\$84 million (2009: HK\$65 million), representing some 6% (2009: 6%) of recurrent revenue, the same as in 2009.

# Operations Review

## SATELLITES (CONTINUED)

### Earth stations: Tai Po and Stanley, Hong Kong

AsiaSat's wholly-owned 5,711 square metre satellite control centre in Tai Po, Hong Kong, operated well in 2010. We control and monitor our satellite fleet from Tai Po, where we have eleven high performance antennas: one of 11.3 metres, one of 9 metres, five of 7.3 metres and four of 6.3 metres. Our Tai Po Earth Station is backed up by the Stanley Tracking, Telemetry, and Control Station, which is connected to Tai Po by leased circuits. This fully redundant system enables us to provide the high level of service excellence and reliability on which our customers rely.

The Stanley Station has seven full performance antennas: two of 11 metres, one of 9 metres, three of 6 metres and one of 5 metres. This facility allows our satellites to be fully controlled from Stanley in the unlikely event of an outage at our primary control centre in Tai Po.

During 2010, we further enhanced the range of value-added and cost-saving services we offer to our customers from Tai Po. Our 'one-stop' satellite transmission solutions include multiple channels per carrier (MCPC) platforms, uplink, traffic turn-around, emergency uplink backup, and equipment hosting services.

### Contracts on Hand

As at 31 December 2010, the Group had a contracted backlog of HK\$3,469 million (2009: HK\$3,003 million), an increase of HK\$466 million. This growth was achieved through contracts from new customers and the renewal of certain long-term agreements from existing customers.

## OPERATING LICENCES

### Non-Domestic Television Licence

AsiaSat continues to hold two Non-Domestic Television Programme Service Licences issued by the Hong Kong Broadcasting Authority.

### Fixed Carrier Licence

AsiaSat obtained a Fixed Carrier Licence from the Office of the Telecommunications Authority of Hong Kong in May 2004. This licence permits us to provide television broadcast and telecommunications uplink services to our satellites and to provide backup services for our customers.

# Operations Review

## SUBSIDIARY COMPANIES AND JOINT VENTURE

### SpeedCast

In 2010, SpeedCast increased its revenue to HK\$206 million, compared to HK\$170 million in 2009, representing a 21% rise. This uplift was achieved through growth from its two-way broadband access business and expansion in maritime services.

SpeedCast is an industry-leading two-way broadband access services provider in Asia, the Middle East and Africa, with 10 international points of presence and multiple teleport operations. The company is the fastest growing maritime broadband service provider in Asia and in the top 10 globally.

### DISH-HD Asia Satellite

DISH-HD Asia Satellite, our joint venture with EchoStar Corporation, provides DTH satellite television services. DISH-HD Asia Satellite is still in its start-up stage of operation and thus incurred a loss of HK\$83 million in 2010 (2009: HK\$24 million).

## PROSPECTS

In summary, 2010 was a successful year for AsiaSat, and the market strength that enabled us to achieve record results has continued into the current year. Looking ahead, in the absence of unforeseen circumstances, we believe that the outlook is encouraging for AsiaSat, and we look forward to reporting another good performance in 2011.

### William WADE

*President and Chief Executive Officer*

24 March 2011

# Corporate Governance Report

## STATEMENT

In the interest of shareholders, the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. The Company is in compliance with the requirements of local and relevant overseas regulators in this regard.

Throughout 2010, the Group applied the principles and complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange") with certain deviations as outlined below.

The Directors acknowledge that they are responsible for overseeing the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2010, the Directors have:

- selected suitable accounting policies and applied them consistently;
- appropriately adopted all applicable Hong Kong Financial Reporting Standards; and
- made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the provisions in the CG Code with the following exception:

The CG Code provides that a majority of the members of the Remuneration Committee ("RC") should be Independent Non-executive Directors ("INEDs"). However, the RC is composed of three members, of whom one is an INED and the other two are Non-executive Directors ("NEDs"). The RC is chaired by the INED. It is logical to have a small RC as it allows open, frank and very focused discussions. Strict compliance with the CG Code would have the RC consist of at least five members, implying that all the INEDs would have to participate in the RC so as to maintain the balance of input from the major shareholders' representatives.

# Corporate Governance Report

## DIRECTORS' SECURITIES TRANSACTIONS: IN RESPECT OF MODEL CODE (APPENDIX 10)

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout 2010.

## THE COMPANY

The Company is listed on the Stock Exchange and the majority of its shares are held by a private company, Bowenvale Limited ("Bowenvale"), incorporated in British Virgin Islands, with a 74.43% holding. Both CITIC Group ("CITIC") and General Electric Company ("GE") have equal voting rights in Bowenvale, and in turn, enjoy equal voting rights in the Company. Under the shareholders' agreement of Bowenvale, CITIC and GE are each entitled to appoint, and remove, up to four directors to, or from, the board of directors (the "Board") of the Company.

## BOARD OF DIRECTORS

The Board is currently composed of 13 members: eight appointed by the shareholders of Bowenvale, CITIC and GE, as NEDs; three INEDs; and two Executive Directors ("EDs"), who are also the Executive Chairman ("EC") and the President and Chief Executive Officer ("CEO") of the Company.

As at 1 August 2010, the former CEO has been appointed as the EC until 31 July 2011. Ordinarily, the Chairman and the Deputy Chairman of the Board are appointed by CITIC and GE from one of their nominated directors, and these posts are rotated between nomination by CITIC and GE.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each INED of his independence to the Company. The Company considers all of the INEDs to be independent.

The Board is scheduled to meet on a quarterly basis and additional Board meetings are held if and when required. The Board also holds private sessions at least once per year without the presence of management.

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

The Board deals with strategic and policy issues and approves corporate plans, budgets and monitors the performance of the management. The day-to-day operation of the Company is delegated to the management. The Board has established a framework of corporate governance and is supported by three committees, the Audit Committee ("AC"), the Nomination Committee ("NC") and the RC, each of which has its own charter covering its authorities and duties. The Chairmen of these committees report regularly to the Board on the matters discussed. The Board has also established the Business Development Committee which reviews strategic business initiatives.

The role of the Chairman and the CEO are segregated and not exercised by the same individual. Currently, Mr. Peter JACKSON and Mr. MI Zeng Xin act as EC and Deputy Chairman respectively. In addition, Mr. William WADE acts as CEO.

The Chairman of the Board is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The CEO is delegated with the authority and is responsible for running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives.

All the INEDs and NEDs are appointed for a specific term of three years and are subject to retirement, rotation and re-election at the Company's Annual General Meeting ("AGM"). All of the Board members have confirmed that they are totally unrelated to each other and with the senior management in every aspect including financial, business, or family.

# Corporate Governance Report

## BOARD COMMITTEES

The following table summarises the attendance of individual Directors and committee members in 2010:

Type of meetings	Meetings attended/held in 2010			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings</b>	4	2	4	2
	Attendance	Attendance	Attendance	Attendance
<b>Directors</b>				
<b>NEDs</b>				
MI Zeng Xin <sup>①</sup>	4			2
JU Wei Min <sup>①</sup>	4	2	4	
LUO Ning <sup>①</sup>	2			
GUAN Yi <sup>①</sup>	4			
Sherwood P. DODGE <sup>②</sup>	4			2
John F. CONNELLY <sup>②</sup>	4			
Nancy KU <sup>②</sup>	4		4	
Mark CHEN <sup>②</sup>	4	2		
<b>INEDs</b>				
Edward CHEN	4	2		2
Robert SZE	4	2		
James WATKINS	4	2	4	
<b>EDs</b>				
Peter JACKSON (EC)	4			
William WADE (CEO)	4			
<b>Average attendance rate</b>	96%	100%	100%	100%

<sup>①</sup> CITIC appointed directors.

<sup>②</sup> GE appointed directors.

# Corporate Governance Report

## REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The RC is established as a committee of the Board. The RC:

- (i) formulates the remuneration policies and guidelines for the Board's approval;
- (ii) ensures that the remuneration offered is appropriate and is in line with market practice;
- (iii) considers and reviews:
  - a. the remuneration packages of the EDs;
  - b. pay and conditions for other employees below the ED level; and
  - c. emoluments of the INEDs and NEDs prior to approval of award by the Board each year.

The RC shall have the sole authority to:

- (i) retain or terminate consultants to assist the RC in the evaluation of Director, CEO or senior executives' compensation;
- (ii) determine the terms of engagement and the extent of funding necessary for payment of compensation to any consultant retained to advise the RC.

The RC is composed of three members, of whom one is an INED and the other two are NEDs. The RC is chaired by the INED. The RC is scheduled to meet at least once a year. It also holds private sessions without the presence of management.

The following is a summary of the work of the RC in 2010:

- (i) prepared the new CEO remuneration terms and assisted the members of NC in negotiating the new CEO employment contract;
- (ii) approved the amount of restricted share award for eligible staff for 2010;
- (iii) reviewed the management bonus scheme;
- (iv) approved the compensation for cancellation of existing share scheme of a subsidiary;
- (v) approved the performance targets for the EC's bonus entitlement for the year of his contract;

# Corporate Governance Report

## REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES (CONTINUED)

(vi) approved bonuses for 2010; and

(vii) approved 2011 salary review.

The Group has established a performance-based appraisal system. The present remuneration package consists of salaries, housing benefits (applicable to certain grades of employees), performance bonuses, share awards (applicable to certain grades of employees) and fringe benefits that are comparable with the market. The basis of determining the emoluments payable to the Directors was a market survey included in the independent consultant's report.

Particulars of the Share Award Scheme are set out in note 15 to the consolidated financial statements.

## APPOINTMENTS OF DIRECTORS AND SENIOR EXECUTIVE

The NC is established as a committee of the Board. The NC:

- (i) identifies individuals qualified to become Board members (consistent with criteria approved by the Board);
- (ii) selects or recommends to the Board to be the nominees for the next AGM of shareholders;
- (iii) develops and recommends to the Board a set of corporate governance guidelines applicable to the Company;
- (iv) oversees the evaluation of the Board and management; and
- (v) develops succession planning for the CEO.

The NC has the sole authority to:

- (i) retain and terminate a search firm to be used to identify Director candidates;
- (ii) retain other professionals to assist it with any background checks; and
- (iii) approve the search firm and such other professionals' fees and retention terms.

# Corporate Governance Report

## APPOINTMENTS OF DIRECTORS AND SENIOR EXECUTIVE (CONTINUED)

The following is a summary of the work of the NC in 2010:

- (i) completed the selection process of the new CEO, negotiated the employment contract and finalised the remuneration;
- (ii) recommended directors for re-election at the AGM;
- (iii) reviewed the succession planning methodology of the replacements for the senior executives of the Company;
- (iv) oversaw the self-assessment of the Board and its committees; and
- (v) reviewed the management titles.

## AUDIT COMMITTEE

The primary objective of the AC is to assist the Board in fulfilling its oversight responsibilities with respect to:

- (i) the accounting and financial reporting processes of the Group, including the integrity of the financial statements and other financial information provided by the Group to its shareholders, the public and the Stock Exchange;
- (ii) the Group's compliance with legal and regulatory requirements;
- (iii) the Independent Auditor's ("IA") qualifications and independence;
- (iv) the audit of the Group's financial statements and of the effectiveness of internal control over financial reporting; and
- (v) the performance of the Group's internal audit function and IA.

The members of the AC assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the external and internal audits.

# Corporate Governance Report

## AUDIT COMMITTEE (CONTINUED)

The AC shall have the sole authority and responsibility to:

- (i) select, evaluate and, where appropriate, replace the IA (or to nominate the IA for shareholders' approval);
- (ii) approve all audit engagement fees and terms and all non-audit engagements with the IA; and
- (iii) perform such other duties and responsibilities set forth in any applicable independence and regulatory requirements.

The AC may consult with management, including the CEO and the personnel responsible for the internal audit function, but shall not delegate these responsibilities.

## AUDITORS' REMUNERATION

The fees incurred and described below for 2010 were as follows:

	2010 HK\$'000	2009 HK\$'000
Audit Fees	1,430	1,300
Tax Fees	1,423	3,888
All Other Fees	—	95
	<b>2,853</b>	<b>5,283</b>

### Audit Fees

The aggregate fees incurred by the Group for professional services rendered by the IA for the audit and review of the Group's financial statements.

### Tax Fees

The aggregate fees incurred by the Group for professional services rendered by the professional and other advisors for tax compliance, tax advice and tax planning.

### All Other Fees

The aggregate fees incurred by the Group for products and services provided by the professional and other advisors, other than for services described in the paragraphs above.

# Corporate Governance Report

## RESOURCES

The AC shall have the authority to retain independent legal, accounting and other consultants to advise the AC. The AC may request any officer or employee of the Company or the Company's outside counsel or IAs to attend a meeting of the AC or to meet with any members of, or consultants to, the AC.

## FUNDING

The AC shall determine the extent of funding necessary for payment of:

- (i) compensation to the IA engaged for the purpose of preparing or issuing an Audit Report or performing other audit, review or attest services for the Company;
- (ii) compensation to any independent legal, accounting and other consultants retained to advise the AC; and
- (iii) ordinary administrative expenses of the AC that are necessary or appropriate in carrying out its duties.

## COMPOSITION

The AC comprises five members, three of whom are INEDs who satisfy independence, financial literacy and experience requirements, whilst the other two members are NEDs and have only observer status with no voting rights. The AC is chaired by the INED, who possesses appropriate professional qualifications and experience in financial matters.

The following is a summary of the work of the AC in 2010:

- (i) reviewed the financial statements and reports for the year ended 31 December 2009 and for the six months ended 30 June 2010;
- (ii) reviewed the effectiveness of the internal control system and of internal control over financial reporting in conjunction with management, Internal Audit and the IA;
- (iii) reviewed the IA's statutory audit plan and the management representation letters to the IA;
- (iv) considered and approved the 2010 audit fees;

# Corporate Governance Report

## COMPOSITION (CONTINUED)

- (v) considered and approved the non-audit services fees for the Group;
- (vi) reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2010 in conjunction with the Group's IA;
- (vii) reviewed the "Continuing Connected Transactions" set forth on page 47 and 48 prior to the review and confirmation by the Board; and
- (viii) conducted a private session with the IA.

## ACCOUNTABILITY AND AUDIT

### Financial reporting

The Group recognises that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's shareholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Group are announced in a timely manner within the limits of three and two months respectively after the end of the relevant periods.

### Internal control

#### *System and procedures*

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained, which includes a defined management structure with specified limits of authority to:

- (i) achieve business objectives and safeguard assets against unauthorised use or disposition;
- (ii) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- (iii) ensure compliance with the relevant legislations and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, manage rather than eliminate risks of failure in operational systems, and to ensure achievement of the Group's objectives.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### Internal control (continued)

#### *Annual assessment*

In 2010, the Board, through its AC, conducted a review of the Group's internal control system, including financial, operational and compliance control, and risk management functions. To formalise the annual review of the internal control system, the AC made reference to the requirements of the relevant regulatory bodies. The Board is of the view that, in general, the Group has set up a sound control environment and implemented an effective system of internal control.

#### *Internal Audit plan*

The Internal Auditor follows a risk-and-control-based approach. A three-year internal audit plan is formulated in a risk-weighted manner so that priority and appropriate audit frequency is given to areas with higher risks. The Internal Auditor performs regular financial and operational reviews on the Group. The audit findings and control weaknesses, if any, are reported to the AC. The Internal Auditor monitors the follow-up actions agreed upon in response to its recommendations.

#### *Grievances and whistle-blowing policies*

The Group has established defined procedures for handling employees' complaints and grievances and alerts of wrongdoings. Recommendations on improvements can be channelled to the respective department heads or escalated to the CEO. If the complaint is about the CEO or a Director, the employee can report directly to the Chairman of the AC.

To encourage employees to raise concerns about internal malpractice without hesitation, the Group has also established the whistle-blowing policy, with embedded procedures for reporting such matters internally direct to the Chairman of the AC, who will review the reported complaint and decide how the investigation should be conducted.

# Corporate Governance Report

## SHAREHOLDER RELATIONS

The Board recognises its accountability to shareholders for the performance and activities of the Company and attaches considerable importance to the effectiveness of its communications with shareholders. To this end, an Investor Relations section has been established as part of the Company's website, [www.asiasat.com](http://www.asiasat.com), to provide information to shareholders about the Company. This is in addition to other corporate communications with shareholders, such as circulars, notices, announcements, interim reports and annual reports, copies of which can be found in the Company's website.

The interim report and annual report contain a full Financial Review and an Operations Review together with sections on Corporate Governance and Management Discussion and Analysis.

The AGM is the principal forum for direct dialogue with shareholders at which shareholders are invited to ask questions on the Company's operations or financial information.

At the AGM, shareholders can vote on each proposed resolution and all issues to be considered by shareholders will be proposed at the general meeting as separate resolutions. Pursuant to the Listing Rules, voting by poll is now mandatory for all shareholders meetings.

## GUIDELINES ON CONDUCT

The Company periodically issues notices to its Directors and employees reminding them that there is a general prohibition on dealing in the Company's listed securities during the blackout periods before the announcement of the interim and annual results.

The Company has a Code of Business Conduct and Ethics available on its website, [www.asiasat.com](http://www.asiasat.com).

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overall performance

The Group achieved a profit attributable to equity holders of HK\$695 million (2009: HK\$525 million), an increase of HK\$170 million or 32% from the prior year. The increase in profit was mainly due to our strong growth in revenue.

### Turnover

Turnover in 2010 was HK\$1,456 million (2009: HK\$1,163 million), an increase of HK\$293 million, up 25% from the previous year. Some HK\$257 million of this rise came from growth in our core transponder leasing business driven by additional new channels, the expansion of DTH and HDTV, a lease agreement for the exclusive use of AsiaSat 2, and leasing transponders to Power Star Limited, a subsidiary of our joint venture in Taiwan. Our wholly-owned subsidiary, SpeedCast also added to the uplift with a growth in its contribution of some HK\$36 million as a result of strong demand for its expanding roster of services.

### Cost of services

Cost of services of HK\$500 million (2009: HK\$404 million) represented an increase of HK\$96 million. The increase was largely due to a substantial increase in depreciation expenses of HK\$78 million. As depreciation of AsiaSat 5 commenced only in late 2009, a full-year's depreciation of AsiaSat 5 was realised in 2010 compared to only three-months' depreciation in 2009.

### Other gains

The gain of HK\$27 million (2009: HK\$21 million), an increase of HK\$6 million, was mainly due to interest income of HK\$13 million received from a customer, which was offset by a substantial drop of HK\$7 million in interest income from bank deposits.

### Administrative expenses

Administrative expenses were HK\$156 million (2009: HK\$185 million), a decrease of HK\$29 million or 16%. The decrease was mainly due to a drop in legal and professional fees of HK\$18 million and a decrease in impairment provision of HK\$6 million for assets of a subsidiary.

### Share of losses of a jointly controlled entity

The share of losses from a jointly controlled entity, amounting to HK\$42 million (2009: HK\$12 million), was related to the joint venture with EchoStar, DISH-HD Asia Satellite, in which the Company holds 50%.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Income tax expense

A significant portion of the Group's profit is treated as earned outside of Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax was calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year. The Group's effective tax rate for the year was approximately 10% (2009: 10%).

Overseas tax was calculated at approximately 7% to 20% of the gross revenue earned in certain overseas jurisdictions. The Group currently has a tax case with the Indian tax authorities. Further details are set out in Note 31(a) to the consolidated financial statements.

### Financial Results Analysis

The financial results are highlighted below:

		2010	2009	Change
Turnover	HK\$M	1,456	1,163	+25%
Profits attributable to owners of the Company	HK\$M	695	525	+32%
Dividend	HK\$M	207	156	+33%
Capital and reserves	HK\$M	6,045	5,498	+10%
Earnings per share	HK cents	178	135	+32%
Dividend per share	HK cents	53	40	+33%
Dividend cover	Times	3.4	3.4	—
Return on equity	Percent	11	10	+1%
Net assets per share — book value	HK cents	1,545	1,405	+10%

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal use of capital during the year under review was the payment of dividends, satellite insurance and capital expenditure related to the construction of AsiaSat 7. These payments were financed through the cash flow generated from operating activities.

The Group had a net cash inflow of HK\$802 million (2009: outflow of HK\$962 million) and remained debt free in 2010.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

### Funding and treasury policy

The Group adopts conservative treasury policies and exercises tight control over its cash and risk management. Cash is generally placed on short-term deposits denominated in United States Dollars to meet its payments. The Hong Kong Dollar is pegged to the United States Dollar at the exchange rate of HK\$7.80 to US\$1.00. The exchange movement has been kept within a narrow band. Therefore, the Group does not have any significant currency exposure.

### Financial instruments for hedging

Since almost all the revenue and a majority of the expenditure of the Group are denominated in United States Dollars or Hong Kong Dollars, there is no need to hedge for currency risk.

### Foreign currency investment

The Group does not have any material investment in currencies other than in United States Dollars or Hong Kong Dollars.

## ORDER BOOK

As at 31 December 2010, the value of contracts on hand amounted to HK\$3,469 million (2009: HK\$3,003 million), the majority of which will be realised over the next few years. Almost all the contracts are denominated in United States Dollars. The increase in backlog was attributable to several significant new and renewed contracts secured during 2010.

## SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS

### SpeedCast

SpeedCast, an indirect wholly-owned subsidiary of the Company, provides broadband, multimedia and corporate broadcast services to customers in countries across Asia and beyond.

For the year ended 31 December 2010, the turnover of SpeedCast was HK\$206 million (2009: HK\$170 million), a substantial increase of HK\$36 million or 21%. SpeedCast made a profit of HK\$23 million (2009: HK\$14 million).

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS (CONTINUED)

### DISH-HD Asia Satellite

DISH-HD Asia Satellite is a joint venture with EchoStar Corporation, a leading provider of end-to-end pay TV delivery systems and a designer and manufacturer of equipment for satellite, IPTV, cable, terrestrial and consumer electronics markets, for the delivery of a DTH satellite television service to Taiwan and other targeted regions in Asia. The DTH service commenced operation in June of 2010.

For the year ended 31 December 2010, the turnover of DISH-HD Asia Satellite was HK\$6 million (2009: HK\$0.03 million) as it was still in the early stage of operation in year 2010 and it incurred a loss of HK\$83 million (2009: HK\$24 million).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, there were neither material acquisitions nor disposals of subsidiaries or associated companies.

## SEGMENT INFORMATION

The turnover of the Group, analysed by operating segments, is disclosed in Note 5 to the consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 176 permanent staff (2009: 163).

The Group considers its human resources as one of its most valuable assets. The talent pool that the Group draws from overlaps with the telecommunications, information technology and some high-tech equipment vendor industries.

The Group has established a performance-based appraisal system. The present remuneration package consists of salaries, housing benefits (applicable to certain grades of employees), discretionary bonuses, share awards (applicable to certain grades of employees) and fringe benefits that are comparable with the market.

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES (CONTINUED)

The share award scheme (the "Share Award Scheme") was established on 22 August 2007; it is a long-term incentive plan with the objective to attract and retain the best senior staff for the development of the Company's business. Under the Share Award Scheme, shares of the Company (the "Award Shares") are granted to eligible employees of the Company or any of its subsidiaries. Any Award Shares so granted vest after a certain period or lapse under certain circumstances as set out in the Share Award Scheme rules. The Company has appointed Equity Trust (Jersey) Limited to be the trustee to purchase and hold the Award Shares upon trust to facilitate the servicing of the Share Award Scheme for the benefit of the eligible employees.

The Group does not operate an in-house regular training programme. However, the Group does provide ad hoc training on new developments or facilities and sponsors employees to attend external vocational training that is relevant to the discharge of their duties and their career progression.

## CHARGES ON GROUP ASSETS

As at 31 December 2010, there were no charges on any of the Group's assets.

## CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in Note 32 to the consolidated financial statements.

As at 31 December 2010, the Group had total capital commitments of HK\$1,543 million (2009: HK\$507 million), of which HK\$757 million (2009: HK\$339 million) was contracted for but not provided in the financial statements, and the remaining HK\$786 million (2009: HK\$168 million) was authorised by the Board but not yet contracted.

## GEARING RATIO

As at 31 December 2010, the Company remained debt free. Therefore, gearing ratio was not applicable.

# Management Discussion and Analysis

## EXCHANGE RATES AND ANY RELATED HEDGES

During the year, almost all of the Group's revenues, premiums for satellite insurance coverage and capital expenditure were denominated in United States Dollars. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. As at 31 December 2010, the Group's existing transponder utilisation agreements, and obligations to purchase equipment were denominated in United States Dollars. Thus, the Group does not have any significant currency exposure and does not need to hedge against currency fluctuation.

## CONTINGENT LIABILITIES

Particulars of the Group's contingent liabilities are set out in Note 31 to the consolidated financial statements.

# Biographical Details of Directors and Senior Management

## DIRECTORS

**Peter JACKSON**, aged 62, has been appointed as an Executive Chairman of the Company on 1 August 2010 after his retirement from the position as Chief Executive Officer (“CEO”) of the Company on 31 July 2010. Mr. Jackson has been an Executive Director (“ED”) and the CEO of the Company since May 1996, having served in that position with AsiaSat since July 1993 prior to the listing of the Company. He has over 33 years’ experience in the telecommunications field. Prior to joining the Company, he was employed by Cable & Wireless plc where he held engineering, marketing and management positions and was responsible for several satellite telecommunications ventures. He is a Non-executive Chairman of Daum Communications Group, a listed company in Korea.

**Mi Zeng Xin**, aged 60, was appointed a Non-executive Director (“NED”) of the Company on 28 February 2001. Since then, Mr. Mi acted as Chairman and Deputy Chairman of the Company on a rotational basis. Currently, he acts as the Deputy Chairman of the Board. He is an ED and Vice President of CITIC. Prior to his appointment to the present position, he held executive management positions with various subsidiaries of CITIC. He was the CEO of CITICSTEEL in the United States from 1992 to 1997 and the Chairman of CITIC Australia Pty Limited from 2001 to 2010. He is also the Chairman of the Board of CITIC USA Holdings. He is also the Vice Chairman and NED of CITIC Resources Holdings Limited and a NED of CITIC Dameng Holdings Limited. Both are Hong Kong listed companies. He joined CITIC in 1985 and holds a Master’s Degree in Science.

**William WADE**, aged 54, was appointed CEO of the Company on 1 August 2010 with his title changed to President and CEO from 1 January 2011. Mr. Wade has served as an Executive Director of the Company since May 1996. Since joining the Company in April 1994 and before his appointment as CEO, he served as the Deputy CEO. Prior to joining AsiaSat, he held a number of senior management positions with various companies in Asia and the United States. He has over 25 years’ experience in the satellite and cable television industry, working most of his career in Asia. He speaks Mandarin and holds a Bachelor of Arts (Honours) Degree in Communications from the University of Utah and a Master of International Management Degree from Thunderbird (the Global School of International Management).

**JU Wei Min**, aged 47, was appointed a NED of the Company on 12 October 1998. Mr. Ju is the Director and Chief Financial Officer of CITIC, and the Chairman of CITIC Trust Co., Ltd. He is a NED of CITIC International Financial Holdings Limited, CITIC Ka Wah Bank, and CITIC Securities Co., Ltd. He is also a NED of China CITIC Bank Corporation Limited and CITIC Pacific Limited, Hong Kong listed companies. He holds a Bachelor’s Degree and Master’s Degree in Economics (majoring in Accounting).

# Biographical Details of Directors and Senior Management

## DIRECTORS (CONTINUED)

**LUO Ning**, aged 52, was appointed a NED of the Company on 22 January 2010. Mr. Luo is the Director and Assistant President of CITIC, the Chairman and General Manager of CITIC Networks Co. Ltd. He joined CITIC since 2000 and also holds directorships in several other subsidiaries of CITIC. He is a Director of CITIC Guoan Information Industry Company Limited which is listed on the Shenzhen Stock Exchange in the People's Republic of China. He is also the Vice-Chairman and ED of CITIC 21 CN Company Limited and an ED of DVN (Holdings) Limited. Both are Hong Kong listed companies. He has over 17 years' experience in the telecommunication business and holds a Bachelor Degree in Communication Speciality from the Wuhan People's Liberation Army Institute of Communication Command.

**GUAN Yi**, aged 42, was appointed a NED of the Company on 6 February 2009. Mr. Guan is the Director of Strategy and Planning Department of CITIC. He joined CITIC since 1990 and has worked in various positions in Financial Planning and General Planning Departments. He is also the Director of CITIC Assets Management Corporation Ltd. and the Member of Supervisory Committee of CITIC Trust Co., Ltd. He graduated from University of International Business and Economics in Beijing, with a major in Accounting, in 1990.

**Sherwood P. DODGE**, aged 55, was appointed a NED and a Deputy Chairman of the Company on 6 February 2009 and re-designated as the Chairman of the Company on 1 June 2009. On 1 August 2010, Mr. Dodge resigned as the Chairman of the Company and remains as the NED. He is the President and CEO of GE Capital Equity, America. Prior to his current role, he was Senior Managing Director of GE Capital Equity and had responsibility for investments in Aviation and Energy industries and for co-investments with the customers of GE's Sponsor Finance business. He joined GE in 1988 and has held a variety of executive positions, including President of GE Capital Thailand, and Managing Director of GE Capital Equity Europe. He received a Bachelor of Political Science degree from Denison University.

**John F. CONNELLY**, aged 67, was appointed a NED of the Company on 29 March 2007. Mr. Connelly served with GE for over 40 years in a variety of positions. From 1992 to 2001 he served as the Chairman and the CEO of GE Americom, Inc., which was subsequently sold to SES S.A. ("SES"). In 2001 he was named the Vice Chairman of SES, a position he held until March 2007.

**Nancy KU**, aged 54, was appointed a NED of the Company on 29 March 2007. Ms. Ku is President & CEO of GE Capital, Greater China. In her role, she is responsible for GE's commercial and consumer finance units in Greater China with a focus on structured finance, asset based lending, equipment finance, private equity and consumer financial services. Ms. Ku joined GE in 1998, and has served in a variety of leadership roles in equity and corporate finance. Ms. Ku has over 20 years of experience in private equity, project finance and leveraged buyouts. Prior to joining GE, Ms. Ku held a number of key positions at HSBC, Canadian Imperial Bank of Commerce, Citibank and IBM. Ms. Ku is a graduate of the University of Waterloo and holds an MBA degree from University of Toronto.

# Biographical Details of Directors and Senior Management

## DIRECTORS (CONTINUED)

**Mark CHEN**, aged 36, was appointed a NED of the Company on 29 March 2007. Mr. Chen is the Senior Managing Director of GE Capital — Equity, Asia Pacific. In this role, he leads the private equity investment and asset management activity for GE in the Asia Pacific region. Mr. Chen joined GE in 2000 and served in a variety of key roles within Equity before taking over as head of Equity, Asia Pacific in 2006. Prior to GE, he was an investment banker with Bankers Trust in New York, Tokyo and Seoul. He holds a Bachelor of Economics with honors from Harvard University and an Executive MBA from Kellogg HKUST. Mr. Chen is also a U.S. Presidential Scholar and a U.S. Byrd Congressional Scholar.

**Professor Edward CHEN**, G.B.S., C.B.E., J.P., aged 66, has been an INED of the Company since May 1996. Prof. Chen was educated at Hong Kong University (Bachelor of Arts, Master of Social Science) and Oxford University (Doctor of Philosophy) and was the President of Lingnan University in Hong Kong and retired from this position in 2007. He was a member of the Executive Council of Hong Kong from 1992 to 1997 and Chairman of the Consumer Council from 1991 to 1997. He is now a Distinguished Fellow, Centre of Asian Studies of the University of Hong Kong, Director of First Pacific Company Limited, Director of The Wharf (Holdings) Limited, Director of eBizAnywhere Technologies Limited, and Director of LG Asian Smaller Companies Fund.

**Robert SZE**, aged 70, has been an INED of the Company since May 1996. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He was a partner in an international firm of accountants with which he practised for over 20 years, and is an NED of a number of Hong Kong listed companies.

**James WATKINS**, aged 65, was appointed an INED of the Company on 30 June 2006. Mr. Watkins qualified as a solicitor in 1969 and was for 20 years a Partner in Linklaters, a leading international English law firm. From 1997 to 2003, he was a Director and the General Counsel of the Jardine Matheson Group in Hong Kong. He is a NED of a number of Hong Kong and overseas listed companies. He holds a Degree in Law from The University of Leeds, United Kingdom.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Catherine CHANG**, aged 43, is AsiaSat's General Counsel. Ms. Chang joined AsiaSat in 1994 and established the legal department to manage the legal affairs of the Company. Prior to joining the Company, she was a solicitor at Ebsworth & Ebsworth, an Australian law firm. She graduated from the University of New South Wales, Australia, with a Bachelor's Degree in Law and a Bachelor's Degree in Commerce, majoring in Accountancy.

**Dr. Ya Hui CHIU**, aged 61, is AsiaSat's Vice President, Technical Operations (previously titled as General Manager, Operations), in which capacity he is responsible for launching, maintaining and operating the Company's satellites. Dr. Chiu has 26 years' experience in telecommunications engineering and operations, with the last 23 years being in the satellite communications area. He received his Bachelor of Science Degree from the National Taiwan University and his M. Phil and Ph.D. Degrees from Yale University, all in Physics.

**Sabrina CUBBON**, aged 49, is AsiaSat's Vice President, Sales and Marketing (previously titled as General Manager, Marketing), in which capacity Mrs. Cubbon is responsible for sales and marketing, business development, corporate affairs and market research. She has over 25 years of marketing experience in the telecommunications industry. Prior to joining AsiaSat in August 1992, she was employed by Case Communications between 1987 and 1992 as the Regional Manager Asia-Pacific responsible for the sales and marketing activities to multinational clients. She graduated from the University of Manchester, United Kingdom, with a Master's Degree in Electronic and Electrical Engineering, specialised in cryptography.

**Roger TONG**, aged 49, is AsiaSat's Vice President, Engineering (previously titled as General Manager, Engineering), has over 22 years' experience in the satellite and telecommunications industry and has worked in Canada, Mainland China and Hong Kong. Mr. Tong held various senior management positions at COM DEV International, Allen Telecom Corporation and Mark IV Industries. Prior to joining AsiaSat in March 2008, he was the Technical Consultant to Telesat Canada where he was responsible for various satellite programmes. He holds a Bachelor's Degree in Computer Engineering and a Master's Degree in Engineering from the McMaster University, Canada and a Master of Business Administrations Degree from the Wilfrid Laurier University in Canada.

**Sue YEUNG**, aged 47, is AsiaSat's Vice President, Finance and Chief Financial Officer (previously titled as General Manager, Finance and Administration), and the Secretary of the Company. Ms. Yeung is the member of the Institute of Chartered Accountants in England and Wales. She has held various senior positions in both multinational companies and Hong Kong listed company. Prior to joining AsiaSat in October 2006, she was the Regional Chief Financial Officer of Pearson Education Asia Limited with the overall responsibilities of its Asia Operations. She holds a Bachelor of Science Degree in Chemical Engineering from London University and is a fellow member of Hong Kong Institute of Certified Public Accountants.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT (CONTINUED)

**ZHANG Hai Ming**, aged 54, is AsiaSat's Vice President, China (previously titled as General Manager, China), in which he is responsible for the Company's marketing, operation and customer relations activities in the Mainland China market. Mr. Zhang has over 24 years' experience in the satellite industry in various management positions, covering areas in business development, sales, marketing and operations. Prior to joining AsiaSat in August 2008, he was the Deputy Managing Director of China Mobile Broadcasting Satellite Limited, Hong Kong. He graduated from Beijing Institute of Foreign Trade (now renamed Beijing University of International Business and Economics) and obtained a Master of International Management Degree from the American Graduate School of International Management.

### SpeedCast Limited

**Pierre-Jean BEYLIER**, aged 41, was appointed since July 2004 as the CEO of SpeedCast Limited, an indirect wholly-owned subsidiary of the Company. Mr. Beylier has led the sales and marketing activities of SpeedCast Limited since 2000. He has over 17 years of international sales and marketing experience. Prior to joining SpeedCast Limited, he held various sales and marketing positions with Rhodia, a company listed in Paris, and gained experience in consumer marketing from working at Black and Decker France. He graduated from the Lyon School of Management and holds a Master's Degree in Business Administration from the University of Southern California.

# Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 54.

The Directors recommend the payment of a final dividend of HK\$0.45 per share, together with the interim dividend of HK\$0.08 per share, totalling HK\$0.53 per share in 2010.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 55 and Note 16 to the consolidated financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$52,000 (2009: HK\$18,700).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company, calculated under Section 90 of the Companies Act 1981 of Bermuda are set out in Note 15 to the consolidated financial statements.

# Directors' Report

## DISTRIBUTABLE RESERVES

As at 31 December 2010, the distributable reserves of the Company amounted to HK\$415,145,000 (2009: HK\$407,948,000), as calculated under the Companies Act 1981 of Bermuda.

## PRE-EMPTIVE RIGHTS

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

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 22 August 2007 ("Adoption Date"). Pursuant to the Share Award Scheme, award shares may be granted to eligible employees of the Company or its subsidiaries each year on the grant date until the tenth anniversary from the Adoption Date. The Company shall pay cash to the appointed trustee company for its acquisition and holding upon trust of the award shares for the benefit of eligible employees. The award shares will be transferred to the eligible employees upon vesting. The number of shares to be awarded under the Share Award Scheme throughout its duration shall not exceed 3% of the total issued shares of the Company as at the Adoption Date.

Details of the Share Award Scheme and the shares awarded thereunder are set out in Note 15 to the consolidated financial statements.

Apart from the Share Award Scheme, at no time during 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any body corporate.

# Directors' Report

## DIRECTORS

The Directors who held office during the year and up to the date of this report were:

### Executive Chairman

Peter JACKSON *(appointed on 1 August 2010)*

### Deputy Chairman and Non-executive Director

MI Zeng Xin

### Executive Director

William WADE *(appointed as Chief Executive Officer on 1 August 2010 and  
retitled as President and Chief Executive Officer on 1 January 2011)*

### Non-executive Directors

JU Wei Min

LUO Ning *(appointed on 22 January 2010)*

GUAN Yi

DING Yu Cheng *(resigned on 22 January 2010)*

Sherwood P. DODGE *(resigned as Chairman on 1 August 2010)*

John F. CONNELLY

Nancy KU

Mark CHEN

### Independent Non-executive Directors

Edward CHEN

Robert SZE

James WATKINS

# Directors' Report

## DIRECTORS (CONTINUED)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mr. Mark CHEN, Mr. GUAN Yi, Mr. Peter JACKSON, Mr. William WADE and Mr. James WATKINS will retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

All INEDs and NEDs are appointed for a specific term of three years and are subject to retirement, rotation and re-election at the Company's AGM in accordance with the Company's Bye-laws.

## DIRECTORS' SERVICE CONTRACTS

Mr. Peter JACKSON has entered into a new service contract with the Company whereby he became the Company's Executive Chairman and the service period is from 1 August 2010 to 31 July 2011.

With effect from 1 August 2010, Mr. William WADE has entered into a new service contract with the Company as the CEO of the Company.

No shareholders' approval is required for the above contracts in accordance with the Listing Rules.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 36 to 40.

# Directors' Report

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2010, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, were as follows:

*Ordinary shares of HK\$0.10 each in the Company at 31 December 2010*

	Long or short position	Number of shares/underlying shares held						Total	% of the Issued Share Capital of the Company
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Directors									
Peter JACKSON	Long position	800,264	—	—	—	—	—	800,264	0.20
	Short position	—	—	—	—	—	—	—	—
William WADE	Long position	332,546	—	—	—	—	—	332,546	0.09
	Short position	—	—	—	—	—	—	—	—
James Watkins	Long position	50,000	—	—	—	—	—	50,000	0.01
	Short position	—	—	—	—	—	—	—	—

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated companies.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that, as at 31 December 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

*Ordinary shares of HK\$0.10 each in the Company at 31 December 2010*

<b>Name</b>	<b>Capacity</b>	<b>Long or short position</b>	<b>No. of ordinary shares in the Company</b>	<b>% of the Issued Share Capital of the Company</b>
Bowenvale Limited	Beneficial owner	Long position	291,174,695 <sup>(1) &amp; (2)</sup>	74.43
Able Star Associates Limited	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
CITIC Group	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
GE Pacific-3 Holdings, Inc.	Interest in controlled corporation	Long position	291,174,695 <sup>(2)</sup>	74.43
General Electric Company	Interest in controlled corporation	Long position	291,174,695 <sup>(2)</sup>	74.43

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is wholly-owned by CITIC Asia Satellite Holding Company Limited ("CITIC Asia") which in turn is wholly-owned by CITIC Projects Management (HK) Limited ("CITIC Projects"), a wholly-owned subsidiary of CITIC Group ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC Projects and CITIC are deemed to be interested in the total of 291,174,695 shares in the Company held by Bowenvale.
- (2) GE Pacific-3 Holdings, Inc. ("Pacific 3") controls 41.56% of the voting rights of Bowenvale and other affiliates of General Electric Company ("GE") own another 8.44%. They are all indirect, wholly-owned subsidiaries of GE. Accordingly, Pacific 3 and its GE affiliates are interested in 291,174,695 shares of the Company held by Bowenvale.

# Directors' Report

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2010, the total revenue from the Group's five largest customers represented 31% of the Group's total revenue and the total revenue from the Group's largest customer represented 13% of the Group's total revenue. The total amount of purchases attributable to the Group's five largest suppliers was 42% of the total purchases and the largest supplier represented 27% of the Group's total purchases.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

## CONTINUING CONNECTED TRANSACTIONS

Certain related-party transactions as disclosed in Note 33 to the consolidated financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

The Group has entered into a transponder master agreement with CITIC Networks Company Limited ("CITIC Networks", a wholly-owned subsidiary of CITIC) and CITIC Networks Company Limited, Beijing Satellite Telecommunications Branch ("CITICSat", the branch established and run by CITIC Networks), under which CITIC Networks and CITICSat granted a right to the Group to provide satellite transponder capacity for use by their customers. The revenue generated from this agreement amounted to HK\$128,478,000 (2009: HK\$54,193,000). Furthermore, pursuant to this agreement, CITICSat is responsible for marketing activities in China on behalf of the Group. In return, the Group reimburses the expenditure CITICSat incurs plus a marketing fee, which is collectively known as the marketing expense. The amount of marketing expenses paid in year 2010 was HK\$11,395,000 (2009: HK\$11,208,000).

The aforesaid continuing connected transaction has been reviewed by INEDs of the Company. The INEDs confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# Directors' Report

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions as disclosed by the Group above in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The Group has also entered into certain continuing connected transactions with connected parties which are qualified as de minimis transactions in accordance with paragraph 14A.33(3) of Chapter 14A of the Listing Rules, and hence are exempted from reporting, annual review, announcement and independent shareholders' approval requirement.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to, and within the knowledge of, the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at 24 March 2011.

## SUBSEQUENT EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 34 to the consolidated financial statements.

## AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

**Sue YEUNG**

*Company Secretary*

Hong Kong, 24 March 2011

# Audit Committee Report

The Audit Committee (the “AC”) has five members, three of whom are Independent Non-executive Directors and two are Non-executive Directors with observer status and no voting rights.

The AC oversees the financial reporting process. In this process, management is responsible for the preparation of Group’s financial statements including the selection of suitable accounting policies. The Independent Auditor (“IA”) is responsible for auditing and attesting to the Group’s financial statements and evaluating the Group’s system of internal controls, including the effectiveness of internal control over financial reporting. The AC oversees the respective work of management and external auditors to endorse the processes and safeguards employed by them. The AC reports to the Board on its findings after each AC meeting.

The AC reviewed and discussed with management and the IA the 2010 consolidated financial statements included in the 2010 Annual Report. In this regard, the AC had discussions with management with regard to new, or changes in, accounting policies as applied and significant judgments affecting the Group’s financial statements. The AC also received reports and met with the IA to discuss the general scope of their audit work (including the impact of changes in accounting policies as applied), and their assessment of Group internal controls.

Based on these reviews and discussions and the report of the IA, the AC recommended to the Board approval of the consolidated financial statements for the year ended 31 December 2010, with the Independent Auditor’s Report thereon.

The AC also reviewed and recommended to the Board approval of the unaudited condensed consolidated financial information for the first six months of 2010, prior to public announcement and filing.

The AC recommended to the Board that the shareholders be asked to re-appoint PricewaterhouseCoopers as the Group’s IA for 2011.

## MEMBERS OF THE AUDIT COMMITTEE

Robert SZE	(Chairman)
Edward CHEN	
James WATKINS	
JU Wei Min	(Non-voting)
Mark CHEN	(Non-voting)

Hong Kong, 24 March 2011

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# Consolidated Statement of Financial Position

	Note	As at 31 December	
		2010	2009
		HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	6	21,283	21,866
Property, plant and equipment	7	4,030,123	3,823,914
Intangible assets	8	38,675	38,675
Unbilled receivables		119,944	137,553
Interest in a jointly controlled entity	10	114,327	132,058
Amount paid to tax authority	11	221,202	204,810
<b>Total non-current assets</b>		<b>4,545,554</b>	4,358,876
<b>Current assets</b>			
Tax recoverable		—	32,363
Inventories	13	4,432	3,741
Trade and other receivables	12	229,160	410,925
Cash and cash equivalents	14	2,286,164	1,483,712
<b>Total current assets</b>		<b>2,519,756</b>	1,930,741
<b>Total assets</b>		<b>7,065,310</b>	6,289,617
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Ordinary shares	15	39,120	39,120
Reserves	16(a)		
— Retained earnings		5,812,466	5,324,696
— Proposed final dividend	28	176,038	125,183
— Other reserves		15,632	7,553
		<b>6,043,256</b>	5,496,552
Non-controlling interests		1,257	1,378
<b>Total equity</b>		<b>6,044,513</b>	5,497,930

# Consolidated Statement of Financial Position

	Note	As at 31 December	
		2010 HK\$'000	2009 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	19	255,718	220,537
Deferred revenue	17	107,828	122,504
Obligations under finance leases	18	—	7
Other amounts received in advance		159,052	—
Other payables		2,106	2,006
<b>Total non-current liabilities</b>		<b>524,704</b>	<b>345,054</b>
<b>Current liabilities</b>			
Construction payables		5,930	58,162
Other payables and accrued expenses		95,899	158,003
Deferred revenue	17	281,766	152,172
Obligations under finance leases	18	7	10
Current income tax liabilities		112,370	78,165
Dividend payable		121	121
<b>Total current liabilities</b>		<b>496,093</b>	<b>446,633</b>
<b>Total liabilities</b>		<b>1,020,797</b>	<b>791,687</b>
<b>Total equity and liabilities</b>		<b>7,065,310</b>	<b>6,289,617</b>
<b>Net current assets</b>		<b>2,023,663</b>	<b>1,484,108</b>
<b>Total assets less current liabilities</b>		<b>6,569,217</b>	<b>5,842,984</b>

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

# Statement of Financial Position

	Note	As at 31 December	
		2010 HK\$'000	2009 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	9	439,712	434,627
Capital contribution to Share Award Trust	9	12,531	15,526
<b>Total non-current assets</b>		<b>452,243</b>	450,153
<b>Current assets</b>			
Amount due from a subsidiary	9	24,012	18,450
Other receivables, deposits and prepayments		688	946
<b>Total current assets</b>		<b>24,700</b>	19,396
<b>Total assets</b>		<b>476,943</b>	469,549
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Ordinary shares	15	39,120	39,120
Reserves	16(b)		
— Retained earnings		14,433	12,320
— Proposed final dividend	28	176,038	125,183
— Other reserves		242,540	288,311
<b>Total equity</b>		<b>472,131</b>	464,934
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued expenses		4,631	4,483
Current income tax liabilities		181	132
<b>Total liabilities</b>		<b>4,812</b>	4,615
<b>Total equity and liabilities</b>		<b>476,943</b>	469,549
<b>Net current assets</b>		<b>19,888</b>	14,781
<b>Total assets less current liabilities</b>		<b>472,131</b>	464,934

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2010 HK\$'000	2009 HK\$'000
Sales	5	1,456,222	1,162,918
Cost of services	21	(499,581)	(403,907)
<b>Gross profit</b>		<b>956,641</b>	759,011
Administrative expenses	21	(156,085)	(184,652)
Other gains — net	20	26,622	20,575
<b>Operating profit</b>		<b>827,178</b>	594,934
Finance costs	23	(10,219)	(109)
Share of losses of a jointly controlled entity		(41,580)	(12,242)
<b>Profit before income tax</b>		<b>775,379</b>	582,583
Income tax expense	24	(80,910)	(59,202)
<b>Profit and total comprehensive income for the year</b>		<b>694,469</b>	523,381
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		694,590	525,215
Non-controlling interests		(121)	(1,834)
		<b>694,469</b>	523,381
<b>Earnings per share attributable to the owners of the Company during the year</b> (expressed in HK\$ per share)			
Basic earnings per share	27	1.78	1.35
Diluted earnings per share	27	1.78	1.34
		<b>HK\$'000</b>	HK\$'000
<b>Dividends</b>	28	<b>207,333</b>	156,478

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

		Attributable to owners of the Company							
		Shares held under		Share Award Scheme	Share-based payment reserve	Retained earnings	Total	Non-controlling interests	Total
Note	Share capital	Share premium	Share Award Scheme	Share-based payment reserve	Retained earnings	Total	Non-controlling interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	<b>Balance at 1 January 2009</b>	39,120	17,866	(9,440)	4,055	5,076,930	5,128,531	3,212	5,131,743
	<b>Comprehensive income</b>								
	Profit or loss	—	—	—	—	525,215	525,215	(1,834)	523,381
	<b>Transactions with owners</b>								
	Employees share award scheme:								
	— Shares held under Share Award Scheme	—	—	(10,069)	—	—	(10,069)	—	(10,069)
	— Share-based payment	—	—	—	5,141	—	5,141	—	5,141
	— Shares vested under Share Award Scheme	—	—	3,623	(3,623)	—	—	—	—
	Final dividend relating to 2008	28	—	—	—	(121,271)	(121,271)	—	(121,271)
	Interim dividend relating to 2009	28	—	—	—	(31,295)	(31,295)	—	(31,295)
	Dividend for shares held by Share Award Trust	—	—	—	—	300	300	—	300
	<b>Total transactions with owners</b>	—	—	(6,446)	1,518	(152,266)	(157,194)	—	(157,194)
	<b>Balance at 31 December 2009</b>	39,120	17,866	(15,886)	5,573	5,449,879	5,496,552	1,378	5,497,930
	<b>Balance at 1 January 2010</b>	39,120	17,866	(15,886)	5,573	5,449,879	5,496,552	1,378	5,497,930
	<b>Comprehensive income</b>								
	Profit or loss	—	—	—	—	694,590	694,590	(121)	694,469
	<b>Transactions with owners</b>								
	Employees share award scheme:								
	— Share-based payment	—	—	—	8,079	—	8,079	—	8,079
	— Shares vested under Share Award Scheme	—	—	2,995	(2,995)	—	—	—	—
	Final dividend relating to 2009	28	—	—	—	(125,183)	(125,183)	—	(125,183)
	Interim dividend relating to 2010	28	—	—	—	(31,295)	(31,295)	—	(31,295)
	Dividend for shares held by Share Award Trust	—	—	—	—	513	513	—	513
	<b>Total transactions with owners</b>	—	—	2,995	5,084	(155,965)	(147,886)	—	(147,886)
	<b>Balance at 31 December 2010</b>	39,120	17,866	(12,891)	10,657	5,988,504	6,043,256	1,257	6,044,513

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2010 HK\$'000	2009 HK\$'000
<b>Cash flows from operating activities:</b>			
Cash generated from the operations	29	1,510,849	734,229
Hong Kong profits tax refunded/(paid)		33,240	(48,291)
Overseas tax paid		(12,021)	(7,886)
<b>Net cash generated from operating activities</b>		<b>1,532,068</b>	<b>678,052</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(601,689)	(1,363,817)
Proceeds from disposals of property, plant and equipment	29	1,038	1,550
Proceeds from disposal of an associate		—	1,678
Investments in and advances to a jointly controlled entity		—	(136,500)
Interest received		27,020	19,722
<b>Net cash used in investing activities</b>		<b>(573,631)</b>	<b>(1,477,367)</b>
<b>Cash flows from financing activities:</b>			
Purchases of shares under Share Award Scheme		—	(10,069)
Repayment of obligations under finance leases		(10)	(87)
Interest paid		(10)	(22)
Dividends paid	28	(155,965)	(152,266)
<b>Net cash used in financing activities</b>		<b>(155,985)</b>	<b>(162,444)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>802,452</b>	<b>(961,759)</b>
Cash and cash equivalents at beginning of the year		1,483,712	2,445,471
<b>Cash and cash equivalents at end of the year</b>	14	<b>2,286,164</b>	<b>1,483,712</b>

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

Asia Satellite Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the provision of transponder capacity and broadband access services.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong Dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2011 and signed on its behalf by Mr. Mi Zeng Xin (Director) and Mr. William WADE (Director).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### *Changes in accounting policy and disclosures*

- (a) New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs (2008 and 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distribution 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 adoption of these new and revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies and financial statements of the Group.

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs (2010) <sup>1</sup>
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>1</sup>
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>2</sup>
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HK(IFRIC) Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>1</sup>
HK(IFRIC) Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### *Changes in accounting policy and disclosures (continued)*

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- <sup>1</sup> Effective for the Group for annual periods beginning on or after 1 January 2011
- <sup>2</sup> Effective for the Group for annual periods beginning on or after 1 January 2012
- <sup>3</sup> Effective for the Group for annual periods beginning on or after 1 January 2013

The Group is in the process of assessing the impact of these standards or interpretations and does not expect there will be a material impact on the consolidated financial statements of the Group.

### 2.2 Consolidation

#### (a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income (note 2.6).

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation (continued)

#### (a) *Subsidiaries (continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### (b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (c) *Interests in jointly controlled entities*

Jointly controlled entities are contractual arrangements whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation (continued)

#### (c) *Interests in jointly controlled entities (continued)*

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the jointly controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer who makes strategic decisions.

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars (HK\$), which is the Company's functional and the Group's presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within 'Administrative expenses'.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Foreign currency translation (continued)

#### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity, if any.

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, at the following rates per annum:

Satellites:

— AsiaSat 2 (AMOS-5i)	8%
— AsiaSat 3S	6.25%
— AsiaSat 4	6.67%
— AsiaSat 5	6.25%
Buildings	4%
Tracking facilities	10%–20%
Furniture, fixtures and fittings	20%–33%
Office equipment	25%–33%
Motor vehicles	25%
Teleport and hub equipment	10%–50%
Plant and machinery	20%

Assets under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within 'Other gains — net' in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets

#### (a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

#### (b) *Licences*

Licences are carried at historical cost. Licences that have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licence over its estimated useful life of approximately 10 years.

### 2.7 Impairment of investments in subsidiaries and jointly controlled entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.9 Financial assets

#### (a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 2.10 and 2.11). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

#### (b) *Impairment of financial assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (continued)

#### (b) *Impairment of financial assets carried at amortised cost (continued)*

- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

### 2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### 2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

### 2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Current and deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.14 Employee benefits

#### (a) *Pension obligations*

The Group participates in defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan namely a share award scheme under which the entity receives services from employees as consideration for equity instruments (award shares) of the Group. The Group grants shares of the Company to employees under the share award scheme. The award shares are purchased from the open market and the cost of shares purchased is recognised in equity as treasury stock called "shares held under share award scheme". The fair value of the employee services received in exchange for the grant of the award shares is recognised as an expense with a corresponding increase in share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the award shares granted:

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Employee benefits (continued)

#### **(b) Share-based compensation (continued)**

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of award shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of award shares that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The grant by the Company of award shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

#### **(c) Performance-based bonus**

The expected costs of performance-based bonuses are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for performance-based bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Provisions

Provisions for asset retirement obligations are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from transponder utilisation is recognised on a straight-line basis over the period of the agreements. The excess of revenue recognised on a straight-line basis over the amount received and receivables from customers in accordance with the contract terms is shown as unbilled receivables.

Revenue from the sale of transponder capacity under transponder purchase agreements is recognised on a straight-line basis from the date of delivery of the transponder capacity until the end of the estimated useful life of the satellite.

Broadband access revenue is recognised when the broadband access services are rendered.

Sale of broadband services equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title is passed.

Deposits received in advance in connection with the provision of transponder capacity are deferred and included in other payables.

Services under transponder utilisation agreements are generally billed quarterly in advance. Such amounts received in advance and amounts received from the sale of transponder capacity under transponder purchase agreements in excess of amounts recognised as revenue are recorded as deferred revenue. Deferred revenue which will be recognised in the following year is classified under current liabilities and amounts which will be recognised after one year are classified as non-current.

# Notes to the Consolidated Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Revenue recognition (continued)

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

### 2.18 Leases (as the lessee)

#### (a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

#### (b) *Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### 2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow interest rate risk, fair value interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign exchange risk

During the year, almost all of the Group's revenues, premiums for satellite insurance coverage and substantially all capital expenditure were denominated in United States Dollars. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. At 31 December 2010 and 2009, the majority of the Group's transponder utilisation agreements, transponder purchase agreements, obligations to purchase telemetry, tracking and control equipment were denominated in United States Dollars. As Hong Kong Dollars is pegged to United States Dollars, the Group does not have any significant currency exposure and does not need to hedge.

At 31 December 2010, certain trade receivables were denominated in Renminbi ("RMB") and the foreign currency exposure is analysed as follows:

	2010	2009
	RMB'000	RMB'000
Trade receivables	52,261	30,245

At 31 December 2010, it is estimated that a general increase/decrease of 500 basis points in the exchange rate of Renminbi against Hong Kong Dollars, with all other variables held constant, would increase/decrease the Group's profit for the year and retained profits by approximately HK\$3,082,000 (2009: HK1,717,000).

The sensitivity analysis above has been determined assuming that the change in foreign currency exchange rate has occurred at the reporting date and has been applied to the amount receivable in Renminbi at that date. The 500 basis points increase/decrease represents management's assessment of a reasonably possible change in the foreign currency exchange rate over the period until the next annual reporting date. The analysis is presented on the same basis for 2009.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk of the Group arises from credit exposures to its customers and cash and cash equivalents.

The Group assesses the credit quality of its customers by taking account of their financial position, past experience and current collection trends that are expected to continue. The Group's evaluation also includes the length of time the receivables are past due and the general business environment. This credit risk is not considered significant because the Group does not normally provide credit terms to its trade customers. The Group usually bills its trade customers quarterly in advance in accordance with its agreements. The Group also requires bank guarantees and deposits from certain trade customers to manage the credit exposure. Moreover, the Group only places cash and deposits with reputable banks and financial institutions.

#### (c) Cash flow interest rate risk

The Group has no significant interest-bearing assets or liabilities, however, the Group earns interest income from short-term bank deposits which are affected by the changes in market interest rates. The Group has cash balances placed with reputable banks and financial institutions, which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on various maturities and interest rate terms.

The following table details the interest rate profiles of the Group's short-term deposits:

	2010		2009	
	Effective Interest Rate	HK\$'000	Effective Interest Rate	HK\$'000
Short-term deposits	0.8%	2,113,763	1.2%	1,437,302

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in the interest rate, with all other variables held constant, would increase/decrease the Group's profit for the year and retained profits by approximately HK\$21,138,000 (2009: HK\$14,373,000).

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (c) *Cash flow interest rate risk (continued)*

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the reporting date and has been applied to the interest-bearing short-term bank deposits in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The analysis is performed on the same basis for 2009.

#### (d) *Fair value interest rate risk*

The Group's long-term loan to the jointly controlled entity is non-interest bearing and exposes the Group to fair value interest rate risk.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately HK\$2,547,000 and HK\$2,772,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the reporting date and has been applied to the amount due from the jointly controlled entity in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rate over the year until the next annual reporting date.

#### (e) *Liquidity risk*

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Group closely monitors its exposure to liquidity risk by reviewing the cash position report on a quarterly basis. The Group invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room to meet operation needs. The Group also reviews different funding options regularly in case needs arise.

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (e) Liquidity risk (continued)

The non-derivative financial liabilities of the Group as at 31 December are analysed into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date in the table below. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### Group

	2010			2009		
	Within 1 year HK\$'000	More than 1 year but less than 3 years HK\$'000	Total HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 3 years HK\$'000	Total HK\$'000
<b>Current liabilities</b>						
Construction payables	5,930	—	5,930	58,162	—	58,162
Other payables and accrued expenses	95,899	—	95,899	158,003	—	158,003
Obligations under finance leases	7	—	7	10	—	10
	<b>101,836</b>	<b>—</b>	<b>101,836</b>	<b>216,175</b>	<b>—</b>	<b>216,175</b>
<b>Non-current liabilities</b>						
Other payables	—	2,150	2,150	—	2,150	2,150
Obligations under finance leases	—	—	—	—	7	7
	<b>—</b>	<b>2,150</b>	<b>2,150</b>	<b>—</b>	<b>2,157</b>	<b>2,157</b>

# Notes to the Consolidated Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (e) Liquidity risk (continued)

##### Company

	2010			2009		
	More than 1 year but		Total	More than 1 year but		Total
	Within 1 year	less than 3 years		Within 1 year	less than 3 years	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>						
Other payables and accrued expenses	4,631	—	4,631	4,483	—	4,483

### 3.2 Capital management

The Group's objectives when managing capital, which comprises all capital and reserves attributable to the owners, are:

- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- To support the business growth; and
- To maintain a strong credit rating.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group adopted a dividend policy of providing shareholders with a dividend payout ratio of 30% to 40% of the profit for the year, while retaining the rest of the profit as capital of the Group for future use. The Group's overall policy on managing capital remained the same as in 2009.

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

#### (b) *Useful lives of in-orbit satellites*

The Group's operations are capital intensive and it has significant investments in satellites. The carrying value of the Group's in-orbit satellites (AsiaSat 2 (now known as AMOS-5i), AsiaSat 3S, AsiaSat 4 and AsiaSat 5) represented 41% of its total assets as of 31 December 2010 (2009: 51%). The Group estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reported period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual lives of satellites are longer than the Group has estimated, the Group would have a smaller depreciation expense. As a result, if the Group's estimations of the useful lives of its satellites are not accurate or are required to be changed in the future, the Group's net income in future periods would be affected.

For the year ended 31 December 2010, it is estimated that a general increase/decrease of one year useful life of the in-orbit satellites, with all other variables held constant, would decrease/increase the depreciation charge for the year by approximately HK\$19,264,000 (2009: HK\$14,239,000) and HK\$22,008,000 (2009: HK\$16,313,000) respectively.

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 4.2 Critical judgments in applying the entity's accounting policies

#### **(a) Income taxes**

The Group is subject to income taxes in certain jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The details of the contingencies on Indian tax are set out in Note 31(a).

#### **(b) Realisability of the carrying amounts of long-lived assets**

The Group is required to evaluate at each reporting date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. If any such indication exists, the Group should estimate the recoverable amount of the long-lived assets. An impairment loss is recognised for the excess of the carrying amount of such long-lived assets over their recoverable amounts. The value in use is the discounted present value of the cash flows expected to arise from the continuing use of long-lived assets and cash arising from its disposal at the end of its useful life. The estimates of the cash flows are based on the terms and period of existing transponder utilisation agreements ("Existing Agreements").

Modifications to the terms of the Existing Agreements that result in shorter utilisation periods than previously agreed and/or those that result in the reduction in agreed rates will result in a lower recoverable amount (if the discount rate used is not changed); which may, in turn, result in a situation wherein the recoverable amounts are less than the carrying amounts (therefore, an impairment loss would need to be recognised).

At 31 December 2010 and 2009, there had been no indication that the carrying amounts of long-lived assets of the Group may have become impaired.

#### **(c) Provision for impairment of receivables**

The issue is covered under credit risk in Note 3.1 (b) above.

# Notes to the Consolidated Financial Statements

## 5. SALES AND SEGMENT INFORMATION

### (a) Sales:

The Group's sales are analysed as follows:

	2010 HK\$'000	2009 HK\$'000
Income from provision of satellite transponder capacity		
— recurring	1,221,833	956,450
— non-recurring	321	11,128
Sales of satellite transponder capacity	17,818	16,411
Income from provision of broadband access service and sale of equipment	206,072	169,967
Other revenue	10,178	8,962
	<b>1,456,222</b>	<b>1,162,918</b>

### (b) Segment information:

The chief operating decision-maker has been identified as the President and Chief Executive Officer of the Group. The President and Chief Executive Officer reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the President and Chief Executive Officer, who considers the business from a product perspective. In other words, management assesses the performance based on a measure of profit after taxation of the following businesses:

- operation, maintenance and provision of satellite telecommunication systems for broadcasting and telecommunication;
- provision of broadband access services; and
- provision of Direct-to-Home satellite television service through the jointly controlled entity.

Sales between segments are carried out at arm's length in a manner similar to transactions with third parties. The revenue from external parties reported to the President and Chief Executive Officer is measured in a manner consistent with the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## 5. SALES AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information: (continued)

The amounts provided to the President and Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

An analysis of the Group's reportable segments is as follows:

	2010				Consolidated HK\$'000
	Provision of satellite telecommunication systems for broadcasting and telecommunication HK\$'000	Broadband access services HK\$'000	Direct-to- Home satellite television service HK\$'000	Inter- segment elimination HK\$'000	
Sales to external customers	1,076,794	206,072	—	—	1,282,866
Sales to related parties (Note 33)	163,178	—	—	—	163,178
Inter-segment sales	77,865	808	—	(78,673)	—
Other revenue	10,178	—	—	—	10,178
<b>Total</b>	<b>1,328,015</b>	<b>206,880</b>	<b>—</b>	<b>(78,673)</b>	<b>1,456,222</b>
Operating profit	804,253	22,925	—	—	827,178
Finance costs	(10,208)	(11)	—	—	(10,219)
Share of losses of a jointly controlled entity	—	—	(41,580)	—	(41,580)
Profit before income tax	794,045	22,914	(41,580)	—	775,379
Income tax expense	(80,910)	—	—	—	(80,910)
<b>Profit for the year</b>	<b>713,135</b>	<b>22,914</b>	<b>(41,580)</b>	<b>—</b>	<b>694,469</b>
Depreciation and amortisation	332,834	10,262	—	—	343,096
Interest income	25,115	1	—	—	25,116
<b>Total assets</b>	<b>6,864,224</b>	<b>99,716</b>	<b>114,327</b>	<b>(12,957)</b>	<b>7,065,310</b>
Capital expenditure	530,076	19,682	—	—	549,758
Interest in a jointly controlled entity	—	—	114,327	—	114,327
<b>Total liabilities</b>	<b>986,172</b>	<b>47,582</b>	<b>—</b>	<b>(12,957)</b>	<b>1,020,797</b>

# Notes to the Consolidated Financial Statements

## 5. SALES AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information: (continued)

	2009				Consolidated HK\$'000
	Provision of satellite telecommunication systems for broadcasting and telecommunication HK\$'000	Broadband access services HK\$'000	Direct-to- Home satellite television service HK\$'000	Inter- segment elimination HK\$'000	
Sales to external customers	921,226	169,967	—	—	1,091,193
Sales to related parties (Note 33)	62,763	—	—	—	62,763
Inter-segment sales	72,024	269	—	(72,293)	—
Other revenue	11,720	—	—	(2,758)	8,962
<b>Total</b>	<b>1,067,733</b>	<b>170,236</b>	<b>—</b>	<b>(75,051)</b>	<b>1,162,918</b>
Operating profit	580,878	14,056	—	—	594,934
Finance costs	(87)	(22)	—	—	(109)
Share of losses of a jointly controlled entity	—	—	(12,242)	—	(12,242)
Profit before income tax	580,791	14,034	(12,242)	—	582,583
Income tax expense	(59,202)	—	—	—	(59,202)
<b>Profit for the year</b>	<b>521,589</b>	<b>14,034</b>	<b>(12,242)</b>	<b>—</b>	<b>523,381</b>
Depreciation and amortisation	255,479	9,292	—	—	264,771
Interest income	18,445	7	—	—	18,452
<b>Total assets</b>	<b>6,105,091</b>	<b>65,412</b>	<b>132,058</b>	<b>(12,944)</b>	<b>6,289,617</b>
Capital expenditure	1,397,255	14,194	—	—	1,411,449
Interest in a jointly controlled entity	—	—	132,058	—	132,058
<b>Total liabilities</b>	<b>768,439</b>	<b>36,192</b>	<b>—</b>	<b>(12,944)</b>	<b>791,687</b>

# Notes to the Consolidated Financial Statements

## 5. SALES AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information: (continued)

The Group is domiciled in Hong Kong. The sales to customers in Hong Kong and Greater China for the year ended 31 December 2010 are HK\$241,768,000 (2009: HK\$261,784,000) and HK\$181,021,000 (2009: HK\$148,680,000) respectively, and the total sales to customers in other countries is HK\$1,033,433,000 (2009: HK\$752,454,000).

For the purpose of classification, the country where the customer (both external customer and related party) is incorporated is deemed to be the source of sales. However, the Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between geographical segments. Accordingly, no geographical analysis of expenses, assets and liabilities has been presented.

For the year ended 31 December 2010, sales of approximately HK\$190,996,000 (2009: HK\$192,121,000) are derived from a single external customer. These sales are attributable to the provision of satellite telecommunication systems for broadcasting and telecommunication.

## 6. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2010 HK\$'000	2009 HK\$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	21,283	21,866
Total	21,283	21,866
	2010 HK\$'000	2009 HK\$'000
Opening balance	21,866	22,449
Amortisation of prepaid operating lease payments (Note 21)	(583)	(583)
Closing balance	21,283	21,866

# Notes to the Consolidated Financial Statements

## 7. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Satellites and tracking facilities		Furniture, fixtures and fittings		Office equipment	Motor vehicles	Teleport and hub equipment	Plant and equipment	Total
	In operation	Under construction	Buildings						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2009</b>									
Cost	4,269,339	898,511	122,267	17,940	18,103	5,166	44,674	2,372	5,378,372
Accumulated depreciation	(2,613,820)	—	(24,090)	(8,528)	(16,620)	(3,552)	(28,113)	(2,362)	(2,697,085)
Net book amount	1,655,519	898,511	98,177	9,412	1,483	1,614	16,561	10	2,681,287
<b>Year ended 31 December 2009</b>									
Opening net book amount	1,655,519	898,511	98,177	9,412	1,483	1,614	16,561	10	2,681,287
Additions	4,216	1,389,951	60	268	1,340	2,207	13,407	—	1,411,449
Transfer between categories	1,857,673	(1,857,673)	—	—	(10)	—	10	—	—
Disposals (Note 29)	(1,201)	—	—	—	(5)	—	(144)	—	(1,350)
Impairment charge	(2,781)	—	—	—	—	—	—	—	(2,781)
Depreciation	(245,518)	—	(4,891)	(4,058)	(1,109)	(1,076)	(8,035)	(4)	(264,691)
Closing net book amount	3,267,908	430,789	93,346	5,622	1,699	2,745	21,799	6	3,823,914
<b>At 31 December 2009</b>									
Cost	6,125,693	430,789	122,327	18,208	19,308	6,098	57,563	2,372	6,782,358
Accumulated depreciation	(2,857,785)	—	(28,981)	(12,586)	(17,609)	(3,353)	(35,764)	(2,366)	(2,958,444)
Net book amount	3,267,908	430,789	93,346	5,622	1,699	2,745	21,799	6	3,823,914
<b>Year ended 31 December 2010</b>									
Opening net book amount	3,267,908	430,789	93,346	5,622	1,699	2,745	21,799	6	3,823,914
Additions	9,697	518,794	219	818	1,650	468	18,112	—	549,758
Disposals (Note 29)	—	—	—	(2)	—	—	(451)	—	(453)
Depreciation	(323,053)	—	(4,894)	(3,943)	(1,143)	(1,138)	(8,922)	(3)	(343,096)
Closing net book amount	2,954,552	949,583	88,671	2,495	2,206	2,075	30,538	3	4,030,123
<b>At 31 December 2010</b>									
<b>Cost</b>	<b>6,134,009</b>	<b>949,583</b>	<b>122,546</b>	<b>18,953</b>	<b>20,204</b>	<b>5,208</b>	<b>74,658</b>	<b>1,222</b>	<b>7,326,383</b>
<b>Accumulated depreciation</b>	<b>(3,179,457)</b>	<b>—</b>	<b>(33,875)</b>	<b>(16,458)</b>	<b>(17,998)</b>	<b>(3,133)</b>	<b>(44,120)</b>	<b>(1,219)</b>	<b>(3,296,260)</b>
<b>Net book amount</b>	<b>2,954,552</b>	<b>949,583</b>	<b>88,671</b>	<b>2,495</b>	<b>2,206</b>	<b>2,075</b>	<b>30,538</b>	<b>3</b>	<b>4,030,123</b>

At 31 December 2010, the carrying amount of the Group's office equipment held under finance leases was HK\$6,000 (2009: HK\$15,000). Depreciation expense of HK\$343,096,000 (2009: HK\$264,691,000) has been charged in cost of services.

# Notes to the Consolidated Financial Statements

## 8. INTANGIBLE ASSETS — GROUP

	Licences HK\$'000	Goodwill HK\$'000	Total HK\$'000
<b>At 1 January 2009</b>			
Cost	1,889	38,675	40,564
Accumulated amortisation and impairment	(643)	—	(643)
Net book amount	1,246	38,675	39,921
<b>Year ended 31 December 2009</b>			
Opening net book amount	1,246	38,675	39,921
Impairment charge (Note 21)	(1,166)	—	(1,166)
Amortisation (Note 21)	(80)	—	(80)
Closing net book amount	—	38,675	38,675
<b>At 31 December 2009 and 2010</b>			
Cost	1,889	38,675	40,564
Accumulated amortisation and impairment	(1,889)	—	(1,889)
Net book amount	—	38,675	38,675

Note:

In last year, the Group made a provision for impairment loss to write down fully the carrying value of the licences. There has been no further movement in the intangible assets during the year.

### Impairment test of goodwill

Goodwill is wholly related to the Group's cash generating unit ("CGU") of provision of broadband access services. In accordance with HKAS 36 "Impairment of Assets", the impairment test for goodwill was carried out by comparing the recoverable amount to the carrying amount as at the year end reporting date. The recoverable amount of the Group's CGU is determined based on value-in-use calculations. These calculations use pre-tax free cash flow projections based on the five-year financial budget from 2011 to 2015 approved by management and an annual growth rate of 1% beyond the five-year period (2009: annual growth rate of 2% beyond the projection period of ten years). The discount rate used is 20% (2009: 15%). Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount and therefore no sensitivity analysis is presented.

# Notes to the Consolidated Financial Statements

## 9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares in subsidiaries, at cost	439,712	434,627
Capital contribution to Share Award Trust (Note b)	12,531	15,526
	<b>452,243</b>	450,153

At 31 December 2010, the amount due from a subsidiary of HK\$24,012,000 (2009: HK\$18,450,000), denominated in Hong Kong Dollars, has no fixed terms of payment and is unsecured and interest-free.

### (a) Particulars of subsidiaries

The following is the list of the principal subsidiaries at 31 December 2010:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
AsiaSat BVI Limited #	British Virgin Islands, limited liability company	Investment holding in Hong Kong	3,000 ordinary shares of US\$1 each	100%
Asia Satellite Telecommunications Company Limited	Hong Kong, limited liability company	Provision of satellite transponder capacity worldwide	30,000 ordinary shares and 20,000 non-voting deferred shares of HK\$10 each	100%
SpeedCast Holdings Limited	Cayman Islands, limited liability company	Investment holding	25,524,026 ordinary shares of US\$0.0001 each	100%
SpeedCast Limited	Hong Kong, limited liability company	Provision of broadband access services	10,000,000 ordinary shares of HK\$0.01 each	100%

# Shares held directly by the Company.

# Notes to the Consolidated Financial Statements

## 9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (b) Controlled special purpose entity

The Company has set up a trust, Asia Satellite Share Award Trust (the "Trust"), for the purpose of administering the Share Award Scheme established by the Company during 2007. In accordance with HK(SIC), Int 12, the Company is required to consolidate the Trust as the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of employees who have been awarded the Awarded Shares through their employment with the Group.

Special purpose entity	Place of incorporation	Principal activities
Asia Satellite Share Award Trust	Jersey, Channel Islands	Administering and holding the Company's shares for the Share Award Scheme for the benefit of eligible employees

As at 31 December 2010, the Group has contributed HK\$12,531,000 (2009: HK\$15,526,000) to the Trust for the shares not yet vested and the amount was recorded as "Capital Contribution to Shares Award Trust" in the Company's Statement of Financial Position.

## 10. INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, DISH-HD Asia Satellite Limited and its subsidiaries which provides high definition Direct-to-Home satellite television services.

	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost (Note a)	136,500	136,500
Share of losses	(53,822)	(12,242)
	82,678	124,258
Loan to the jointly controlled entity (Note b)	31,649	7,800
	114,327	132,058

# Notes to the Consolidated Financial Statements

## 10. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Notes:

- (a) At 31 December 2009, the entire balance of HK\$136,500,000 was held under the escrow account pursuant to the joint venture agreement. The balance has been released to the jointly controlled entity upon completion of the issue of shares to the shareholders in March 2010.
- (b) The shareholder's loan was provided by the Group in the form of a line of credit through the provision of satellite transponder capacity. The amount, denominated in United States Dollars, is secured, interest free and repayable on 1 June 2019 or at an earlier date as determined appropriate by the board of directors of the jointly controlled entity. The early repayment would be paid on pro-rata basis provided that the approved Annual Operating Plan shows the jointly controlled entity has sufficient cash to meet its anticipated operational and capital expenditure requirements for the following fiscal year.

The fair values of shareholder's loan are HK\$31,649,000 (2009: HK\$7,800,000), which are based on cash flows discounted using a rate of 3.3% (2009: 3.3%). The discounted rate equals to United States 10-year Treasury Yield.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Effective interest held
DISH-HD Asia Satellite Limited	Cayman Islands, limited liability company	Investment holding, Hong Kong	2 shares of Class A Common Share of US\$1 each; 349,998 shares of Class B Common Share of US\$0.01 each	50%
Power Star Limited	Hong Kong, limited liability company	Manage and distribute digital content, Hong Kong	1 ordinary share of HK\$1 each	50%
EchoStar Asia Multimedia Limited	Cayman Islands, limited liability company	Provision of Direct-to-Home satellite television service, Taiwan	100 shares of US\$0.01 each	50%

# Notes to the Consolidated Financial Statements

## 10. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

The Group's share of the results of the jointly controlled entity, which is unlisted, and its assets and liabilities are as follows:

	2010 HK\$'000	2009 HK\$'000
Non-current assets	40,577	31,703
Current assets	85,656	111,642
Non-current liabilities	(29,929)	(3,900)
Current liabilities	(13,626)	(15,187)
	82,678	124,258
Income	25,621	16
Expenses	(67,201)	(12,258)
Net loss for the year	(41,580)	(12,242)

## 11. AMOUNT PAID TO TAX AUTHORITY — GROUP

At 31 December 2010, an amount of approximately HK\$221,202,000 (2009: HK\$204,810,000) had been paid to the Government of India. For details, please refer to Note 31(a).

# Notes to the Consolidated Financial Statements

## 12. TRADE AND OTHER RECEIVABLES — GROUP

	2010 HK\$'000	2009 HK\$'000
Trade receivables	108,174	131,832
Trade receivables from related parties (Note 33(d))	58,717	37,774
Less: provision for impairment of trade receivables	(25,908)	(31,109)
Trade receivables — net	140,983	138,497
Other receivables	60,475	92,783
Other receivables from related parties (Note 33(d))	2,384	5,071
Deposits and prepayments	25,561	176,514
Less: provision for impairment of other receivables	(243)	(1,940)
	<b>229,160</b>	410,925

The carrying amounts of trade and other receivables approximate their fair values.

A majority of the trade and other receivables are denominated in Hong Kong Dollars and United States Dollars on which there is no significant foreign exchange risk (Note 3.1(a)).

The Group generally bills its trade customers quarterly in advance in accordance with its agreements. The ageing analysis of trade receivables is stated as follows:

	2010 HK\$'000	2009 HK\$'000
0 to 30 days	59,973	60,850
31 to 60 days	21,719	24,610
61 to 90 days	22,212	24,482
91 to 180 days	30,127	22,217
181 days or above	32,860	37,447
	<b>166,891</b>	169,606

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed.

# Notes to the Consolidated Financial Statements

## 12. TRADE AND OTHER RECEIVABLES — GROUP (CONTINUED)

As of 31 December 2010, trade receivables of HK\$25,908,000 (2009: HK\$31,109,000) were impaired and fully provided for. The impaired receivables mainly relate to customers' failure to make payment for more than six months. The ageing of these receivables is as follows:

	2010 HK\$'000	2009 HK\$'000
0 to 30 days	1,235	891
31 to 60 days	378	688
61 to 90 days	1,261	989
91 to 180 days	436	1,623
181 days or above	22,598	26,918
	<b>25,908</b>	31,109

Movements on the provision for impairment of trade receivables are as follows:

	2010 HK\$'000	2009 HK\$'000
At 1 January	31,109	36,265
Provision for impairment of receivables, net	(2,732)	(3,122)
Amounts written off	(2,469)	(2,034)
At 31 December	<b>25,908</b>	31,109

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance accounts are generally written off when there is no expectation of recovery of additional cash.

# Notes to the Consolidated Financial Statements

## 12. TRADE AND OTHER RECEIVABLES — GROUP (CONTINUED)

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

	2010 HK\$'000	2009 HK\$'000
0 to 30 days	58,738	59,959
31 to 60 days	21,341	23,922
61 to 90 days	20,951	23,493
91 to 180 days	29,691	20,594
181 days or above	10,262	10,529
	<b>140,983</b>	138,497

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. 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.

As of 31 December 2010, the other receivables contained an amount of HK\$243,000 (2009: HK\$1,940,000) which was impaired and provided for.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## 13. INVENTORIES — GROUP

	2010 HK\$'000	2009 HK\$'000
Merchandise	4,432	3,888
Provision for impairment	—	(147)
	<b>4,432</b>	3,741

The cost of inventories recognised as expense and included in cost of services amounted to HK\$19,417,000 (2009: HK\$7,938,000).

# Notes to the Consolidated Financial Statements

## 14. CASH AND CASH EQUIVALENTS — GROUP

	2010 HK\$'000	2009 HK\$'000
Cash at bank and on hand	172,401	46,410
Short-term bank deposits	2,113,763	1,437,302
	<b>2,286,164</b>	1,483,712

The effective interest rate on short-term bank deposits was 0.8% (2009: 1.2%); these deposits have an average maturity of 51 days (2009: 39 days).

Cash includes the following for the purposes of the consolidated statement of cash flows:

	2010 HK\$'000	2009 HK\$'000
Cash and cash equivalents	2,286,164	1,483,712

## 15. SHARE CAPITAL

	2010		2009	
	Number of shares (‘000)	HK\$'000	Number of shares (‘000)	HK\$'000
<b>Authorised:</b>				
<b>Ordinary shares at HK\$0.1 each</b>	550,000	55,000	550,000	55,000
<b>Issued and fully paid:</b>				
<b>At 31 December</b>	391,196	39,120	391,196	39,120

# Notes to the Consolidated Financial Statements

## 15. SHARE CAPITAL (CONTINUED)

### Share Award Scheme

#### *Scheme adopted on 22 August 2007*

On 22 August 2007, the Board approved the establishment of a Share Award Scheme ("Scheme") with the objective to enhance the competitiveness of the Group in attracting and retaining the best senior staff for the development of the Group's business. Under the Scheme, award shares of the Company ("Award Shares") are granted to eligible employees of the Company or any one of its subsidiaries.

Pursuant to the rules of the Scheme, the Company has set up the Trust for the purpose of administering the Scheme and holding the Award Shares before they vest (Note 9(b)). The Company pays cash to the Trust from time to time for the purchase of Award Shares.

Subject to the rules of the Scheme, the Board shall determine from time to time the dates on which the Award Shares for each grant are to vest to the relevant eligible employees, and initially the Board has determined that the Award Shares shall generally vest over a five year period in tranches of 25% each on every anniversary date of the grant date starting from the second anniversary date until the fifth anniversary date.

During the year, a total of 890,427 shares (2009: 1,119,427 shares) have been awarded to executive directors and employees at no consideration. A total of 251,046 shares (2009: 265,030 shares) at a cost of HK\$2,995,000 (2009: HK\$3,623,000) were vested during the year.

The number of shares awarded to and vested in the executive directors was 241,611 shares (2009: 316,270 shares) and 70,016 shares (2009: 80,196 shares) respectively for the year ended 31 December 2010.

# Notes to the Consolidated Financial Statements

## 15. SHARE CAPITAL (CONTINUED)

### Share Award Scheme (continued)

#### *Scheme adopted on 22 August 2007 (continued)*

Movement in the number of Award Shares and their related average fair value is as follows:

	2010		2009	
	Average fair value HK\$ per share	Number of Award Shares	Average fair value HK\$ per share	Number of Award Shares
<b>At 1 January</b>		<b>2,012,498</b>		1,158,101
Awarded	11.82	890,427	8.97	1,119,427
Vested	11.93	(251,046)	13.67	(265,030)
<b>At 31 December</b>		<b>2,651,879</b>		<b>2,012,498</b>

Movement in the number of shares held under Share Award Scheme is as follows:

	2010		2009	
	Value HK\$'000	Number of shares held	Value HK\$'000	Number of shares held
<b>At 1 January</b>	<b>15,886</b>	<b>1,331,190</b>	9,440	690,720
Purchase during the year	—	—	10,069	905,500
Shares vested during the year	(2,995)	(251,046)	(3,623)	(265,030)
<b>At 31 December</b>	<b>12,891</b>	<b>1,080,144</b>	15,886	1,331,190

The remaining vesting periods of the Award Shares outstanding as at 31 December 2010 are between 0.5 year to 4.5 years.

# Notes to the Consolidated Financial Statements

## 16. OTHER RESERVES

### (a) Group

	Share premium HK\$'000	Share- based payment reserve HK\$'000	Shares held under Share Award Scheme HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 January 2009</b>	17,866	4,055	(9,440)	5,076,930	5,089,411
Share-based payment	—	5,141	—	—	5,141
Purchase of shares under Share Award Scheme	—	—	(10,069)	—	(10,069)
Shares vested under Share Award Scheme	—	(3,623)	3,623	—	—
Profit for the year	—	—	—	525,215	525,215
Final dividend relating to 2008	—	—	—	(121,271)	(121,271)
Interim dividend relating to 2009	—	—	—	(31,295)	(31,295)
Dividend for shares held by Share Award Trust	—	—	—	300	300
<b>At 31 December 2009</b>	17,866	5,573	(15,886)	5,449,879	5,457,432
<b>At 1 January 2010</b>	17,866	5,573	(15,886)	5,449,879	5,457,432
Share-based payment	—	8,079	—	—	8,079
Shares vested under Share Award Scheme	—	(2,995)	2,995	—	—
Profit for the year	—	—	—	694,590	694,590
Final dividend relating to 2009	—	—	—	(125,183)	(125,183)
Interim dividend relating to 2010	—	—	—	(31,295)	(31,295)
Dividend for shares held by Share Award Trust	—	—	—	513	513
<b>At 31 December 2010</b>	17,866	10,657	(12,891)	5,988,504	6,004,136

# Notes to the Consolidated Financial Statements

## 16. OTHER RESERVES (CONTINUED)

### (b) Company

	Share premium	Share- based payment reserve	Contributed surplus	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2009</b>	17,866	4,055	390,055	10,386	422,362
Share-based payment	—	5,141	—	—	5,141
Shares vested under Share Award Scheme	—	(3,623)	—	—	(3,623)
Final dividend relating to 2008	—	—	—	(121,271)	(121,271)
Interim dividend relating to 2009	—	—	—	(31,295)	(31,295)
Profit for the year	—	—	—	154,500	154,500
<b>At 31 December 2009</b>	17,866	5,573	390,055	12,320	425,814
<b>At 1 January 2010</b>	17,866	5,573	390,055	12,320	425,814
Share-based payment	—	8,079	—	—	8,079
Shares vested under Share Award Scheme	—	(2,995)	—	—	(2,995)
Final dividend relating to 2009	—	—	—	(125,183)	(125,183)
Interim dividend relating to 2010	—	—	—	(31,295)	(31,295)
Profit for the year	—	—	—	158,591	158,591
<b>At 31 December 2010</b>	<b>17,866</b>	<b>10,657</b>	<b>390,055</b>	<b>14,433</b>	<b>433,011</b>

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the Group reorganisation prior to the listing of the Company's shares in 1996.

# Notes to the Consolidated Financial Statements

## 16. OTHER RESERVES (CONTINUED)

### (b) Company (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

- (a) It is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital.

In the opinion of the Directors, as at 31 December 2010, the Company's reserves available for distribution consisted of the share-based payment reserve of HK\$10,657,000 (2009: HK\$5,573,000), contributed surplus of HK\$390,055,000 (2009: HK\$390,055,000) and retained earnings of HK\$14,433,000 (2009: HK\$12,320,000).

## 17. DEFERRED REVENUE — GROUP

	2010 HK\$'000	2009 HK\$'000
The maturity of deferred revenue is as follows:		
Within one year	<b>281,766</b>	152,172
More than one year	<b>107,828</b>	122,504
	<b>389,594</b>	274,676

# Notes to the Consolidated Financial Statements

## 18. OBLIGATIONS UNDER FINANCE LEASES — GROUP

At 31 December 2010, the Group has obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	8	11	7	10
In the second to fifth years inclusive	—	8	—	7
	8	19	7	17
Less: future finance charges	(1)	(2)	—	—
Present value of lease obligations	7	17	7	17

Finance lease obligations are denominated in Hong Kong Dollars.

## 19. DEFERRED INCOME TAX — GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010	2009
	HK\$'000	HK\$'000
Deferred tax assets		
— Deferred tax assets to be recovered within 12 months	—	(21,985)
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	255,718	242,522
Deferred tax liabilities (net)	255,718	220,537

# Notes to the Consolidated Financial Statements

## 19. DEFERRED INCOME TAX — GROUP (CONTINUED)

The gross movement on the deferred income tax account is as follows:

	2010 HK\$'000	2009 HK\$'000
At 1 January	220,537	172,631
Recognised in the consolidated statement of comprehensive income (Note 24)	35,181	47,906
At 31 December	255,718	220,537

The movement in deferred tax liabilities/(assets) during the year is as follows:

### Deferred tax liabilities/(assets):

	Accelerated tax depreciation HK\$'000	Share- based payment reserve HK\$'000	Tax loss HK\$'000	Total HK\$'000
<b>At 1 January 2009</b>	172,631	—	—	172,631
Recognised in the consolidated statement of comprehensive income	69,891	(460)	(21,525)	47,906
<b>At 31 December 2009</b>	242,522	(460)	(21,525)	220,537
Recognised in the consolidated statement of comprehensive income	14,075	(419)	21,525	35,181
<b>At 31 December 2010</b>	<b>256,597</b>	<b>(879)</b>	—	<b>255,718</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$18,717,000 (2009: HK\$21,258,000) in respect of losses amounting to HK\$113,437,000 (2009: HK\$128,836,000), in respect of a subsidiary, that can be carried forward against future taxable income. These losses do not expire under the current tax legislation.

# Notes to the Consolidated Financial Statements

## 20. OTHER GAINS — NET

	2010 HK\$'000	2009 HK\$'000
Interest income	25,116	18,452
Net gain on disposals of property, plant and equipment	585	200
Others	921	1,923
	<b>26,622</b>	20,575

## 21. EXPENSES BY NATURE

Expenses included in cost of services and administrative expenses are analysed as follows:

	2010 HK\$'000	2009 HK\$'000
Auditor's remuneration	1,430	1,300
Bad debts written off	37	269
Provision/(Write back) for impairment		
— Intangible assets — Licences	—	1,166
— Property, plant and equipment	—	2,781
— Trade receivables (Note 12)	(2,732)	(3,122)
— Other receivables (Note 12)	243	1,940
— Inventories	—	147
Depreciation and amortisation		
— Intangible assets — Licences	—	80
— Property, plant and equipment (Note 7)	343,096	264,691
Employee benefit expense (Note 22)	135,070	134,214
Operating leases		
— Premises	9,977	9,391
— Leasehold land and land use rights (Note 6)	583	583
Net exchange (gain)/loss (Note 25)	(2,397)	2,433
Cost of inventories sold	19,417	7,938
Satellite operations	8,346	17,530

# Notes to the Consolidated Financial Statements

## 22. EMPLOYEE BENEFIT EXPENSE

	2010 HK\$'000	2009 HK\$'000
Salary and other benefits, including directors' remuneration	120,512	122,970
Share-based payment	8,079	5,141
Pension costs — defined contribution plans	6,479	6,103
Total staff costs	135,070	134,214

	2010	2009
Number of employees	176	163

### (a) Pensions — defined contribution plans

Forfeited contributions totaling HK\$334,000 (2009: HK\$25,000) were fully utilised during the year, leaving no available balance at the year end to reduce future contributions.

There was no outstanding balance of contribution payable to the fund at both 31 December 2010 and 31 December 2009.

# Notes to the Consolidated Financial Statements

## 22. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

### (b) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Performance related bonuses HK\$'000	Other benefits (a) HK\$'000	Employer's	Share- based payment HK\$'000	Total HK\$'000
					contribution to pension scheme HK\$'000		
Peter JACKSON	—	3,581	2,821	2,097	527	2,541	11,567
MI Zeng Xin (f)	200	—	—	—	—	—	200
JU Wei Min (f)	100	—	—	—	—	—	100
LUO Ning (d) & (f)	94	—	—	—	—	—	94
GUAN Yi (f)	100	—	—	—	—	—	100
DING Yu Cheng (e) & (f)	6	—	—	—	—	—	6
Sherwood P. DODGE (g)	200	—	—	—	—	—	200
John F. CONNELLY (g)	150	—	—	—	—	—	150
Nancy KU (g)	100	—	—	—	—	—	100
Mark CHEN (g)	100	—	—	—	—	—	100
Edward CHEN	325	—	—	—	—	—	325
Robert SZE	350	—	—	—	—	—	350
James WATKINS	325	—	—	—	—	—	325
William WADE	—	2,777	2,188	1,655	417	566	7,603
<b>Total</b>	<b>2,050</b>	<b>6,358</b>	<b>5,009</b>	<b>3,752</b>	<b>944</b>	<b>3,107</b>	<b>21,220</b>

# Notes to the Consolidated Financial Statements

## 22. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

### (b) Directors' emoluments (continued)

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Performance related bonuses HK\$'000	Other benefits (a) HK\$'000	Employer's	Share- based payment HK\$'000	Total HK\$'000
					contribution to pension scheme HK\$'000		
Peter JACKSON	—	3,880	3,300	2,206	582	1,396	11,364
MI Zeng Xin (f)	200	—	—	—	—	—	200
JU Wei Min (f)	100	—	—	—	—	—	100
GUAN Yi (b) & (f)	90	—	—	—	—	—	90
DING Yu Cheng (f)	100	—	—	—	—	—	100
KO Fai Wong (c) & (f)	10	—	—	—	—	—	10
Sherwood P. DODGE (b) & (g)	180	—	—	—	—	—	180
Ronald J. HERMAN, Jr. (c) & (g)	20	—	—	—	—	—	20
John F. CONNELLY (g)	150	—	—	—	—	—	150
Nancy KU (g)	100	—	—	—	—	—	100
Mark CHEN (g)	100	—	—	—	—	—	100
Edward CHEN	325	—	—	—	—	—	325
Robert SZE	350	—	—	—	—	—	350
James WATKINS	325	—	—	—	—	—	325
William WADE	—	2,333	1,838	1,723	350	473	6,717
Total	2,050	6,213	5,138	3,929	932	1,869	20,131

Notes:

- (a) Other benefits include accommodation, car, leave passage, insurance premium and club membership and are short-term in nature.
- (b) Appointed on 6 February 2009.
- (c) Resigned on 6 February 2009.
- (d) Appointed on 22 January 2010.
- (e) Resigned on 22 January 2010.
- (f) Paid to a subsidiary of CITIC.
- (g) Paid to a subsidiary of GE.

# Notes to the Consolidated Financial Statements

## 22. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010 HK\$'000	2009 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	9,475	9,714
Employer's contribution to pension scheme	780	748
Performance related bonuses	4,644	5,664
Share-based payment	1,906	1,474
	<b>16,805</b>	17,600

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
HK\$5,000,001–HK\$5,500,000	1	1
HK\$5,500,001–HK\$6,000,000	2	1
HK\$6,000,001–HK\$6,500,000	—	1
	<b>3</b>	3

# Notes to the Consolidated Financial Statements

## 23. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest expense:		
— asset retirement obligations	100	96
— obligations under finance leases	2	13
— net impact of discounting of loan to the jointly controlled entity (Note 10)	10,117	—
	<b>10,219</b>	109

## 24. INCOME TAX EXPENSE

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Overseas tax, including the Foreign Enterprises Income Tax in the People's Republic of China, is calculated at 7% to 20% of the gross revenue earned in certain overseas jurisdictions.

Details of deferred taxation are set out in Note 19.

The Group currently has a tax case in dispute with the Indian tax authorities. Details of this are set out in Note 31(a).

	2010 HK\$'000	2009 HK\$'000
Current income tax		
— Hong Kong profits tax	33,437	382
— Refund of Hong Kong profits tax	—	(1,965)
— Over-provision in prior year	(1,246)	—
— Overseas taxation	13,538	12,879
<b>Total current tax</b>	<b>45,729</b>	11,296
Deferred income tax (Note 19)		
— Current year	34,195	47,906
— Over-provision for deferred tax assets in prior year	986	—
<b>Total deferred tax</b>	<b>35,181</b>	47,906
<b>Income tax expense</b>	<b>80,910</b>	59,202

# Notes to the Consolidated Financial Statements

## 24. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2010 HK\$'000	2009 HK\$'000
Profit before income tax	775,379	582,583
Tax calculated at tax rate of 16.5% (2009: 16.5%)	127,938	96,126
Tax effect of income not subject to income tax	(110,818)	(90,552)
Tax effect of expenses not deductible for tax purposes	47,595	42,978
Tax effect of unrecognised timing differences by a subsidiary	(1,400)	(852)
Tax effect of tax losses of a jointly controlled entity not recognised	6,861	2,020
Effect of income tax rate differential between Hong Kong and overseas locations	13,534	12,879
Utilisation of previously unrecognised tax losses by a subsidiary	(2,540)	(1,432)
Over-provision in prior year, net	(260)	—
Refund of Hong Kong profits tax	—	(1,965)
Tax expense	80,910	59,202

The effective tax rate of the Group was 10.4% (2009: 10.2%).

## 25. NET FOREIGN EXCHANGE (GAIN)/LOSS

The exchange differences (credited)/charged to the consolidated statement of comprehensive income are included as follows:

	2010 HK\$'000	2009 HK\$'000
Administrative expenses	(2,397)	2,433

## 26. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK\$158,591,000 (2009: HK\$154,500,000).

# Notes to the Consolidated Financial Statements

## 27. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2010 HK\$'000	2009 HK\$'000
Profit attributable to owners of the Company	694,590	525,215
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	389,963	390,303
Basic earnings per share (HK\$ per share)	1.78	1.35

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held under the Share Award Scheme.

### Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has restricted shares under the Share Award Scheme which would have dilutive effect. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of outstanding restricted shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the restricted shares being fully vested.

	2010 HK\$'000	2009 HK\$'000
Profit used to determine diluted earnings per share	694,590	525,215
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	389,963	390,303
Effect of Award Shares (in thousands)	1,285	925
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	391,248	391,228
Diluted earnings per share (HK\$ per share)	1.78	1.34

# Notes to the Consolidated Financial Statements

## 28. DIVIDENDS

The dividends paid in 2010 and 2009 were HK\$155,965,000 (HK\$0.40 per share) and HK\$152,266,000 (HK\$0.39 per share) respectively. The directors recommend the payment of a final dividend of HK\$0.45 per share, totaling HK\$0.53 per share. Such dividend is to be approved by the shareholders at the Annual General Meeting on 24 May 2011. These financial statements do not reflect this dividend payable.

	2010 HK\$'000	2009 HK\$'000
Interim dividend paid of HK\$0.08 (2009: HK\$0.08) per ordinary share	31,295	31,295
Proposed final dividend of HK\$0.45 (2009: HK\$0.32) per ordinary share	176,038	125,183
	<b>207,333</b>	156,478

The aggregate amounts of the dividends paid and proposed during 2010 and 2009 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

# Notes to the Consolidated Financial Statements

## 29. CASH FLOWS FROM THE OPERATIONS

	2010 HK\$'000	2009 HK\$'000
Profit for the year	<b>694,469</b>	523,381
Adjustments for:		
— Tax (Note 24)	<b>80,910</b>	59,202
— Bad debts written off (Note 21)	<b>37</b>	269
— Provision/(write back) for impairment		
— Trade receivables (Note 21)	<b>(2,732)</b>	(3,122)
— Intangible assets — Licences	<b>—</b>	1,166
— Property, plant and equipment	<b>—</b>	2,781
— Other receivables (Note 12)	<b>243</b>	1,940
— Inventories	<b>—</b>	147
— Share-based payment (Note 22)	<b>8,079</b>	5,141
— Amortisation of prepaid operating lease payments (Note 6)	<b>583</b>	583
— Depreciation (Note 7)	<b>343,096</b>	264,691
— Amortisation of licences	<b>—</b>	80
— Net gain on disposals of property, plant and equipment (see below)	<b>(585)</b>	(200)
— Gain on disposal of an associated company	<b>—</b>	(1,678)
— Interest income (Note 20)	<b>(25,116)</b>	(18,452)
— Finance costs (Note 23)	<b>10,219</b>	109
— Share of losses from a jointly controlled entity (Note 10)	<b>41,580</b>	12,242
Changes in working capital:		
— Unbilled receivables	<b>17,609</b>	9,141
— Amount paid to tax authority	<b>(16,392)</b>	—
— Inventories	<b>(691)</b>	(1,121)
— Trade and other receivables	<b>181,640</b>	(176,869)
— Loan to a jointly controlled entity (Note 10)	<b>(33,966)</b>	(7,800)
— Other amounts received in advance	<b>159,052</b>	—
— Other payables and accrued expenses	<b>(62,104)</b>	39,703
— Deferred revenue	<b>114,918</b>	22,895
Cash flows from the operations	<b>1,510,849</b>	734,229

There were no major non-cash transactions during 2010 and 2009.

# Notes to the Consolidated Financial Statements

## 29. CASH FLOWS FROM THE OPERATIONS (CONTINUED)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2010 HK\$'000	2009 HK\$'000
Net book amount (Note 7)	453	1,350
Net gain on disposals of property, plant and equipment (Note 20)	585	200
Proceeds from disposals of property, plant and equipment	<b>1,038</b>	1,550

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

### Group

	Loans and receivables	
	2010 HK\$'000	2009 HK\$'000
<b>Assets as per consolidated statement of financial position</b>		
Loan to the jointly controlled entity (Note 10)	31,649	7,800
Trade and other receivables excluding prepayments	213,643	387,350
Cash and cash equivalents (Note 14)	2,286,164	1,483,712
Total	<b>2,531,456</b>	1,878,862

	Financial liabilities at amortised cost	
	2010 HK\$'000	2009 HK\$'000
<b>Liabilities as per consolidated statement of financial position</b>		
Obligations under finance leases	7	17
Construction payables	5,930	58,162
Other payables and accrued expenses — current	95,899	158,003
Other payables — non-current	2,106	2,006
Total	<b>103,942</b>	218,188

# Notes to the Consolidated Financial Statements

## 30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

### Company

	<b>Loans and receivables</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Assets as per statement of financial position</b>		
Amount due from a subsidiary	<b>24,012</b>	18,450
	<b>Financial liabilities at amortised cost</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Liabilities as per statement of financial position</b>		
Other payables and accrued expenses	<b>4,631</b>	4,483

## 31. CONTINGENCIES

- (a) The Group has been assessed for tax by the Indian tax authority ("IR") on revenues received in respect of income from provision of satellite transponder capacity to the Group's customers for purposes of those customers carrying on business in India or earning income from any source in India.

As at 31 December 2010, the total amount of tax assessed by the IR amounted to INR1,567 million or approximately HK\$274 million for the assessment years from 1997–98 to 2007–08 (2009: INR1,110 million or approximately HK\$195 million for the assessment years from 1997–98 to 2005–06). The Group is contesting its liability for such tax. In addition to tax, the Group has also been charged interest by the IR, primarily due to non-payment of advance tax. The Group is of the view that it is not liable to such interest and this view is supported by the order issued by the High Court in New Delhi on 14 January 2011 which held that interest for non-payment of advance tax for the assessment years from 1998–99 to 2005–06 cannot be levied on the Group.

In order to obtain a stay of recovery proceedings, the Group has made total payments of INR1,260 million or approximately HK\$221 million and has recorded these payments as an asset on the assumption that the amounts are recoverable as at 31 December 2010 (2009: INR1,164 million or approximately HK\$205 million).

# Notes to the Consolidated Financial Statements

## 31. CONTINGENCIES (CONTINUED)

(a) (continued)

On 31 January 2011 and 10 March 2011, the High Court further pronounced a favorable order which held that the Group is not liable to the tax assessed by the IR for the assessment years 1997–98 and 1998–99 to 2005–06 respectively.

For the assessment years 2006–07 and 2007–08, the IR has issued assessments to the Group based on the same tax rules as in previous years and the same are pending before the Tax Tribunal. Management anticipates that the IR may continue assessing the Group for Indian tax for assessment years post 2007–08 until the issues are settled finally by the Supreme Court of India. In addition, management expects that the IR may file an appeal before the Supreme Court of India with respect to the order of the High Court referred to above and the outcome of IR's further appeal will not be known until July 2011 when the statutory time limit for lodging an appeal to the Supreme Court lapses. The final decision of the potential appeal before the Supreme Court may not be known until 2012.

Based on the order pronounced by the High Court, the Group is of the view that it has strong grounds to continue to successfully argue before the Indian Courts that it is not liable to tax in India. Accordingly, no provision has been recognised for Indian tax in the Group's financial statements as in prior years.

(b) A claim has been made by a customer for the recovery of fees paid in the amount of HK\$156 million plus damages. The Group is defending this claim and has been advised by its legal advisors that the claim is without merit.

# Notes to the Consolidated Financial Statements

## 32. COMMITMENTS — GROUP

### Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2010 HK\$'000	2009 HK\$'000
AsiaSat 7		
Contracted but not provided for	748,205	333,869
Authorised but not contracted	22,932	167,442
Replacement of AS3S		
Authorised but not contracted	763,230	—
Other assets		
Contracted but not provided for	8,958	5,506
	<b>1,543,325</b>	506,817

### Operating lease commitments — Group company as lessee

The Group leases certain of its office and residential premises under non-cancellable operating lease agreements. The lease terms are between 2 to 4 years, and the majority of lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the consolidated statement of comprehensive income during the year is disclosed in Note 21.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 HK\$'000	2009 HK\$'000
Not later than 1 year	5,644	13,230
Later than 1 year and not later than 5 years	1,089	7,092
	<b>6,733</b>	20,322

# Notes to the Consolidated Financial Statements

## 32. COMMITMENTS — GROUP (CONTINUED)

### Operating lease commitments — Group company as lessor

The Group leased its premises to certain customers under non-cancellable operating leases. The lease terms are between 1 to 4 years. The lease income recognised under 'other revenue' in the consolidated statement of comprehensive income during the year was HK\$2,542,000 (2009: HK\$2,064,000).

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2010 HK\$'000	2009 HK\$'000
Not later than 1 year	1,973	2,208
Later than 1 year and not later than 5 years	2,673	4,646
	<b>4,646</b>	6,854

## 33. RELATED PARTY TRANSACTIONS

At 31 December 2010, the Company was directly controlled by Bowenvale Limited (incorporated in the British Virgin Islands) with total shareholdings of 74.43%, and was indirectly owned by CITIC Group ("CITIC") (incorporated in China) and General Electric Company ("GE") (incorporated in the United States), which have equal voting rights in the Company. The remaining 25.57% of the Company's shares were held by the public.

The following transactions were carried out with related parties:

### (a)(i) Income from provision of satellite transponder capacity

The Group has entered into a transponder master agreement with CITIC Networks Company Limited ("CITIC Networks", a wholly-owned subsidiary of CITIC) and CITIC Networks Company Limited, Beijing Satellite Telecommunications Branch ("CITICSat", the branch established and run by CITIC Networks), under which CITIC Networks and CITICSat granted the exclusive right to the Group to provide satellite transponder capacity for use by their customers.

The Group has also entered into agreements for the provision of satellite transponder capacity to CITIC Guoan Information Industry Company Limited, a subsidiary of CITIC, and Power Star Limited, which is a subsidiary of DISH-HD Asia Satellite Limited, the jointly controlled entity.

# Notes to the Consolidated Financial Statements

## 33. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a)(i) Income from provision of satellite transponder capacity (continued)

During the year, the Group recognised income from the related parties as follows:

	2010 HK\$'000	2009 HK\$'000
CITICSat	128,478	54,193
CITIC Guoan Information Industry Company Limited	734	770
Power Star Limited	33,966	7,800
	<b>163,178</b>	<b>62,763</b>

### (a)(ii) Income from broadcast support services

The Group has entered into an agreement for the provision of broadcast support services to Power Star Limited for the Direct-to-Home business.

	2010 HK\$'000	2009 HK\$'000
Power Star Limited	5,846	2,333

### (b) Marketing expense

Pursuant to the transponder master agreement mentioned in (a)(i) above, CITICSat conducts marketing activities in China on behalf of the Group. In return, the Group reimburses the expenditure that CITICSat incurs plus a marketing fee, which is collectively known as the marketing expense payable to CITICSat.

	2010 HK\$'000	2009 HK\$'000
CITICSat	11,395	11,208

# Notes to the Consolidated Financial Statements

## 33. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Key management compensation

	2010 HK\$'000	2009 HK\$'000
Salaries and other short-term employee benefits	50,955	53,804
Share-based payment	5,601	3,505
	<b>56,556</b>	57,309

The Group made payments to a subsidiary of CITIC and a subsidiary of GE for certain Non-executive Directors representing them.

	2010 HK\$'000	2009 HK\$'000
A subsidiary of CITIC	500	500
A subsidiary of GE	550	550
	<b>1,050</b>	1,050

# Notes to the Consolidated Financial Statements

## 33. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Year end balances arising from these transactions

	2010 HK\$'000	2009 HK\$'000
Trade receivables from related parties (Note 12):		
CITIC Guoan Information Industry Company Limited	734	821
CITICSat (Note)	57,983	36,953
	<b>58,717</b>	37,774
Other receivables from related parties (Note 12):		
Power Star Limited	2,384	5,071
Loan to a jointly controlled entity:		
Power Star Limited (Note 10)	31,649	7,800
Payables to related parties:		
CITICSat	2,870	3,196
Deferred revenue in relation to related parties:		
CITICSat	51,287	40,703

The receivables from and payables to related parties have no fixed terms of payment. The receivables and payables are unsecured in nature and bear no interest.

The above transactions were entered into on commercial terms determined and agreed by the Group and the relevant parties.

Note:

Pursuant to the transponder master agreement as mentioned in Note (a)(i) above in respect of the Group's provision of satellite transponder capacity for use by CITICSat's customers, the Group will bear any credit risk in connection with services provided to these customers. Accordingly, the Group will assess whether there is any objective evidence that the amounts ultimately due from these customers may be impaired at each year end. At 31 December 2010, a provision for impairment of HK\$31,000 (2009: HK\$1,365,000) was recorded and included within the provision disclosed in Note 12.

## 34. EVENTS AFTER THE REPORTING DATE

Apart from the subsequent events as disclosed in Note 31 to these financial statements, there have been no other material events occurring after the reporting date.

# Financial Summary

	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
<b>Results</b>					
Sales	929,902	939,273	1,031,697	1,162,918	<b>1,456,222</b>
Profit from ordinary activities before taxation	508,927	556,868	520,567	582,583	<b>775,379</b>
Taxation	(55,522)	(53,953)	(36,609)	(59,202)	<b>(80,910)</b>
Profit after taxation	453,405	502,915	483,958	523,381	<b>694,469</b>
Non-controlling interests	604	482	929	1,834	<b>121</b>
Profits attributable to owners	454,009	503,397	484,887	525,215	<b>694,590</b>
Earnings per share:					
Basic	HK\$1.16	HK\$1.29	HK\$1.24	HK\$1.35	<b>HK\$1.78</b>
Diluted	HK\$1.16	HK\$1.29	HK\$1.24	HK\$1.34	<b>HK\$1.78</b>
<b>Assets and liabilities</b>					
Total assets	5,091,212	5,540,005	5,778,013	6,289,617	<b>7,065,310</b>
Total liabilities	(664,675)	(733,017)	(646,270)	(791,687)	<b>(1,020,797)</b>
Total equity	4,426,537	4,806,988	5,131,743	5,497,930	<b>6,044,513</b>

# Independent Auditor's Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**

22/F, Prince's Building  
Central, Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888  
www.pwchk.com

To the shareholders of

## **ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Satellite Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITY (CONTINUED)

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 24 March 2011

# Shareholder Information

## EXPECTED TIMETABLE

### Financial year ended 31 December 2010

Annual General Meeting	24 May 2011
Final dividend payable	31 May 2011

### Financial year ending 31 December 2011

Interim Results announcement	August 2011
Interim dividend payable	November 2011
Annual Results announcement	March 2012
Report and financial statements published	April 2012
Annual General Meeting	May 2012
Final dividend payable	May 2012

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Hamilton HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

Any matter relating to your shareholding, such as transfer of shares, change of name or address and loss of share certificates should be addressed in writing to the Registrar as above.

## LISTING

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

# Shareholder Information

## DIVIDEND

Subject to approval by shareholders at the forthcoming Annual General Meeting, the proposed final dividend for the year ended 31 December 2010 will be payable on or about 31 May 2011.

## ORDINARY SHARES

Shares outstanding as at 31 December 2010: 391,195,500 ordinary shares

Free float: 100,020,805 ordinary shares (25.57%)

Nominal value: HK\$0.10 per share

## STOCK CODE

The Stock Exchange of Hong Kong Limited

1135

Reuters

1135.HK

Bloomberg

SAT

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

Copies of annual report and financial statements can be obtained by writing to:

Manager, Corporate Affairs

Asia Satellite Telecommunications Holdings Limited

19th Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

## WEBSITE

<http://www.asiasat.com>

Annual/Interim reports and financial statements are available on line.

# Shareholder Information

## COMPANY CONTACT

General enquiry regarding the Company during normal office hours should be addressed to:

Manager, Corporate Affairs  
Asia Satellite Telecommunications Holdings Limited  
19th Floor, Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

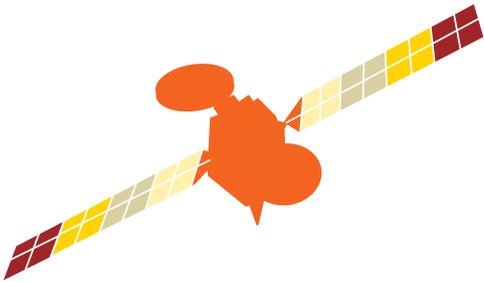
Tel: (852) 2500 0880  
Fax: (852) 2500 0895  
Email: [wpang@asiasat.com](mailto:wpang@asiasat.com)

## INVESTOR RELATIONS CONTACT

The Office of the President and Chief Executive Officer  
Asia Satellite Telecommunications Holdings Limited  
19th Floor, Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

Tel: (852) 2500 0808  
Fax: (852) 2882 4640  
Email: [wwade@asiasat.com](mailto:wwade@asiasat.com)





**ASIA SATELLITE TELECOMMUNICATIONS  
HOLDINGS LIMITED**

**[www.asiasat.com](http://www.asiasat.com)**