
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal or this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or otherwise transferred all your shares in Asia Satellite Telecommunications Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

This Scheme Document is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Asia Satellite Telecommunications Holdings Limited.



ASIA SATELLITE MANAGEMENT STOCK OWNERSHIP TRUST

AND

ASIASAT MSOT (PTC) LIMITED

*(Incorporated in the British Virgin Islands
with limited liability)*

acting in the capacity of trustee of

Asia Satellite Management Stock Ownership Trust

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1135)

PROPOSED PRIVATISATION OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND RULE 25 TRANSACTION UNDER THE TAKEOVERS CODE AND PROPOSED WITHDRAWAL OF LISTING OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

Financial adviser to
Asia Satellite Management Stock Ownership Trust and
AsiaSat MSOT (PTC) Limited
(acting in the capacity of trustee of Asia Satellite Management Stock Ownership Trust)



Independent Financial Adviser to the Independent Board Committee
Anglo Chinese Corporate Finance, Limited



Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document. A letter from the Board is set out on pages 10 to 31 of this Scheme Document. The Explanatory Statement is set out on pages 66 to 87 of this Scheme Document. A letter from the IBC containing its advice to the Independent Scheme Shareholders in relation to the Proposal is set out on pages 32 to 33 of this Scheme Document. A letter from Anglo Chinese containing its advice to the IBC in respect of the Proposal and to confirm whether the arrangements for initial allocations of awards under the MIAP are fair and reasonable, is set out on pages 34 to 65 of this Scheme Document. The actions to be taken by the Shareholders and the Independent Scheme Shareholders are set out on pages i to ii of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held on Wednesday, 18 July 2012 are set out on pages N-1 to N-2 and SGM-1 to SGM-17 of this Scheme Document, respectively. Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the SGM in accordance with the instructions printed respectively on them, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any case not later than the respective times stated under the section headed "Actions to be taken by the Shareholders and the Independent Scheme Shareholders" set out on pages i to ii and the paragraph headed "Meetings and actions to be taken by the Shareholders and the Independent Scheme Shareholders" in the section headed "Letter from the Board" set out on pages 28 to 29 of this Scheme Document. If the pink form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting.

This Scheme Document is issued jointly by the Company and the Offeror.

The English language text of this Scheme Document shall prevail over the Chinese language text.

25 June 2012

ACTIONS TO BE TAKEN BY SHAREHOLDERS AND INDEPENDENT SCHEME SHAREHOLDERS

A pink form of proxy for use in respect of the Court Meeting and a white form of proxy for use in respect of the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the SGM in accordance with the instructions printed respectively on them, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any case not later than the following respective times in order to be valid:

- **the pink form of proxy for use at the Court Meeting must be lodged not later than 9:30 a.m. on Monday, 16 July 2012 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting; and**
- **the white form of proxy for use at the SGM must be lodged not later than 10:00 a.m. on Monday, 16 July 2012.**

Completion and return of a form of proxy for each of the Court Meeting or the SGM will not preclude you from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Register will be closed from Monday, 16 July 2012 to Wednesday, 18 July 2012 (both days inclusive) for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM. This book closure period is not for determining the entitlements of Scheme Shares under the Scheme.

The Register will be closed from Thursday, 9 August 2012 to Monday, 13 August 2012 (both days inclusive), for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme, and during such period, no transfer of Shares will be registered.

SHAREHOLDERS WHO HOLD THEIR SHARES IN CCASS

No person shall be recognised by the Company as holding any Shares on trust. Any Beneficial Owner whose Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the SGM. A Beneficial Owner who wishes to attend the Court Meeting and/or the SGM personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the SGM and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the SGM shall be

ACTIONS TO BE TAKEN BY SHAREHOLDERS AND INDEPENDENT SCHEME SHAREHOLDERS

in accordance with all relevant provisions in the bye-laws of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the “**Investor Participant**”), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant (“**Other CCASS Participant**”) regarding voting instructions to be given to such Other CCASS Participants if they wish to vote in respect of the Scheme. The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the SGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

CONTENTS

	<i>Page</i>
ACTIONS TO BE TAKEN BY SHAREHOLDERS AND INDEPENDENT SCHEME	
SHAREHOLDERS	i
DEFINITIONS	1
EXPECTED TIMETABLE	7
LETTER FROM THE BOARD	10
INTRODUCTION	11
TERMS OF THE PROPOSAL	12
FINANCIAL RESOURCES	14
OVERSEAS SCHEME SHAREHOLDERS	15
REASONS FOR AND IMPACT OF THE PROPOSAL	15
CONDITIONS OF THE PROPOSAL	18
SHAREHOLDING STRUCTURE OF THE COMPANY	20
EXISTING SHARE AWARD SCHEME	23
IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL	24
INFORMATION ON THE OFFEROR	24
INFORMATION ON THE GROUP	27
THE OFFEROR'S INTENTIONS REGARDING THE COMPANY	27
WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE	27
GENERAL	28
IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES	28
MEETINGS AND ACTIONS TO BE TAKEN BY THE SHAREHOLDERS AND THE INDEPENDENT SCHEME SHAREHOLDERS	28
RECOMMENDATIONS	29
SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING AND REGISTRATION .	30
TAXATION AND INDEPENDENT ADVICE	30
FURTHER INFORMATION	30
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM ANGLO CHINESE	34
EXPLANATORY STATEMENT	66
APPENDIX I — FINANCIAL INFORMATION ON THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1
THE SCHEME	S-1
NOTICE OF COURT MEETING	N-1
NOTICE OF SGM	SGM-1

DEFINITIONS

In this Scheme Document, the following words and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning given to it under the Takeovers Code and “concert party” or “concert parties” shall be construed accordingly
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a licenced corporation under the SFO permitted to engage in types 1, 4, 6 and 9 regulated activities (as defined in the SFO) and the independent financial adviser to the IBC in relation to the Proposal and confirming that the arrangements for the initial allocations of awards under the MIAP are fair and reasonable
“Announcement”	the announcement dated 2 April 2012 issued jointly by the Company and the Offeror relating to the Proposal
“Announcement Date”	2 April 2012, being the date of the Announcement
“associate(s)”	has the meaning given to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals required in connection with the Proposal
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Business Day”	has the meaning given to it under the Listing Rules
“Bowenvale”	Bowenvale Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Cancellation Consideration”	the cash consideration to be paid to the Scheme Shareholders whose names appear on the Register on the Scheme Record Date under the Scheme, being HK\$23.50 in cash for each Scheme Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CITIC”	CITIC Group Corporation, an enterprise established and existing under the laws of the PRC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)

DEFINITIONS

“Company”	Asia Satellite Telecommunications Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are currently listed on the Stock Exchange
“Conditions”	the conditions of the Proposal, as set out in this Scheme Document under the section headed “Conditions of the Proposal”
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon and which is to be held at 9:30 a.m. on 18 July 2012, notice of which is set out on pages N-1 to N-2 of this Scheme Document, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms, which is the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration, and which is expected to be 13 August 2012 (Bermuda time)
“ESAS”	the existing share award scheme adopted by the Company on 22 August 2007
“ESAS Rules”	the rules relating to the ESAS
“ESAS Trustee”	Equity Trust (Jersey) Limited
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out on pages 66 to 87 of this Scheme Document issued in compliance with Section 100 of the Companies Act
“GECC”	General Electric Capital Corporation, a company incorporated in the United States of America
“Group”	the Company and its subsidiaries
“Group Employee(s)”	employee(s) of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, the financial adviser to the Offeror in connection with the Proposal, a registered institution under the SFO registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“IBC”	the independent committee of the Board formed for the purpose of advising the Independent Scheme Shareholders as to what action they should take in relation to the Proposal
“Independent Scheme Shareholder(s)”	all Scheme Shareholder(s), other than the Offeror and persons acting in concert with the Offeror (including Bowenvale, CITIC, GECC, Mr. William Wade and Mr. Peter Jackson (who are Directors), Ms. Catherine Chang and Mr. Roger Tong (who are directors of the MSOT Trustee), and the ESAS Trustee (in relation to those Shares held by it under the ESAS)), but including, for the avoidance of doubt, any member of the HSBC group acting in its capacity as a Registered Owner of Scheme Shares held on behalf of a Beneficial Owner where the Beneficial Owner (i) controls the voting rights attaching to those Shares, (ii) if the Shares are voted, gives instructions as to how the Shares are to be voted, and (iii) is not the Offeror or a person acting in concert with the Offeror
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“ITAR”	International Traffic in Arms Regulations promulgated pursuant to the United States Arms Export Control Act of 1976, as amended
“Last Trading Day”	21 March 2012, being the last trading day of the Shares prior to their suspension in trading on the Stock Exchange pending the publication of the Announcement
“Latest Practicable Date”	22 June 2012, being the latest practicable date prior to the despatch of this Scheme Document for ascertaining certain information contained in this Scheme Document

DEFINITIONS

“Licensee”	Auspicious Colour Limited, being a company incorporated in Hong Kong, an indirect subsidiary of the Company and holder of a non domestic television programme service license granted by the OFCA
“Loan Arrangement”	the loan (which is interest free and repayable on demand) to be given by Opco to the Offeror in the sum of up to approximately HK\$2,446 million to finance the Proposal, the cash payable to ESAS participants as described in the section headed “Existing Share Award Scheme”, and the expenses in relation to the implementation of the Scheme
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meeting(s)”	the Court Meeting and the SGM or either of them, as the case may be
“Meetings Record Date”	18 July 2012, or such other time and date as shall be announced by the Company for determining entitlements to attend and vote at the Meetings
“MIAP”	the management incentive award plan adopted by the Company, details of which are set out in the section headed “Information of the Offeror”
“MIAP Board Committee”	a committee of the Board initially comprising Mr. John F. Connelly, Mr. Mark Chen and Mr. Peter Jackson to oversee the general operation of the MIAP and MSOT (other than recommending or directing the voting of Shares to be held by the MSOT following the Effective Date)
“MIAP Eligible Employee(s)”	Group Employee(s) eligible to participate in the MIAP
“MSOT”	Asia Satellite Management Stock Ownership Trust, a trust established for the purpose of holding new Shares and Preference Shares to be allotted and issued upon the implementation of the Scheme and in connection with the operation of the MIAP adopted for the benefit of selected employees of the Group
“MSOT Trustee”	AsiaSat MSOT (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company acting in its capacity as the trustee of MSOT

DEFINITIONS

“Offer Period”	the period from the date of the Announcement, being 2 April 2012, until the latest of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“Offeror”	MSOT and the MSOT Trustee (acting in its capacity as trustee of MSOT)
“OFCA”	the Hong Kong Office of the Communications Authority (formerly the Hong Kong Broadcasting Authority and the Hong Kong Telecommunications Authority)
“Opco”	Asia Satellite Telecommunications Company Limited, a wholly-owned subsidiary of the Company
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited shares with, a CCASS participant
“PRC” and “China”	the People’s Republic of China
“Pre-adjustment Date”	18 May 2012, being the last trading day prior to the suspension of trading in the Shares pending the issue of the announcement dated 24 May 2012 issued jointly by the Company and the Offeror in relation to the increase in the Cancellation Consideration to HK\$23.50
“Preference Shares”	redeemable preference shares of HK\$0.10 each to be issued by the Company
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Register”	the principal and branch registers of members of the Company kept in Bermuda and Hong Kong, respectively
“Registered Owner”	any owner of Shares (including, without limitation, a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the Register
“Relevant Period”	the period commencing on the date, being 2 October 2011, falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
“Relevant Regulatory Agencies”	the U.S. State Department (or any successor U.S. regulator) and any other agency of any government with jurisdiction over a relevant regulatory issue

DEFINITIONS

“Scheme”	a scheme of arrangement under Section 99 of the Companies Act involving, among other things, the cancellation of all the Scheme Shares and the allotment and issue of new Shares and Preference Shares to the Offeror
“Scheme Document”	this scheme document despatched to the Shareholders containing details of the Scheme and notices to convene the Court Meeting and the SGM
“Scheme Record Date”	13 August 2012 or such other time and date as shall have been announced by the Company for determining entitlements under the Scheme
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	Shareholder(s) other than Bowenvale
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Shareholders to be convened for the purposes of passing all necessary resolutions for the implementation of the Proposal, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	a day on which the Stock Exchange is open for trading in securities
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates other than references to the expected dates of the Court hearing to sanction the Scheme and of the registration of the order of the Court to sanction the Scheme at the Registrar of Companies in Bermuda and the Effective Date, which are references to the relevant times and dates in Bermuda.

EXPECTED TIMETABLE

The following timetable takes into account the Court procedures for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Despatch of the Scheme Document Monday, 25 June 2012

Latest time for lodging transfers of Shares to qualify
for entitlement to attend and vote at the Court
Meeting and the SGM. 4:30 p.m. on Friday, 13 July 2012

Registers closed for determination of entitlements to attend
and vote at the Court Meeting and the SGM (*Note 1*) from Monday, 16 July 2012 to
Wednesday, 18 July 2012
(both days inclusive)

Latest time for lodging forms of proxy in respect of:
Court Meeting (*Note 2*) 9:30 a.m. on Monday, 16 July 2012
SGM (*Note 2*) 10:00 a.m. on Monday, 16 July 2012

Suspension of dealings in the Shares. 9:00 a.m. on Wednesday, 18 July 2012

Meetings Record Date Wednesday, 18 July 2012

Court Meeting 9:30 a.m. on Wednesday, 18 July 2012

SGM (*Note 3*) 10:00 a.m. on Wednesday, 18 July 2012

Announcement of the results of the Meetings
published on the websites of the Stock Exchange
and the Company. not later than 7:00 p.m.
on Wednesday, 18 July 2012

Resumption of trading in the Shares. 9:00 a.m. on Thursday, 19 July 2012

Last day for dealings in the Shares Friday, 3 August 2012

Latest time for lodging transfers of Scheme Shares
to qualify for entitlements under the Scheme. 4:30 p.m. on Wednesday, 8 August 2012

Registers closed for determination of entitlements
to qualify under the Scheme (*Note 4*). from Thursday, 9 August 2012 to
Monday, 13 August 2012
(both days inclusive)

Court hearing of the petition to sanction the Scheme. Friday, 10 August 2012
(Bermuda time)

EXPECTED TIMETABLE

Announcement of, inter alia, the results of the Court hearing of the petition to sanction the Scheme, the expected Effective Date, and the expected date of withdrawal of the listing of the Shares on the Stock Exchange published on the websites of the Stock Exchange and the Company	no later than 12:30 p.m. Monday, 13 August 2012
Registration of the order of the Court to sanction the Scheme at the Registrar of Companies in Bermuda	Monday, 13 August 2012 (Bermuda time)
Scheme Record Date	Monday, 13 August 2012
Effective Date (<i>Note 5</i>)	Monday, 13 August 2012 (Bermuda time)
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange	Tuesday, 14 August 2012
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective (<i>Note 6</i>)	9:00 a.m. on Wednesday, 15 August 2012
Cheques for cash payment under the Proposal to be despatched on or before	Monday, 20 August 2012

Notes:

1. The Register will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM. This book close period is not for determining the entitlements of Scheme Shares under the Scheme.
2. Forms of proxy should be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the relevant times and dates stated above or, in the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the SGM will not preclude a Shareholder from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
3. The SGM will be held at the scheduled time as stated above or as soon as practicable thereafter on the conclusion of the Court Meeting or after any adjournment of the Court Meeting.
4. The Register will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
5. The Scheme will become effective when (a) it is sanctioned (with or without modification) by the Court and (b) a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration. Registration is expected to take place on Monday, 13 August 2012 (Bermuda time). Scheme Shareholders should note the "Conditions of the Proposal" set out on pages 18 to 20 of this Scheme Document.
6. It is expected that the listing of the Shares on the Stock Exchange will be withdrawn on or before Wednesday, 15 August 2012, being the first Trading Day after the Effective Date.

EXPECTED TIMETABLE

The Court Meeting and the SGM will both be held at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Wednesday, 18 July 2012. Please see the notice of the Court Meeting set out on pages N-1 to N-2 and the notice of the SGM set out on pages SGM-1 to SGM-17 of this Scheme Document for details.

As at the date of this Scheme Document, Bermuda time is 11 hours behind Hong Kong time.

LETTER FROM THE BOARD



ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1135)

Executive Director:

Mr. William WADE

Non-executive Directors:

Mr. JU Wei Min (Chairman)
Mr. Sherwood P. DODGE (Deputy Chairman)
Mr. MI Zeng Xin
Mr. LUO Ning
Mr. Peter JACKSON
Mr. John F. CONNELLY
Ms. Nancy KU
Mr. Mark CHEN

Independent Non-executive Directors:

Professor Edward CHEN
Mr. Robert SZE
Mr. James WATKINS

Alternate Director:

Mr. CHONG Chi Yeung (alternate to Mr. MI Zeng Xin)

Company Secretary:

Ms. Sue YEUNG

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong:

19th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

25 June 2012

To the Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA
AND
RULE 25 TRANSACTION UNDER THE TAKEOVERS CODE
AND
PROPOSED WITHDRAWAL OF LISTING OF
ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Announcement dated 2 April 2012.

On 21 March 2012, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act, which will, upon the Scheme becoming effective, involve the cancellation of all the Scheme Shares and allotment and issue of 15,324,985 Shares and 84,695,820 Preference Shares to the Offeror.

After the Announcement was issued, letters were received from Shareholders holding more than the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing representations on the level of the Cancellation Consideration, and representations and/or indications that they were not supportive of the Proposal on its announced terms.

On 24 May 2012, it was jointly announced by the Offeror and the Company that, in order to make the Proposal more attractive to the Independent Scheme Shareholders, the Offeror had increased the Cancellation Consideration from HK\$22.00 to HK\$23.50 per Scheme Share. All other terms of the Proposal remained unchanged. The Offeror also confirmed in the announcement that the Offeror would not further increase the Cancellation Consideration (save in wholly exceptional circumstances as permitted under Rule 18.3 of the Takeovers Code).

Subsequent to the announcement dated 24 May 2012 of the increase in the Cancellation Consideration, the Company has received further communications from Shareholders including (as announced on 8 June 2012), an e-mail from a Shareholder holding more than the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing a representation that it is “disinclined to view the offer favourably”. It has not been sought, and there is no intention or ability, to ascertain or confirm the final intention of such Shareholder or any other Shareholders as to the exercise of their voting rights at the Court Meeting and the SGM to be convened for approving the Proposal.

As at the Latest Practicable Date, the issued share capital of the Company comprised 391,195,500 Shares, and Bowenvale held 291,174,695 Shares (representing 74.43% of both the voting rights and economic interest of the Company). Upon the Scheme becoming effective, the issued share capital of the Company will comprise 306,499,680 Shares and 84,695,820 Preference Shares. Bowenvale will hold 291,174,695 Shares (representing 74.43% of the voting rights and 95% of the economic interest of the Company, respectively), and the Offeror will hold 84,695,820 Preference Shares (representing 21.65% of the voting rights of the Company with restricted economic rights) and 15,324,985 Shares (representing 3.92% of the voting rights and 5% of the primary economic rights of the Company, respectively). Thus, upon the Scheme becoming effective, the voting rights in the Company owned by Bowenvale will remain the same, but the economic interest in the Company owned by it will increase from 74.43% to 95% as the Preference Shares held by the Offeror will have restricted economic rights. As regards accounting treatment, the Company understands that applicable Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards will require the economic interest in the shares

LETTER FROM THE BOARD

actually held by the Offeror in the Company to be treated as a technical matter in a similar manner to treasury shares of the Company, which will cause the consolidated books of the Company to report 100% of the economic interest in the Company as allocable to Bowenvale, although as noted above, the economic interests in such shares will as a legal matter be held by the Offeror.

The Offeror, and the Board will make an application for the withdrawal of the listing of the Shares on the Stock Exchange to take effect immediately following the Effective Date.

An independent board committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Scheme Shareholders as to what action they should take in respect of the Proposal. The non-executive Directors, namely Mr. Ju Wei Min, Mr. Sherwood P. Dodge, Mr. Mi Zeng Xin, Mr. Luo Ning, Mr. Peter Jackson, Mr. John F. Connelly, Ms. Nancy Ku and Mr. Mark Chen, are not considered as independent for the purpose of giving advice or recommendation to the Independent Scheme Shareholders as they have been nominated to the board of Directors by CITIC and GECC respectively, both of which will retain their interest in the Company through Bowenvale. Anglo Chinese has been appointed as the independent financial adviser to advise the IBC in respect of the Proposal and to confirm whether the arrangements for the initial allocations of awards under the MIAP are fair and reasonable. The full text of the letter from Anglo Chinese to the IBC is set out in this Scheme Document.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and in particular the Scheme, and to give you notices of the Court Meeting and the SGM, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the IBC to the Independent Scheme Shareholders, set out on pages 32 to 33 of this Scheme Document; (ii) the letter from Anglo Chinese, the independent financial adviser to the IBC, set out on pages 34 to 65 of this Scheme Document; (iii) the Explanatory Statement set out on pages 66 to 87 of this Scheme Document; and (iv) the terms of the Scheme set out on pages S-1 to S-6 of this Scheme Document.

TERMS OF THE PROPOSAL

The terms of the Proposal are as follows:

The Scheme

Subject to the Scheme becoming effective, the Scheme Shareholders whose names appear on the Register on the Scheme Record Date will receive the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

For every Scheme ShareHK\$23.50 in cash

LETTER FROM THE BOARD

Comparisons of value

The cash consideration of HK\$23.50 per Scheme Share represents:

- a premium of approximately 23.7% over the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.9% over the average of the closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$18.96 per Share;
- a premium of approximately 25.2% over the average of the closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of approximately HK\$18.76 per Share;
- a premium of approximately 29.1% over the average of the closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day of approximately HK\$18.20 per Share;
- a premium of approximately 36.1% over the average of the closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day of approximately HK\$17.27 per Share;
- a premium of approximately 41.3% over the average of the closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day of HK\$16.63 per Share;
- a premium of approximately 43.1% over the average of the closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day of approximately HK\$16.42 per Share;
- a premium of approximately 6.8% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on the Pre-adjustment Date; and
- a premium of approximately 37.7% over the audited consolidated net asset value per Share of approximately HK\$17.07 as at 31 December 2011.

Highest and lowest prices

During the 6-month period ending on the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$19.00 per Share on 13 March 2012, 15 March 2012, 16 March 2012, 19 March 2012 and 21 March 2012, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$14.20 per Share on 4 October 2011.

The Cancellation Consideration represents a premium of approximately 65.5% over the lowest closing price of HK\$14.20 per Share during the 6-month period ending on the Last Trading Day.

LETTER FROM THE BOARD

Issue of new Shares and Preference Shares

Upon the Scheme becoming effective, the Company will allot and issue 15,324,985 Shares and 84,695,820 Preference Shares to the Offeror credited as fully paid.

Each Preference Share shall have one vote on a poll at any general meeting of the Company, and the voting rights conferred by the Preference Shares shall rank *pari passu* with the voting rights conferred by the Shares.

The Preference Shares do not confer any right to receive a dividend or other distribution to holders of Shares made at any time prior to the Company's winding up, and do not confer any right to share or participate in any entitlement conferred by the Shares (including any entitlement of holders of Shares to participate in an offer for subscription of further new Shares of any class or description). On a return of capital for a winding up of the Company or otherwise, the holders of the Preference Shares will be repaid first for the nominal amount of each Preference Share. The issue or creation of new Shares with priority over the entitlement attaching to the Preference Shares to a preferential return on winding-up of the Company, will be deemed to be a variation of the rights attaching to the Preference Shares requiring the approval of not less than 75% of the votes cast by the holders of the Preference Shares.

If the Company resolves to divide, consolidate or sub-divide the Shares, or to change the denomination of the Shares, the Company will ensure that the nominal value of each Preference Share remains equal to the nominal value of a Share and that the voting and economic interests of the Company's shareholders will not be affected by such division, consolidation or sub-division. The Company will also take equivalent actions to ensure that the voting and economic interests of Shareholders are unaffected if it resolves to divide, consolidate or sub-divide the Preference Shares or change the denomination of the Preference Shares.

Provided that prior notice has been given to, and clearance received from, the Relevant Regulatory Agencies, and all applicable laws and regulations have been complied with, the Company may at any time, on the approval of the Shareholders at general meeting, redeem all or any of the Preference Shares at nominal value (or such other value as the Board shall determine).

FINANCIAL RESOURCES

The amount of cash required for the Proposal (together with the cash payable to ESAS participants as described in the section headed "EXISTING SHARE AWARD SCHEME" below) is approximately HK\$2,399 million. The amount payable to Scheme Shareholders under the Proposal will be borrowed by the Offeror from the Group under the Loan Arrangement which in turn will be funded by HSBC and the internal resources of the Group. Repayment of such funding by the Offeror will be dependent on future dividends available for distribution by the Company to the Offeror, which will in turn be dependent on the business of the Company.

HSBC has been appointed as the financial adviser to the Offeror in respect of the Proposal. The Company is guaranteeing the financial obligations of the Offeror, and has agreed to indemnify HSBC against any failure in the performance or satisfaction by the Offeror of such financial obligations, under such engagement between the Offeror and HSBC. HSBC is satisfied that sufficient financial resources are available to the Offeror for the payment in full of the cash required for the Proposal.

LETTER FROM THE BOARD

In addition, expenses in relation to the implementation of the Scheme will be funded out of the internal resources of the Group.

OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to, and acceptance of the Proposal by, Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

REASONS FOR AND IMPACT OF THE PROPOSAL

Benefits of the Proposal to the Scheme Shareholders

For the past few years, the Shares have suffered from low liquidity. The Offeror and the Company believe that the level of liquidity of the Shares is insufficient to allow investors to trade freely in the Shares, and the ability of the Company to take advantage of its listed status to raise funds from the public equity capital market is limited, and that the costs associated with the maintenance of the Company's listing on the Stock Exchange may no longer be warranted.

The low liquidity of the Shares can be observed over the 180-day period ended on and including the Last Trading Day, during which the liquidity in the Shares on the Stock Exchange was restricted to an average daily turnover of HK\$1,009,511 or 61,744 Shares. Such average daily turnover in the number of Shares represented only approximately 0.06% of the number of Scheme Shares.

The Cancellation Consideration allows an exit for the Scheme Shareholders at a premium that the Offeror considers to be attractive and which is higher than the closing price of the Shares on the Stock Exchange at any time in the last 10 years. The Cancellation Consideration also represents a premium of approximately 37.7% to the audited consolidated net asset value per Share of approximately HK\$17.07 as at 31 December 2011 and a premium of approximately 23.7% over the closing price of the Shares of HK\$19.00 as quoted by the Stock Exchange on the Last Trading Day.

In light of the above, the Proposal provides an opportunity for the Scheme Shareholders to realise their investment in the Company at a price above the prevailing market price of the Shares.

LETTER FROM THE BOARD

Drawbacks of the Proposal to the Scheme Shareholders

If the Proposal is implemented, the Board will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange to take effect immediately following the effective date of the Scheme, and accordingly, there will not be any open market for the Scheme Shareholders to re-invest in the securities of the Company.

The Scheme Shareholders should note that notwithstanding the benefits of the Proposal as set out in the sections headed “REASONS FOR AND IMPACT OF THE PROPOSAL — Benefits of the Proposal to the Scheme Shareholders” in the Letter from the Board and the Explanatory Statement of this Scheme Document, the IBC and Anglo Chinese, having regard to the factors set out in the sections headed “Letter from the IBC” and the “Letter from Anglo Chinese” of this Scheme Document respectively, are of the view that the terms of the Proposal are not fair and reasonable so far as the Independent Scheme Shareholders are concerned. Scheme Shareholders are therefore urged to read the letter from the IBC and the letter from Anglo Chinese carefully regarding the principal factors and reasons, the recommendations set out therein and the consequences of the lapse of the Scheme.

Benefits of the Proposal to the Company

It has been the Company’s policy to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and the Company will continue to explore such opportunities as they arise from time to time. In particular, the Company is engaged in active exclusive negotiations with a potential buyer on the possible disposal of the Group’s entire interest in SpeedCast Holdings Limited, a wholly-owned subsidiary of the Company which principally engages in the business of providing private networks and satellite telecommunications services. However, as at the Latest Practicable Date, no terms on such disposal have been finalised and such possible disposal may or may not materialise. If such disposal materialises, it may constitute a discloseable transaction for the Company under the Listing Rules and a frustrating action under Rule 4 of the Takeovers Code, and the Company will comply with the applicable requirements under the Listing Rules and the Takeovers Code accordingly. The privatisation of the Company will eliminate the need for approval from public shareholders, provide greater flexibility for participating in these structuring and future corporate transactions, and relieve the Company from other regulatory sanctions and compliance obligations to which the Company is presently subject as a publicly listed company.

The Proposal will also enable the Company to protect proprietary pricing information and other commercially sensitive information that is currently accessible to the Company’s competitors and suppliers through analysis of its public filings.

Business outlook of the Company

Despite the continuing global economic uncertainties, the Company is cautiously optimistic that its markets will remain stable throughout 2012. It is therefore adopting a positive outlook for its core business in 2012, during which it will continue to develop its business in new and existing markets. The Company’s business will focus mainly on new opportunities being pursued in relation to the continuing growth in high definition services and the healthy expansion of the direct to home business. However, significant growth in the near term may be hindered by a number of key factors. As at the end of 2011,

LETTER FROM THE BOARD

utilisation of its satellite fleet had reached 82%. This high level of utilisation will restrict capacity available for major growth until the planned launch in 2014 of two additional satellites "AsiaSat 6" and "AsiaSat 8". The Company's recently launched satellite "AsiaSat 7" will provide limited near term growth as it will be temporarily used to develop new markets until it eventually replaces the Company's satellite "AsiaSat 3S". Additionally, with the end of the service life of the Company's satellite "AsiaSat 2", the Company will no longer have the positive contribution from its short term lease, resulting in a reduction in revenue. Unlike previous years where lower levels of utilisation allowed the Company to take advantage of unexpected positive developments in the market, it will be challenging to compensate for this shortfall in revenue given the limited capacity available on the Company's existing satellites. Despite the present stability in the core business areas, the Company will be restricted by capacity and unable to capitalise on new growth opportunities in the coming few years. It also remains to be seen whether economic issues in various parts of the world will begin to have a greater negative impact on the markets in which the Company operates.

Furthermore, as detailed in the Company's announcement dated 26 April 2012, pursuant to new arrangements between a subsidiary of the Company and independent third party customers in respect of certain existing and new transponder agreements, the Company will suffer a shortfall in annual revenue with effect from the third quarter of 2013, representing approximately 6% of the Group's consolidated revenue for the year ended 31 December 2011.

As mentioned in the Chairman's statement in the 2011 annual report of the Company, a new finance bill (the "**Finance Bill**") was proposed in India which could have unfavourable consequences for the Group's current tax proceedings in the Indian Courts. Further details are set out in note 31 to the Company's financial statements for the year ended 31 December 2011, which are set out on pages I-55 to I-56 of this Scheme Document.

As announced by the Company in an announcement dated 29 May 2012, the Finance Bill was recently passed by the Indian Parliament and was enacted with retrospective effect after presidential assent was given to it. Under the Indian Income Tax Act (as amended by the Finance Bill), revenues received from the provision of satellite transponder capacity to the Group's customers which carry on business in India or earn income from any source in India ("**Indian sourced**") will be charged tax in India. As the Finance Bill was enacted with retrospective effect, this would result in unfavourable consequences to the Group's current tax proceedings in the Indian Courts where orders in favour of the Group were made in the past. However, the portion of revenue earned by the Group that would be deemed to be Indian sourced is yet to be decided by the Indian Courts and is therefore still uncertain.

The Group is currently seeking clarifications from its legal and tax advisers in order to assess the potential exposure of the above to the Group and is evaluating various options available to it to deal with the issues arising from the retrospective amendments to the Indian Income Tax Act introduced by the Finance Bill.

Based on the latest advice received by the Company from the Company's tax and legal advisers in India, the Company will record a provision which will reflect an appropriately conservative view based on the historical information currently available in respect of potential Indian tax in the Group's forthcoming interim results for the period ending 30 June 2012, notwithstanding that there is an arguable case in the Group's current tax proceedings in the Indian Courts.

LETTER FROM THE BOARD

There is no certainty that the amount of the provision to be recognised by the Company will be sufficient to cover the ultimate Indian tax exposure of the Group. However, based on the latest information currently available to the Group, the Company believes that the overall impact on the consolidated statement of comprehensive income of the Group in respect of the liability covered by this provision will not be material.

There is no intention to change the existing dividend policy of the Company should the Scheme lapse.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on the Company and all Shareholders subject to satisfaction or valid waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme by a majority in number of Scheme Shareholders present and voting at the Court Meeting representing not less than three-fourths in value of those Shares that are voted by the Scheme Shareholders at the Court Meeting either in person or by proxy, provided that:
 - (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast against the resolution to approve (by way of poll) the Scheme is not more than 10% of the votes attaching to all the Shares held by the Independent Scheme Shareholders;
- (b) the passing by the Shareholders of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares, the creation of the Preference Shares, the amendments to the bye-laws of the Company, the reduction of the relevant portion of the issued share capital of the Company and the issue of the new Shares and Preference Shares to the Offeror) by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy, at the SGM;
- (c) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (d) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to the reduction of the issued share capital of the Company referred to in (b) above;
- (e) all other Authorisations in connection with the Proposal having been obtained from the Relevant Regulatory Agencies in Bermuda, Hong Kong, the United States of America and other relevant jurisdictions, including but not limited to the U.S. State Department;

LETTER FROM THE BOARD

- (f) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Regulatory Agencies which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (g) all necessary consents which may be required under any existing material contractual obligations of the Company and of the Offeror being obtained;
- (h) a waiver from OFCA in respect of compliance with statements and representations regarding the legal and beneficial interests in the Licensee's voting control and shares set out in the Licensee's non-domestic television programme service licences issued by OFCA;
- (i) all necessary approvals being obtained to amend the ESAS Rules and the related trust deed, and/or other arrangements having been made to ensure that the proceeds from the Scheme referable to the Scheme Shares held under the ESAS are distributable to participants of the ESAS as contemplated by the Announcement (or alternative arrangements satisfactory to the Offeror having been made), and such arrangements being acceptable to the SFC for the purposes of the Takeovers Code;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms);
- (k) none of the telecommunications licences held by the Group which are material in the context of the Group as a whole having been revoked by OFCA when Conditions (f), (g), (h) and (j) are satisfied; and
- (l) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal or because of a change in control or management of the Company could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole:
 - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and

LETTER FROM THE BOARD

- (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder.

The Offeror reserves the right to waive any of Conditions (e) to (l), either in whole or in respect of any particular matter. Conditions (a) to (d) cannot be waived in any event. All of the Conditions will have to be satisfied or validly waived (as applicable), on or before 17 September 2012 (or such later date as may be proposed by the Offeror and permitted by the Executive), otherwise the Scheme will lapse and will not become effective. When all the Conditions are satisfied or waived (as applicable) the Scheme will become effective and binding on the Company and all the Scheme Shareholders. As at the Latest Practicable Date, save for Condition (i) above, none of the Conditions have been satisfied.

The U.S. State Department preliminarily informed the Company in February 2012 that, based upon its review of the transaction documents and undertakings in relation to the Proposal provided by the Company, it had no objection to the Proposal proceeding on such basis. The U.S. State Department has reconfirmed this position in subsequent conversations with the Company's advisers following the publication of the Announcement.

The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal.

WARNING: Shareholders and/or potential investors should be aware that the Proposal (including the Scheme) will only become effective upon all the Conditions being satisfied or validly waived (as applicable). The Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 391,195,500 Shares in issue. 100,020,805 Shares (representing approximately 25.57% of the issued share capital of the Company) were held by the Shareholders other than Bowenvale, of which 1,033,176 Shares were held by Mr. William Wade and Mr. Peter Jackson (who are Directors) and Ms. Catherine Chang and Mr. Roger Tong (who are directors of the MSOT Trustee), who are parties acting in concert with the Offeror. As at the Latest Practicable Date, the Offeror and parties acting in concert (including Bowenvale, CITIC, GECC, Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang and Mr. Roger Tong) collectively held 292,207,871 Shares and together with the Shares held by the ESAS Trustee under the ESAS, which will be treated as acting in concert with the Offeror in respect of those Shares, held 292,209,008 Shares, representing approximately 74.70% of the issued share capital of the Company. Only Scheme Shareholders may vote at the Court Meeting (persons who are not Independent Scheme Shareholders will abstain from voting), but all Shareholders shall be entitled to vote at the SGM (the ESAS Trustee will abstain from voting).

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Independent Scheme Shareholders held 98,986,492 Shares in aggregate (representing approximately 25.30% of the issued share capital of the Company) of which 50,000 Shares (representing approximately 0.01% of the issued share capital of the Company) were held by Mr. James Watkins, an independent non-executive Director.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Upon completion of the Proposal		
	Number of Shares owned	% of the total issued share capital	Number of Shares owned (Note 1)	Number of Preference Shares owned (Note 1)	% of the total issued share capital
Offeror	—	—	15,324,985	84,695,820	25.57
Bowenvale	291,174,695	74.43	291,174,695	—	74.43
Mr. William Wade (executive Director)	130,561	0.03	—	—	—
Mr. Peter Jackson (non-executive Director)	800,264	0.20	—	—	—
Ms. Catherine Chang (director of the MSOT Trustee)	60,731	0.02	—	—	—
Mr. Roger Tong (director of the MSOT Trustee)	41,620	0.01	—	—	—
the ESAS Trustee (Note 2)	1,137	0.0003	—	—	—
Offeror and parties acting in concert with it	292,209,008	74.70	306,499,680	84,695,820	100
Mr. James Watkins (independent non-executive Director)	50,000	0.01	—	—	—
Independent Scheme Shareholders (other than Mr. James Watkins)	98,936,492	25.29	—	—	—
Independent Scheme Shareholders	98,986,492	25.30	—	—	—
Total	391,195,500	100	306,499,680	84,695,820	100
Total number of Scheme Shares (Note 3)	100,020,805	25.57	—	—	—
Scheme Shareholders (Note 4)	100,020,805	25.57	—	—	—

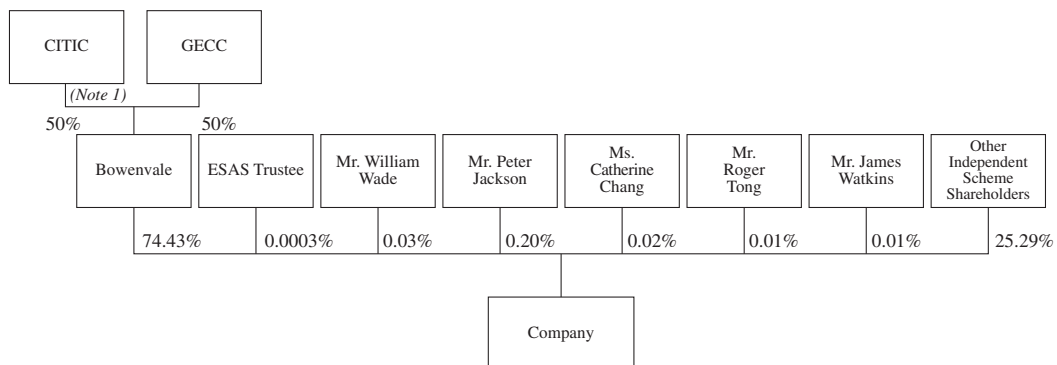
LETTER FROM THE BOARD

Notes:

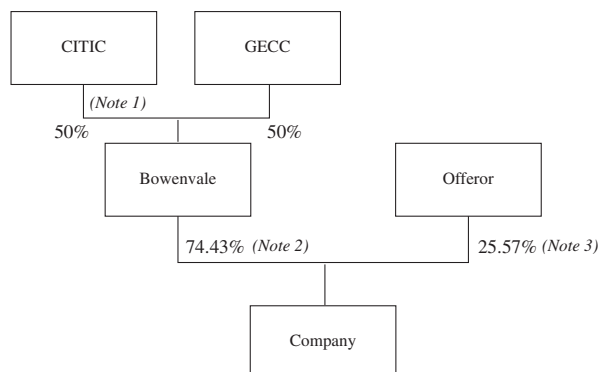
1. Immediately upon completion of the Proposal, the Scheme Shares will be cancelled and extinguished and 15,324,985 new Shares and 84,695,820 Preference Shares will be allotted and issued to the Offeror. Immediately upon completion of the Proposal, the issued share capital of the Company will comprise 15,324,985 Shares and 84,695,820 Preference Shares held by the Offeror and 291,174,695 Shares held by Bowenvale.
2. The ESAS Trustee is the trustee of the ESAS and an independent trustee company. The Shares held by the ESAS Trustee under the ESAS will be treated as Shares held by a party acting in concert with the Offeror. Please refer to the section headed "EXISTING SHARE AWARD SCHEME" below for details of the ESAS.
3. Total number of Scheme Shares comprise the Shares held by Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang, Mr. Roger Tong, Mr. James Watkins, the ESAS Trustee and other Independent Scheme Shareholders.
4. Scheme Shareholders means Shareholders other than Bowenvale.

The following diagrams illustrate the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

As at the Latest Practicable Date:



Immediately upon completion of the Proposal:



LETTER FROM THE BOARD

Notes:

1. These percentages reflect the proportion of voting shares held indirectly by CITIC and GECC in Bowenvale. Such shareholding structure of Bowenvale will remain unchanged immediately upon completion of the Proposal. The ultimate beneficial owner of CITIC is the Ministry of Finance of the People's Republic of China, and of GECC is General Electric Company.
2. Immediately upon completion of the Proposal, Bowenvale will hold 291,174,695 Shares (representing 74.43% of the voting rights and 95% of the economic interest of the Company, respectively).
3. Immediately upon completion of the Proposal, the Offeror will hold 84,695,820 Preference Shares (representing 21.65% of the voting rights of the Company with restricted economic interest) and 15,324,985 Shares (representing 3.92% of the voting rights and 5% of the economic interest of the Company, respectively).

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or other convertible securities.

Save as disclosed above, none of the Offeror and persons acting in concert with it owns or controls any Shares or any options, warrants, derivatives or other convertible securities in respect of the Shares.

EXISTING SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 22 August 2007, the Company adopted the ESAS on 22 August 2007. The trustee of the ESAS is Equity Trust (Jersey) Limited, and as at the Latest Practicable Date, the ESAS Trustee (in its capacity as the trustee of ESAS) held 1,137 Shares (representing 0.0003% of the issued share capital of the Company), all of which will form part of the Scheme Shares.

Equity Trust (Jersey) Limited is an independent trustee company. Nonetheless, it will be treated, as regards those Shares held for the time being under the ESAS, as acting in concert with the Offeror, and, as regards such Shares, is not entitled to vote at the Court Meeting and the SGM. Accordingly, Shares held by the ESAS Trustee under the ESAS will not be taken to constitute Scheme Shares held by the Independent Scheme Shareholders. Under the ESAS trust deed, the ESAS Trustee is prohibited from exercising the voting rights in respect of the Shares held under the ESAS. The ESAS Trustee will therefore abstain from voting at the Court Meeting and the SGM.

As at the Latest Practicable Date, the ESAS Trustee held 1,137 Shares subject to outstanding awards under the ESAS.

The total number of outstanding ESAS awards (2,081,172 Shares in total) is larger than the number of Shares held by the ESAS Trustee. However, the proposal described below will mean (among other things) that the ESAS Trustee will not need or be required to acquire any further Shares to cover the shortfall.

LETTER FROM THE BOARD

The Company has made certain amendments to the ESAS Rules and the related trust deed to include a provision for ESAS participants to receive the cash equivalent of the Shares awarded to them under the ESAS once the Scheme becomes effective. The purpose of these amendments is to enable the ESAS participants to receive an amount equal to the Cancellation Consideration per ESAS award on the same basis as Scheme Shareholders under the Proposal (i.e. equal treatment). The necessary consents from the ESAS participants and the ESAS Trustee have been obtained in respect of such amendments.

IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and persons acting in concert with it has received any irrevocable commitment from the Independent Scheme Shareholders in respect of voting at the Court Meeting or the SGM.

INFORMATION ON THE OFFEROR

The MSOT Trustee is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and is the trustee of MSOT, a management stock ownership trust established by the Company for the purpose of holding new Shares and Preference Shares to be allotted and issued upon the implementation of the Scheme and in connection with the operation of a MIAP to be adopted by the Company as from the effective date of the Scheme for the benefit of selected employees of the Group.

Pursuant to the MIAP, the Board may select employees of the Company or Opco and if so decided by the Board, employees of any other companies in the Group to participate in the MIAP from time to time. The participants will be granted awards, and MSOT will be deemed to have allocated an unallocated Share it holds to each award. On vesting of an award, the participants granted the award will be entitled to a monetary payout calculated, in part, on the dividends received on the Shares deemed allocated to the relevant vested award, subject to adjustments as may be applicable under the rules of the MIAP. No participants in the MIAP will have any rights relating to any dividend, distributions or voting rights attributable to any Shares; these rights will belong to MSOT.

LETTER FROM THE BOARD

It is the Company's intention that, upon the Scheme becoming effective and with effect from the effective date of the Scheme, an initial allocation of awards will be granted under the MIAP to selected members of senior management over Shares representing in aggregate not more than 1% of the total voting share capital of the Company immediately following implementation of the Scheme. The names of the initial participants, their current shareholding in the Company and the number of awards to be initially awarded to them are listed in the table below:

Name	Number of Shares currently held (percentage of issued Share capital as at the Latest Practicable Date)	Number of unvested ESAS awards (percentage of issued Share capital as at the Latest Practicable Date)	Number of initial awards to be allocated under the MIAP (percentage of issued Share capital upon completion of the Proposal)
Ms. Catherine Chang, General Counsel / Director of the MSOT Trustee	60,731 (0.02%)	97,802 (0.03%)	275,850 (0.09%)
Mr. Philip Balaam, Vice President, Business Development	0 (0%)	32,949 (0.01%)	459,750 (0.15%)
Mr. Roger Tong, Vice President, Engineering and Operations / Director of the MSOT Trustee . . .	41,620 (0.01%)	186,765 (0.05%)	459,750 (0.15%)
Ms. Sabrina Cubbon, Vice President, Sales and Marketing . .	115,399 (0.03%)	192,274 (0.05%)	367,800 (0.12%)
Ms. Sue Yeung, Vice President, Finance and Chief Financial Officer	93,370 (0.02%)	251,334 (0.06%)	459,750 (0.15%)
Mr. Zhang Hai Ming, Vice President, China	0 (0%)	52,174 (0.01%)	275,850 (0.09%)
Mr. William Wade, Chief Executive Officer and Director of the Company / Director of the MSOT Trustee	130,561 (0.03%)	279,065 (0.07%)	766,249 (0.25%)
Total.	<u>441,681 (0.11%)</u>	<u>1,092,363 (0.28%)</u>	<u>3,064,999 (1%)</u>

As awards under the MIAP are not capable of being extended to all Shareholders, the arrangements for the initial award allocations will require the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Offeror has made an application to the Executive for such consent subject to (and conditional upon) Anglo Chinese confirming that the arrangements for initial allocations of awards under the MIAP are fair and reasonable.

LETTER FROM THE BOARD

As the trustee of MSOT, the MSOT Trustee will hold the Shares and the Preference Shares allocated to it under the MIAP and other assets held under MSOT for the benefit of the participants in the MIAP. The MSOT Trustee is managed by a board of three directors, who are employees or directors of the Company who have served as employees and/or directors of the Company for a minimum of three years and are not employees or directors of and are not providing any services to Bowenvale, its shareholders or any of its affiliates (other than the Company).

The board of the MSOT Trustee is responsible for directing the voting of the Shares and Preference Shares held by MSOT and for exercising any discretions provided to the MSOT Trustee under the trust deed constituting MSOT. Each director of the board of the MSOT Trustee has the qualifications prescribed by the U.S. State Department for the purposes of ITAR and is not a national of or born in a country named in ITAR section 126.1 or otherwise prohibited from receiving defence articles or defence services pursuant to ITAR licences.

The MIAP Board Committee is responsible for overseeing the operation of the MIAP and for making recommendations on matters including the number of awards to be granted to participants and the general operation of the MIAP and MSOT (including recommendations on how the Company should exercise its rights (other than recommending or directing the voting of Shares and Preference Shares) under the MIAP or the trust deed constituting MSOT).

The initial members of the board of directors of the MSOT Trustee are Mr. William Wade, Ms. Catherine Chang and Mr. Roger Tong, and the initial members of the MIAP Board Committee responsible for overseeing the MIAP are Mr. John F. Connelly, Mr. Mark Chen and Mr. Peter Jackson.

Going forward, and after implementation of the Scheme, it is intended that the department heads of the Company will from time to time nominate Group Employees from their respective departments to participate in the MIAP, and the MIAP Board Committee will determine which of the nominated Group Employees will be recommended to the Board for participation in the MIAP. The Board may, after taking into account the recommendation of the MIAP Board Committee, approve such nominated Group Employees as eligible employees for participation in the MIAP and/or select any of the department heads of the Company to be MIAP Eligible Employees. The chief executive officer and each executive Director of the Company automatically qualify as MIAP Eligible Employees. The Board will then, after taking into account the recommendation of the MIAP Board Committee, determine the number of awards under the MIAP to be granted to each MIAP Eligible Employee.

MSOT may not be terminated, except (in all cases) in compliance with all applicable laws and regulations and, unless any such termination of MSOT and the other results of terminating MSOT would be compliant with ITAR. In addition, no such termination of MSOT will be permissible or effective unless prior notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with such termination. Subject to the above, MSOT may be or shall be terminated if determined by the Company with the prior written approval of a majority of the Shareholders. For the avoidance of doubt, the perpetuity period applicable to MSOT shall be a period of 80 years following the effective date of the Scheme.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company is incorporated in Bermuda with limited liability, the Shares of which have been listed on the Stock Exchange since 1996. The Group is principally engaged in the provision of satellite transponder capacity and satellite services to broadcasting and telecommunications markets and broadband access services.

A summary of the audited consolidated results of the Group for each of the two years ended 31 December 2010 and 2011 is set out below:

	For the year ended 31 December	
	2010	2011
	(HK\$'000)	(HK\$'000)
Turnover	1,456,222	1,718,251
Profit before income tax	775,379	932,424
Profit attributable to shareholders	694,590	822,685

As at 31 December 2011, the audited consolidated net assets of the Group were approximately HK\$6,677 million.

THE OFFEROR'S INTENTIONS REGARDING THE COMPANY

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business as a provider of satellite capacity and related services. The Offeror does not have any intention to introduce any changes to the existing operations (including redeployment of fixed assets or significant employee changes within the Group). However, the Offeror notes that it is the Company's policy to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that the Company will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. In accordance with Rule 6.15 of the Listing Rules, the Board will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange to take effect immediately following the effective date of the Scheme. Shareholders will be notified by way of a press announcement of the exact dates of the last day of dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares will become effective.

The Board intends that the listing of the Shares on the Stock Exchange shall be maintained in the event that the Scheme is not approved or does not become effective.

LETTER FROM THE BOARD

GENERAL

Amendment of bye-laws

Subject to the Scheme becoming effective, the bye-laws of the Company will be amended to reflect, among other matters, the creation of the Preference Shares as a new class of share capital of the Company and the withdrawal of the listing of the Shares on the Stock Exchange.

Suspension and resumption of trading in the Shares

Trading of the Shares on the Stock Exchange is expected to be suspended on the day of the Court Meeting and the SGM. Trading of the Shares on the Stock Exchange is also expected to be suspended four Trading Days prior to the day of the hearing of the Court to sanction the Scheme and, if the Scheme is sanctioned by the Court, will continue to be suspended until listing on the Stock Exchange is withdrawn. Further suspension of trading of the Shares on the Stock Exchange as may be required will be further announced.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Proposal lapses, announce an offer or possible offer for the Company without the consent of the Executive.

MEETINGS AND ACTIONS TO BE TAKEN BY THE SHAREHOLDERS AND THE INDEPENDENT SCHEME SHAREHOLDERS

Bowenvale currently owns in aggregate 291,174,695 Shares (representing approximately 74.43% shareholding interest of the issued share capital of the Company). As the Shares legally and/or beneficially owned by Bowenvale do not form part of the Scheme Shares, Bowenvale will not be entitled to vote at the Court Meeting for approval of the Scheme.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including Bowenvale, CITIC, GECC, Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang and Mr. Roger Tong) collectively held 292,207,871 Shares and together with the Shares held by the ESAS Trustee under the ESAS, which will be treated as acting in concert with the Offeror in respect of those Shares, held 292,209,008 Shares, representing approximately 74.70% of the issued share capital of the Company. Only Scheme Shareholders may vote at the Court Meeting (persons who are not Independent Scheme Shareholders will abstain from voting), but all Shareholders will be entitled to vote at the SGM (the ESAS Trustee will abstain from voting).

LETTER FROM THE BOARD

As set out in the notices on pages N-1 to N-2 of this Scheme Document, the Meetings will be held on Wednesday, 18 July 2012 at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong at the times specified in the respective notices. The Court has directed that the Court Meeting be held to consider and, if thought fit, to approve the Scheme.

The Court Meeting will be convened and held in accordance with the directions of the Court. The SGM will be convened and held in accordance with the bye-laws of the Company.

Following the conclusion of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve, inter alia, the capital reduction arising as a result of the Scheme, and subject to the Scheme becoming effective, the amendments to the bye-laws of the Company to reflect, among other matters, the creation of the Preference Shares as a new class of share capital of the Company, and the withdrawal of the listing of the Shares on the Stock Exchange.

Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the SGM in accordance with the instructions printed respectively on them, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any case not later than the following respective times in order to be valid:

- **the pink form of proxy for use at the Court Meeting must be lodged not later than 9:30 a.m. on Monday, 16 July 2012 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting; and**
- **the white form of proxy for use at the SGM must be lodged not later than 10:00 a.m. on Monday, 16 July 2012.**

Completion and return of a form of proxy for each of the Court Meeting or the SGM will not preclude you from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

RECOMMENDATIONS

Your attention is drawn to the recommendations of the IBC in respect of the Proposal as set out in the letter from the IBC to the Independent Scheme Shareholders as set out on pages 32 to 33 of this Scheme Document.

LETTER FROM THE BOARD

Anglo Chinese has been appointed by the IBC to advise them in connection with the Proposal and to confirm whether the arrangements for initial allocations of awards under the MIAP are fair and reasonable. The text of the letter of advice from Anglo Chinese containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out on pages 34 and 65 of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING AND REGISTRATION

Your attention is drawn to paragraph 18 headed “SHARE CERTIFICATES, DEALINGS AND LISTING” and paragraph 19 headed “REGISTRATION AND PAYMENT” in the Explanatory Statement on pages 86 to 87 of this Scheme Document.

TAXATION AND INDEPENDENT ADVICE

Your attention is also drawn to paragraph 20 headed “TAXATION” in the Explanatory Statement set out on page 87 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

It is emphasised that none of the Company, the Offeror, HSBC, Anglo Chinese or any of their respective directors or associates or any other person involved in the Scheme and the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

FURTHER INFORMATION

You are urged to read carefully:

- (i) the letter from the IBC to the Independent Scheme Shareholders set out on pages 32 to 33 of this Scheme Document;
- (ii) the letter from Anglo Chinese, the independent financial adviser to the IBC, set out on pages 34 to 65 of this Scheme Document;
- (iii) the Explanatory Statement set out on pages 66 to 87 of this Scheme Document;
- (iv) the appendices to this Scheme Document, including the Scheme set out on pages S-1 to S-6 of this Scheme Document;
- (v) the notice of Court Meeting set out on pages N-1 to N-2 of this Scheme Document;
- (vi) the notice of SGM set out on pages SGM-1 to SGM-17 of this Scheme Document;

LETTER FROM THE BOARD

- (vii) the pink form of proxy in respect of the Court Meeting as enclosed with this Scheme Document; and

- (viii) the white form of proxy in respect of the SGM as enclosed with this Scheme Document.

Yours faithfully,
For and on behalf of
Asia Satellite Telecommunications Holdings Limited
JU Wei Min
Chairman



ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1135)

Independent non-executive Directors:

Professor Edward CHEN
Mr. Robert SZE
Mr. James WATKINS

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong:

19th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

25 June 2012

To the Independent Scheme Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA
AND
RULE 25 TRANSACTION UNDER THE TAKEOVERS CODE
AND
PROPOSED WITHDRAWAL OF LISTING OF
ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED**

We refer to the scheme document of even date jointly issued by the Company and the Offeror in relation to the Proposal (the "Scheme Document"), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as the Independent Board Committee to give a recommendation to the Independent Scheme Shareholders in respect of the Proposal. Anglo Chinese has been appointed with our approval as our independent financial adviser in respect of, amongst other things, the Proposal. Details of the advice from Anglo Chinese which sets out the principal factors and reasons taken into account in arriving at its recommendations are set out in the letter from Anglo Chinese on pages 34 to 65 of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice from Anglo Chinese, in particular the principal factors and reasons, and recommendations as set out in the letter from Anglo Chinese, we are of the opinion that the terms of the Proposal are not fair and reasonable so far as the Independent Scheme Shareholders are concerned. We therefore recommend the Independent Scheme Shareholders not to vote in favour of both the resolution to approve the Scheme at the Court Meeting and the special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares, the creation of the Preference Shares, the amendments to the bye-laws of the Company, the reduction of the relevant portion of the issued share capital of the Company and the issue of the new Shares and Preference Shares to the Offeror) at the SGM. However, we also recommend the Independent Scheme Shareholders to read the letter from Anglo Chinese carefully regarding the principal factors and reasons, and recommendations set out therein and the consequences of the lapse of the Scheme.

Yours faithfully,
The Independent Board Committee

Professor Edward CHEN
*Independent non-executive
Director*

Mr. Robert SZE
*Independent non-executive
Director*

Mr. James WATKINS
*Independent non-executive
Director*

LETTER FROM ANGLO CHINESE

The following is the text of the letter of advice from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Scheme Shareholders for the purpose of incorporation into this Scheme Document.

ANGLO CHINESE

CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

25th June, 2012

To the Independent Board Committee and the Independent Scheme Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
BY WAY OF SCHEME OF ARRANGEMENT UNDER
SECTION 99 OF THE COMPANIES ACT OF BERMUDA
AND RULE 25 TRANSACTION UNDER THE TAKEOVERS CODE**

INTRODUCTION

We refer to the joint announcement dated 2nd April, 2012 (the “Joint Announcement”), issued jointly by Asia Satellite Telecommunications Holdings Limited (the “Company”), Asia Satellite Management Stock Ownership Trust (“MSOT”) and AsiaSat MSOT (PTC) Limited (the “MSOT Trustee”) (acting in the capacity of trustee of MSOT) (MSOT and the MSOT Trustee together, being the “Offeror”) in relation to, amongst other things, the proposed privatisation of the Company (the “Proposal”) by the Offeror by way of a scheme of arrangement (the “Scheme”), the subsequent announcements dated 13th April, 2012, 18th May, 2012 and 21st May, 2012 issued by the Company, the joint announcements dated 23rd April, 2012, 21st May, 2012, 8th June, 2012 and 25th June, 2012 issued jointly by the Company and the Offeror, the joint announcement dated 24th May, 2012 issued jointly by the Company and the Offeror in relation to the revised Cancellation Consideration (the “Revision Announcement”) and the scheme document dated 25th June, 2012 setting out details of the Proposal (including the Scheme) (the “Scheme Document”). Unless otherwise defined, expressions used in this letter shall have the same meanings as defined in the Scheme Document.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Scheme Shareholders as to whether or not the terms of the Proposal by the Offeror to privatise the Company by means of the Scheme are fair and reasonable so far as the Scheme Shareholders are concerned and as to voting. In addition, as the proposed awards under the MIAP to several members of the senior management who are also Shareholders are not capable of being extended to all Shareholders, the consent of the Executive under Note 3 of Rule 25 of the

LETTER FROM ANGLO CHINESE

Takeovers Code to the initial allocations of awards under the MIAP is required. The Offeror has applied for the consent subject to the Independent Financial Adviser confirming that arrangements for the initial allocations of awards under the MIAP are fair and reasonable. The terms of our appointment include the provision of our opinion on the arrangements for the initial allocations of awards under the MIAP.

The Independent Board Committee comprises Professor Edward Kwan Yiu Chen, Mr. Robert T. T. Sze and Mr. James Watkins, being all the independent non-executive directors on the Board. All the other directors are not considered independent for the purpose of giving advice to Independent Scheme Shareholders; Mr. William Wade by reason of his executive directorship and all the non-executive directors being nominated to the Board by either CITIC and GECC, both of which will retain their interest in the Company through their joint control of Bowenvale which owns approximately 74.43% of the issued share capital of the Company.

The Joint Announcement included a cash consideration of HK\$22.00 per Scheme Share in consideration for the cancellation of the Scheme Shares. As referred to in the Revision Announcement, in order to make the Proposal more attractive to the Independent Scheme Shareholders, on 24th May, 2012, the Offeror had increased the cancellation consideration from HK\$22.00 to HK\$23.50 in cash per Scheme Share (the "Cancellation Consideration") (representing an increase of approximately 6.82% from the original cash consideration of HK\$22.00 per Scheme Share). All other terms of the Proposal remained unchanged. The Offeror also confirmed in the Revision Announcement that it would not further increase the Cancellation Consideration (save in wholly exceptional circumstances as permitted under Rule 18.3 of the Takeovers Code).

Subsequent to the issue of the Revision Announcement, the Company has received further communications from Shareholders including (as announced on 8th June, 2012), an e-mail from a Shareholder holding more than the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing a representation that it is "disinclined to view the offer favourably". It has not been sought, and there is no intention or ability, to ascertain or confirm the final intention of such Shareholder or any other Shareholders as to the exercise of its voting rights at the Court Meeting and the SGM to be convened for approving the Proposal.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the information, opinions and the facts supplied to us by the Company, including those contained or referred to in the Scheme Document and the related announcements. We have reviewed, among other things, the published information on the Company including the annual and interim reports and accounts for the five years ended 31st December, 2011 and the business plan of the Group for the seven years ending 31st December, 2019. We have also discussed with the management of the Company and members of the Board the business strategy for the Group, its performance and prospects, the background to and reasons for the Proposal. In addition, we have visited the Group's earth station in Tai Po, Hong Kong.

We refer to the responsibility statement made by the Directors which confirms that the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (in relation to the information relating to the Group only) and that, having made all reasonable

LETTER FROM ANGLO CHINESE

enquiries, to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document the omission of which would make any statement in the Scheme Document misleading. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company and the Directors contained in and as referred to in the Scheme Document. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true, accurate and complete at the Latest Practicable Date.

We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any information provided to us by the Company, its advisers and, or the Directors, is untrue, inaccurate or incomplete or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the Scheme Document. In line with normal practice we have not, however, conducted any independent investigation into the business and affairs of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal. As the Independent Financial Adviser we have not been involved in the negotiations relating to the terms of the Proposal. This letter is issued for the information of the Independent Board Committee and the Independent Scheme Shareholders solely for their consideration of the Proposal and, except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part nor be used for any other purposes, without our prior consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any benefits from the Group or any of its associates.

PRINCIPAL FACTORS

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

Background

The Company which was incorporated on 10th May, 1996 was listed on the Stock Exchange on 19th June, 1996 as a leading provider of high quality satellite transponder capacity in Asia. At the time of listing the Company owned and operated two satellites, AsiaSat 1 and AsiaSat 2, which together provided footprint coverage to more than 50 countries, with approximately 3.3 billion people from Siberia to Australia and from Japan to the Middle East. With the recent retirement of AsiaSat 2 which had been leased out by the Group to Space Communications Ltd, an Israeli company listed on the Tel Aviv Stock Exchange, the Group now operates four satellites following the successful launch in late 2011 of AsiaSat 7. AsiaSat 7 is due to replace AsiaSat 3S which was launched in 1999 and is coming to the end of its expected 16 year useful life. On 11th November, 2011, the Group entered into agreements with Space Systems/Local Inc., a leading constructor of satellites based in the United States, for the construction of AsiaSat 6 and AsiaSat 8 for launch in the first half of 2014 which will expand its fleet to six satellites and will significantly enhance the Group's capability to provide a broader range of services to meet increasing

LETTER FROM ANGLO CHINESE

demand for quality satellite capacity in the Asia-Pacific region. The total cash consideration for the construction of AsiaSat 6 and AsiaSat 8 and the provision of associated equipment and services amounted to US\$233 million. The contract prices for AsiaSat 6 and AsiaSat 8 are to be fully funded by the Group's internal resources. The cost of the launch of AsiaSat 6 and AsiaSat 8 will be additional to the construction cost. As a reference, according to the announcement of the Company dated 5th October, 2010 regarding the launch contract for the commissioning of AsiaSat 7, the total consideration for the launch services for AsiaSat 7 is US\$101 million (equivalent to approximately HK\$787.8 million) under the said launch contract.

On 15th December, 2011, the Company announced a co-operation agreement with Thaicom Public Company whereby, among other things, a wholly owned subsidiary of the Company and Thaicom will together develop, build and share in the development cost, ownership and use of AsiaSat 6 for deployment in the geostationary arc of 120°E enhancing the Group's total transponder capacity to serve its customers in its service area.

Set out below are the launch and expected retirement dates of the Group's satellites in orbit and under construction.

In orbit

<u>Satellite</u>	<u>Location</u>	<u>Launch date</u>	<u>Expected retirement date</u>	<u>Transponders</u>	<u>Utilisation at 31st December, 2011</u>
AsiaSat 3S	105.5°E	1999	2015	28 C-band 16 Ku-Band	77%
AsiaSat 4	122°E	2003	2018	28 C-band 20 Ku-band	84%
AsiaSat 5	100.5°E	2009	2024	26 C-band 14 ku-band	84%
AsiaSat 7	105.5°E	2011	2027	28 C-band 17 ku-band	—

As of 31st December, 2011 the total number of transponders leased and sold on the three satellites referred to above (excluding AsiaSat 7) was 108 (2010: 97) while the Group's overall fleet utilisation rate increased to 82% (2010: 73%).

Under construction

<u>Satellite</u>	<u>Location</u>	<u>Expected launch date</u>	<u>Expected retirement date</u>	<u>Transponders</u>
AsiaSat 6	120°E	2014	2030	28 C-band
AsiaSat 8	100.5°E	2014	2030	24 Ku-band

LETTER FROM ANGLO CHINESE

While AsiaSat 6 and AsiaSat 8 are not due to become operational in 2014 and AsiaSat 7 is expected to provide limited near term growth as it will be used temporarily to develop new markets until it eventually replaces AsiaSat 3S, on the basis of the Chairman's Statement and other information disclosed in the 2011 annual report of the Company, we consider that with the strong management and sound financial fundamentals, the Group is well positioned to continue to provide high quality satellite services to its customers in the broadcasting and telecommunications markets.

In addition, pursuant to our discussions with the management of the Company and review of the financial information provided to us, we consider that with the successful operating track record and strong market presence of the Group, the presence of the larger fleet of six satellites will enhance the capacity and scope of services of the Group in coping with the keen competition in the Asia-Pacific region.

Terms of the Proposal

Set out below is a summary of the terms of the Proposal.

Subject to the Scheme becoming effective the Scheme Shareholders will receive the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

For every Scheme Share HK\$23.50 in cash

The Cancellation Consideration of HK\$23.50 per Scheme Share represents:

- a premium of approximately 23.7% over the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.9% over the average of the closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$18.96 per Share;
- a premium of approximately 25.2% over the average of the closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of approximately HK\$18.76 per Share;
- a premium of approximately 29.1% over the average of the closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day of approximately HK\$18.20 per Share;
- a premium of approximately 36.1% over the average of the closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day of approximately HK\$17.27 per Share;

LETTER FROM ANGLO CHINESE

- a premium of approximately 41.3% over the average of the closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day of HK\$16.63 per Share;
- a premium of approximately 43.1% over the average of the closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day of approximately HK\$16.42 per Share;
- a premium of approximately 6.8% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on the Pre-adjustment Date;
- a premium of approximately 37.7% over the audited consolidated net asset value per Share of approximately HK\$17.07 as at 31st December, 2011; and
- a price to earnings multiple of 11.1 times the earnings per Share for the year ended 31st December, 2011.

Total consideration

As disclosed in the Letter from the Board set out in the Scheme Document, the total consideration for the Proposal (together with the cash payable to ESAS participants) is approximately HK\$2,399 million. The amount payable to Scheme Shareholders under the Proposal will be borrowed by the Offeror from the Group under the Loan Arrangement which in turn will be funded by HSBC and the internal resources of the Group. HSBC, the financial adviser to the Offeror in respect of the Proposal, is satisfied that sufficient financial resources are available to the Offeror for the payment in full of the cash required for the Proposal.

Historical financial performance and prospects of the Group

Consolidated Statement of Comprehensive Income

The following table summarises the audited financial results of the Group for each of the five years ended 31st December, 2011 as extracted from the annual reports of the Company for the respective years.

LETTER FROM ANGLO CHINESE

For the year ended 31st December,

(HK\$ millions except for EPS)	2007	2008	2009	2010	2011	CAGR 2007-2011
Total revenue	939.3	1,031.7	1,162.9	1,456.2	1,718.3	16.3%
<i>YoY%</i>		9.8%	12.7%	25.2%	18.0%	
Gross profit	536.2	610.8	759.0	956.6	1,236.4	23.2%
<i>Margin %</i>	57.1%	59.2%	65.3%	65.7%	72.0%	
<i>YoY%</i>		13.9%	24.3%	26.0%	29.2%	
EBITDA (Note 1)	758.0	758.8	841.2	1,145.2	1,343.8	15.4%
<i>Margin %</i>	80.7%	73.5%	72.3%	78.6%	78.1%	
<i>YoY%</i>		0.0%	10.9%	36.1%	17.2%	
EBIT (Note 2)	458.8	454.4	576.4	802.1	999.2	21.5%
<i>Margin %</i>	48.8%	44.0%	49.6%	55.1%	58.2%	
<i>YoY%</i>		(0.9%)	26.9%	39.1%	24.6%	
Profit and total comprehensive income attributable to the Shareholders	503.4	484.9	525.2	694.6	822.7	13.1%
<i>Margin %</i>	53.6%	47.0%	45.2%	47.7%	47.9%	
<i>YoY% (Note 3)</i>		(3.7%)	8.3%	32.3%	18.4%	
Diluted EPS	1.29	1.24	1.34	1.78	2.10	13.1%
<i>YoY% (Note 3)</i>		(3.9%)	8.1%	32.8%	18.0%	

Notes:

- 1 EBITDA = Earnings before interests, taxes and depreciation and amortisation expenses
- 2 EBIT = Earnings before interests and taxes
3. The YoY (year on year) percentage changes are different due to different weighted average numbers of ordinary shares in calculating diluted EPS in the respective financial years

As illustrated in the table above, the revenue of the Group had increased steadily from approximately HK\$939.3 million for the year ended 31st December, 2007 to approximately HK\$1,718.3 million for the year ended 31st December, 2011, representing compound annual growth rate (“CAGR”) of approximately 16.3% over the period. The growth was mainly driven by, amongst other things, the continuing growth of the Company’s core business, the growth of the SpeedCast Holdings Limited (“SpeedCast”), the Company’s wholly-owned subsidiary specialising in the provision of broadband, multimedia and corporate broadcasting services, and the development of the DTH television services in emerging markets served by the Company, especially India.

The gross profit and the profit attributable to the Shareholders increased from approximately HK\$536.20 million and HK\$503.40 million for the year ended 31st December, 2007 to approximately HK\$1,236.4 million and HK\$822.7 million for the year ended 31st December, 2011 respectively, representing CAGR of approximately 23.2% and 13.1% respectively over the period.

LETTER FROM ANGLO CHINESE

The gross profit margins of the Group demonstrated constant growth over the years from 2007 to 2011. During this period, the Company was able to maintain high EBITDA margins ranging from 72.3% to 80.7% and net profit margin ranging from 45.2% to 53.6%.

Consolidated Statement of Financial Position

The following table summarises the audited financial position of the Group for each of the five years ended 31st December, 2011 as extracted from the annual reports of the Company for the respective years.

(HK\$ millions)	For the year ended 31 st December,				
	2007	2008	2009	2010	2011
Cash and equivalents	2,288.4	2,445.5	1,483.7	2,286.2	2,266.5
Capital expenditure	261.3	366.5	1,363.8	601.7	975.6
Current assets	2,475.5	2,682.9	1,930.7	2,519.8	2,640.5
Current liabilities	<u>425.7</u>	<u>369.5</u>	<u>446.6</u>	<u>496.1</u>	<u>466.7</u>
Net current assets	2,049.9	2,313.3	1,484.1	2,023.7	2,173.7
Total assets	5,540.0	5,778.0	6,289.6	7,065.3	7,560.6
Total liabilities	<u>733.0</u>	<u>646.3</u>	<u>791.7</u>	<u>1,020.8</u>	<u>883.8</u>
Net assets	4,807.0	5,131.7	5,497.9	6,044.5	6,676.9

As shown in the table above, the net asset value ("NAV") of the Group increased from approximately HK\$4,807.0 million for the year ended 31st December, 2007 to approximately HK\$6,676.9 million for the year ended 31st December, 2011, representing a CAGR of approximately 8.6%. During this period, the Company paid out approximately HK\$700.2 million by way of dividends to its Shareholders.

The Group continued to display strong cash flow positions over the five years ended 31st December, 2011. Despite the significant capital expenditure of the Group to finance the cost of construction, development and launch of new satellites, the Group has proven records in generating sufficient cash flows to support its business operations and growth without requiring significant loan finance.

As at 31st December, 2011, the Group had cash and cash equivalents of HK\$2,266.5 million and remained debt free.

As detailed in the Company's announcement dated 26th April, 2012, pursuant to new arrangements between a subsidiary of the Company and independent third party customers in respect of certain existing and new transponder agreements, the Company will suffer a shortfall in annual revenue with effect from the third quarter of 2013, representing approximately 6% of the Group's consolidated revenue for the year ended 31st December, 2011.

LETTER FROM ANGLO CHINESE

Furthermore, the Group is currently involved in certain tax proceedings in the Indian Courts in relation to tax disputes with the Indian tax authority on revenues received from the provision of satellite transponder capacity to the Group's customers which carry on business in India or earn income from any source in India ("Indian sourced"), details of which are set out in note 31 to the consolidated audited financial statements of the Group for the year ended 31st December, 2011 included in the 2011 annual report of the Group. As mentioned in the Chairman's statement in the 2011 annual report of the Company, a new finance bill (the "Finance Bill") was proposed in India which could have unfavourable consequences for the Group's current tax proceedings in the Indian Courts.

As disclosed in the announcement of the Company dated 29th May, 2012, the Finance Bill was recently passed by the Indian Parliament and was enacted with retrospective effect after presidential assent was given to it. Under the Indian Income Tax Act (as amended by the Finance Bill), Indian sourced revenues will be charged to tax in India. As the Finance Bill was enacted with retrospective effect, this would result in unfavourable consequences to the current tax proceedings of the Group in the Indian courts where orders in favour of the Group were made in the past. However, the portion of revenue earned by the Group that would be deemed to be Indian sourced is yet to be decided by the Indian Courts and is therefore still uncertain.

We have discussed the issue with the management of the Company and as disclosed in the Letter from the Board, we understand that the Group is currently seeking clarifications from its legal and tax advisors in order to assess the potential exposure of the above to the Group and is evaluating various options available to it to deal with the issues arising from the retrospective amendments to the Indian Income Tax Act introduced by the Finance Bill.

Based on the latest advice received by the Company from the Company's tax and legal advisers in India, the Company will record a provision which will reflect an appropriately conservative view based on the historical information currently available in respect of potential Indian tax in the Group's forthcoming interim results for the period ending 30th June, 2012, notwithstanding that there is an arguable case in the Group's current tax proceedings in the Indian Courts.

There is no certainty that the amount of the provision to be recognised by the Company will be sufficient to cover the ultimate Indian tax exposure of the Group. However, based on the latest information currently available to the Group, the Company believes that the overall impact on the consolidated statement of comprehensive income of the Group in respect of the liability covered by this provision will not be material.

As disclosed on page 16 in the "Letter from the Board" in the Scheme Document, we note that the Company is engaged in active exclusive negotiations with a potential buyer on the possible disposal of the Group's entire interest in SpeedCast. However, as at the Latest Practicable Date, no terms on such disposal have been finalised and such possible disposal may or may not materialise. If such disposal materialises, it may constitute a discloseable transaction for the Company under the Listing Rules and a frustrating action under Rule 4 of the Takeovers Code, and the Company will comply with the applicable requirements under the Listing Rules and the Takeovers Code accordingly.

Although the disposal if completed is likely to result in the Group realising a non-recurring profit in the disposal, we are informed by the management of the Company that it will not be material in the

LETTER FROM ANGLO CHINESE

context of the value of the Group based on the Cancellation Consideration. On the basis of the historical contributions of SpeedCast to the net profit of the Group as shown in the annual reports of the Company for the five financial years from 2007 to 2011, we consider that the proposed disposal, if it materialises, will not have material impact on the financial performance and business outlook of the Group and accordingly the proposed transaction is not a material factor taken into account by us in arriving at our opinion set out in this letter.

Dividends

As referred to in the 2011 annual report of the Company, for the year ended 31st December, 2011, the Directors do not recommend the payment of a final dividend. The Company informed us that the reason for not recommending a final dividend is that the funds are required to pay the Cancellation Consideration to the Scheme Shareholders and meet future capital expenditure requirements. An interim dividend was paid in respect of the 6 months ended 30th June, 2011 of HK\$0.08 per Share. Set out below is a table showing the ratio of total dividends paid in respect of each of the six years to 31st December, 2011.

	2006	2007	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to the Shareholders	454,009	503,397	484,887	525,215	694,590	822,685
Dividend	136,593	152,566	152,566	156,478	207,333	31,296
Dividend as a percentage of profit attributable to the Shareholders	30.09%	30.31%	31.46%	29.79%	29.85%	3.80%
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Dividend per Share	0.35	0.39	0.39	0.40	0.53	0.08
Dividend yield (Note)	2.50%	2.52%	5.13%	3.64%	3.93%	0.51%

Note: Based on the closing price of the Shares on the Last Trading Day in each of the financial years

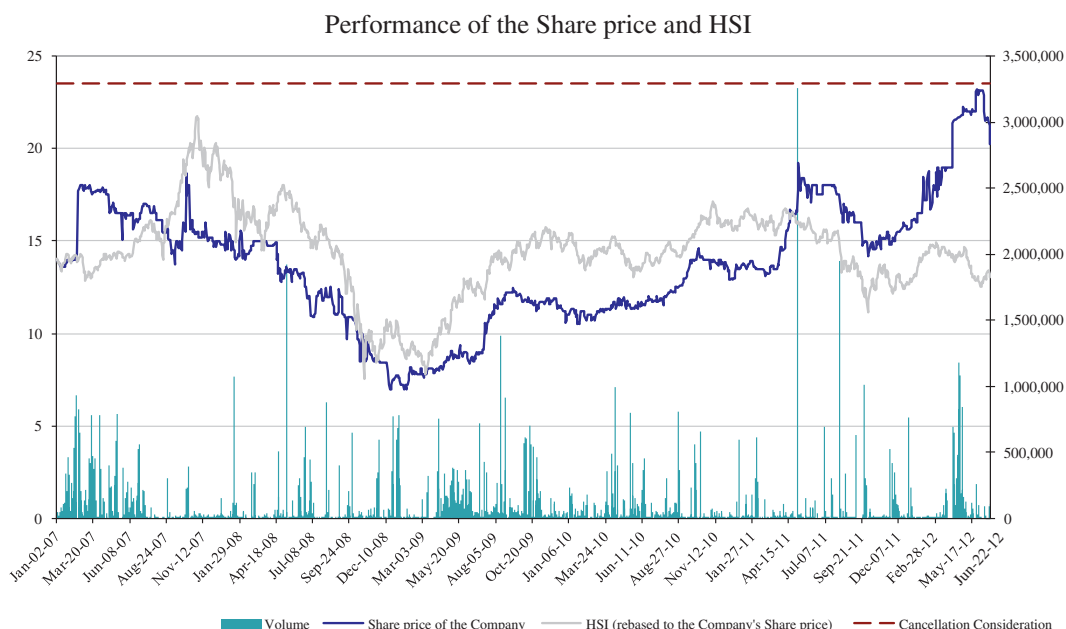
We have requested the Board to indicate whether, should the Proposal not proceed for any reason, it would propose a dividend in respect of the year ended 31st December, 2011 as the cash resources to fund the Proposal would not be required. We have been informed that there is no intention to change the existing dividend policy of the Company should the Scheme lapse. Save for the decision of the Board for not recommending a final dividend for the year ended 31st December, 2011, the existing dividend policy subject to other funding requirements of the Group is that approximately 30% of the profits attributable to the Shareholders in a financial year should be paid out to the Shareholders by way of dividends.

LETTER FROM ANGLO CHINESE

On the basis of an approximate average dividend payout ratio of 30% in respect of the five financial years ended 31st December, 2010 and the total profits attributable to the Shareholders of HK\$822.7 million for the year ended 31st December, 2011, we assume that in the absence of the Proposal, the total dividends in respect of 2011 would have been approximately HK\$246.8 million equivalent to HK\$0.63 per Share, which would have represented a yield of 2.7% based on the Cancellation Consideration and 3.3% based on the closing price of HK\$19.00 per Share on the Last Trading Day. This is in line with the average dividend yield of 3.3% of the Hang Seng Index (“HSI”) constituent shares on the Last Trading Day.

Historical trading price and liquidity of the Shares

Set out in the chart below are the historical daily closing prices and trading volumes of the Shares traded on the Stock Exchange from 2nd January, 2007 and up to and including the Latest Practicable Date (the “Review Period”) and the performance of the HSI during the same period:



Source: Bloomberg

During the period from 2nd January, 2007 to the Last Trading Date, the closing prices of the Shares were traded within the range of HK\$7.00 to HK\$19.20 and were at all times below the Cancellation Consideration. The highest price during this period of HK\$19.20 was recorded on 11th May, 2011 and the lowest price of HK\$7.00 on 17th December, 2008 was in line with the then weak performance the HSI amid the global financial crisis. During the period from August, 2007 to April, 2011, the Shares underperformed HSI. However, for the period before August, 2007, during which the 2007 privatisation proposal was announced and lapsed, and since May, 2011, the Shares consistently outperformed the HSI.

LETTER FROM ANGLO CHINESE

For the period from the date of the Joint Announcement of 2nd April, 2012 (the “Announcement Date”) to the Latest Practicable Date, the Company’s Share prices increased to a range of HK\$20.25 to HK\$23.20 and an average of HK\$22.05, reaching the highest price on 28th May, 2012 after the publication of the Revision Announcement by the Company.

The average, highest and lowest daily closing Share prices and the average daily trading volume of the Shares from 2nd January, 2007 to the Latest Practicable Date, are set out in the table below:

	Price at end of period	Volume for the period	Average daily volume	Percentage of average daily volume to total issued shares	Percentage of average daily volume to public issued shares
2007	15.5	23,614,752	97,180	0.0248%	0.0981%
2008	7.6	15,918,055	65,506	0.0167%	0.0661%
2009	11	26,602,404	109,475	0.0280%	0.1105%
2010	13.5	16,537,938	68,057	0.0174%	0.0687%
2011					
January	13.6	669,950	41,872	0.0107%	0.0423%
February	13.28	1,525,785	76,289	0.0195%	0.0770%
March	14.5	293,200	14,660	0.0037%	0.0148%
April	16.46	400,500	26,700	0.0068%	0.0269%
May	18	3,608,152	189,903	0.0485%	0.1916%
June	18	455,800	23,989	0.0061%	0.0242%
July	17.5	1,292,700	68,037	0.0174%	0.0687%
August	16.6	2,536,500	126,825	0.0324%	0.1280%
September	15	2,596,600	129,830	0.0332%	0.1310%
October	14.8	255,800	15,047	0.0038%	0.0152%
November	15.24	1,856,100	92,805	0.0237%	0.0937%
December	15.6	1,238,050	68,781	0.0176%	0.0694%
		16,729,137	68,844	0.0176%	0.0695%
2012					
January	19	814,500	50,906	0.0130%	0.0514%
February	18.7	167,200	8,360	0.0021%	0.0084%
March	16.52	355,900	17,795	0.0045%	0.0180%
April	22.1	7,795,960	519,731	0.1329%	0.5245%
May	23.15	984,016	61,501	0.0157%	0.0621%
June (to Latest Practicable Date)	20.25	339,824	21,239	0.0054%	0.0214%
		10,457,400	98,655	0.0252%	0.0996%

Source: Bloomberg

LETTER FROM ANGLO CHINESE

The annual average daily trading volume of the Shares during the period from year 2007 to year 2011 was between approximately 66,000 Shares and approximately 109,000 Shares. Between 2nd January, 2012 and the Last Trading Day, the average daily trading volume was approximately 24,770 Shares. From the Announcement Date to the Latest Practicable Date, the average daily trading volume rose to approximately 98,655 Shares. The average daily turnover between the years from 2007 to 2011 was generally below 0.1% of the Shares in public hands which further fell to 0.03% for the period from 2nd January, 2012 to the Last Trading Day.

We believe that the recent increase in the Share price and liquidity was likely due to the announcement of the Proposal and the publication of the Revision Announcement and notwithstanding significant weakness in the market, the Share price has continued to be close to the Cancellation Consideration and has outperformed the HSI.

As mentioned above, at no time during the last ten years prior to the Announcement Date during which the Shares have been trading on the Stock Exchange has the closing price of the Shares exceeded HK\$19.20, a 18.30% discount to the Cancellation Consideration. Furthermore, the low level of liquidity in the Shares would indicate that any sale of a large number of Shares through the market would be difficult to accomplish in a short period of time without adversely affecting the Share price. Correspondingly, however, a significant order to purchase Shares in a short period of time would be likely to result in a significant increase in Share price.

It is noted that 100,020,805 Shares are held by Shareholders other than Bowenvale. Based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day, the value of the free float of the Shares was approximately HK\$1,900.4 million, which generally would be expected to give rise to a higher level of stock market liquidity. We have been unable to establish why such a relatively large free float has historically given rise to such low levels of trading in the Shares on the Stock Exchange, but consider that an explanation may be that the Shares are held by a significant number of longer term investors. According to information available from Bloomberg, such information not being otherwise publicly available from the share registrar of the Company, on the Latest Practicable Date, the top ten institutional investors held in aggregate approximately 8.71% of the issued share capital of the Company. We further note from the "Disclosure of Interests" section of the Stock Exchange's website at www.hkexnews.hk, on the Latest Practicable Date, a single investor, Aberdeen Asset Management Plc and its subsidiaries, held an aggregate interest of 5.08% of the issued share capital of the Company.

The Proposal provides Shareholders, who wish to realise their investment in the Company, with an opportunity to sell their Shares at a price which has not been available for over ten years. Furthermore the realisation price will not be affected by the size of holding and the historical market illiquidity of the Shares. Shareholders should recognise that should the Scheme not become effective the Share price may trade below the Cancellation Consideration. The recent weakness in the market as evidenced by the 8.9% fall in HSI since the Last Trading Day may result in the Shares trading below the Share price of HK\$19.00 on the Last Trading Day.

Reasons for and benefits of the Proposal

Please refer to the "Letter from the Board" set out in the Scheme Document for details of benefits of the Proposal to each of the Scheme Shareholders and the Company.

LETTER FROM ANGLO CHINESE

Previous privatisation proposal

On 13th February, 2007 a privatisation proposal was announced by the Company which on it becoming effective would have resulted in the current joint controllers of Bowenvale acquiring jointly 100% of the issued share capital of the Company. The Proposal will have a similar effect in that upon the Scheme becoming effective Bowenvale will account for 100% of the results, assets and liabilities of the Group. Although MSOT will then hold 5% the Shares in the Company and it will carry the same percentage of economic participation rights and 25.57% of the voting rights of the Company, as it is a subsidiary of the Group the results attributable to this interest will be consolidated in the accounts of the Group. We consider it to be appropriate to compare the terms of the 2007 privatisation proposal with the Proposal now before the Scheme Shareholders.

The 2007 privatisation proposal proposed the cancellation of Shares held by Shareholders other than Bowenvale in consideration for HK\$18.30 per Share in cash, approximately 22.1% less than is being offered under the Proposal. However as has been shown above the revenue has grown from HK\$939.3 million for the year ended 31st December, 2007 to HK\$1,718.3 million in 2011, an increase of 82.9% over the period or a CAGR of 16.3%. Over the same period profits attributable to the Shareholders grew from HK\$503.4 million to HK\$822.7 million, an increase of 63.4% or a CAGR of 13.1%. Shareholders equity grew from HK\$4,807.0 million on 31st December 2007 to HK\$6,676.9 million on 31st December, 2011, representing an increase of some 38.9%. In respect of the same period the Company paid out to the Shareholders by way of dividend a total of HK\$700.2 million.

Set out below is comparative analysis of the terms of the Proposal and the terms of the 2007 privatisation proposal:

	<u>2007 privatisation proposal</u>	<u>Scheme</u>
Premium of the offer price/Cancellation Consideration over the closing price prior to suspension of dealings in the Shares	29.8%	23.7%
Premium of the offer price/Cancellation Consideration over the 30 day average of the closing price prior to suspension of dealings in the Shares	32.2%	29.1%
Implied price to earnings multiple based on 2006 earnings in respect of the 2007 privatisation proposal and 2011 earnings in respect of the Scheme	15.8x	11.1x
Premium to the audited consolidated NAV per Share as at 31 st December, 2006 in respect of the 2007 privatisation proposal and as at 31 st December, 2011 in respect of the Scheme	61.5%	37.7%

Based on these comparisons, the 2007 privatisation proposal was materially more attractive than the terms of the Scheme, notwithstanding that the Company has continued to grow and perform creditably.

LETTER FROM ANGLO CHINESE

Furthermore, based on the explanatory statement set out in the Scheme Document dated 19th March, 2007 relating to the 2007 privatisation proposal, among the reasons for and benefits of the proposal was a statement to the effect that due to the persistent oversupply of transponder capacity and the slow introduction of new applications in the region, the Asia Pacific satellite market remained very competitive. At the time it was projected that the Company's earnings would continue to be under pressure in the short to medium term. This contrasts with a more positive anticipated current outlook for the Group set out on page 16 in the "Letter from the Board" in the Scheme Document relating to the Scheme in which it is stated that despite the continuing global economic uncertainties, the Company is cautiously optimistic that its markets will remain stable throughout 2012. It is therefore adopting a positive outlook for its core business in 2012, during which it will continue to develop its business in new and existing markets. The Company's business will focus mainly on new opportunities being pursued in relation to the continuing growth in high definition services and the healthy expansion of the direct to home business.

However, it does expect significant growth in the near term may be hindered by a number of key factors. At the end of 2011, utilisation of its satellite fleet had reached 82%. This high level of utilisation will restrict capacity available for major growth until the planned launch in 2014 of two additional satellites AsiaSat 6 and AsiaSat 8. The Company's recently launched satellite AsiaSat 7 will provide limited near term growth opportunities as it will be temporarily used to develop new markets until it eventually replaces the Company's satellite AsiaSat 3S.

Additionally, with the end of the service life of the Company's satellite AsiaSat 2, the Company will no longer have the positive contribution from its short term lease, resulting in a reduction in revenue. As disclosed on page 16 in the "Letter from the Board" in the Scheme Document and pursuant to our discussions with the management of the Company, unlike previous years where lower levels of utilization allowed the Company to take advantage of unexpected positive developments in the market, it will be challenging to compensate for this shortfall in revenue given the limited capacity available on the Company's existing satellites. Despite the present stability in the core business areas, the Company will be restricted by capacity and unable to capitalise on new growth opportunities in the coming few years. It also remains to be seen whether economic issues in various parts of the world will begin to have a greater negative impact on the markets in which the Company operates.

On the basis of the statement made in 2007 and the recent statement, we consider that in the absence of unexpected changes in the market conditions and global economic performance, the prospects of the Group are not materially less attractive than they were at the time of the 2007 privatisation proposals although we also take note of the limitation on the capacity of the existing fleet of satellites of the Group as referred to above.

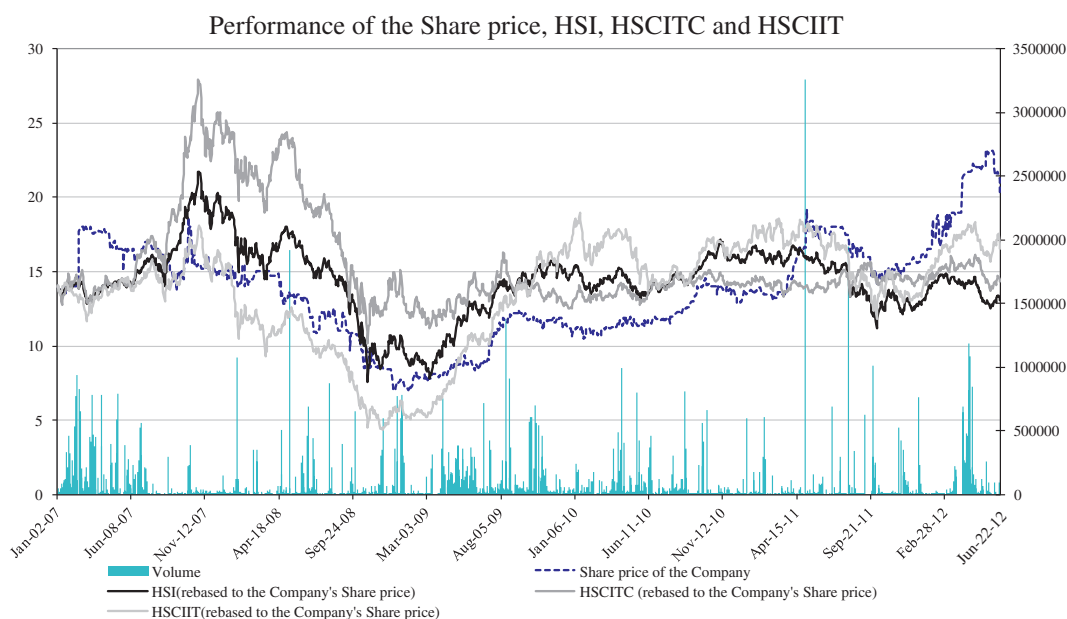
We have also considered the state of the Hong Kong stock market generally at the time of the announcement immediately before the suspension of dealings in the Shares in respect of the 2007 privatisation proposal and the current Scheme being put to Scheme Shareholders, being on 13th February, 2007 and 21st March, 2012 respectively.

LETTER FROM ANGLO CHINESE

Index/ Share price	13 th February, 2007 (a)	The Last Trading Day (b)	Change since 13 th February, 2007 (b)/(a)-1	The Latest Practicable Date (c)	Change since 13 th February, 2007 (c)/(a)-1
HSI	20,132.3	20,856.6	3.6%	18,995.1	-5.6%
Hang Seng Composite Index - Information Technology ("HSCIIT")	1,956.77	2,598.68	32.8%	2,515.90	28.6%
Hang Seng Composite Index - Telecommunications ("HSCITC")	1,624.17	1,778.25	9.5%	1,671.9	2.9%
The Company HK\$	14.10	19.00	34.8%	20.25	43.6%

On 13th February, 2007 the closing price of the Shares was HK14.10 and on the 21st March, 2012 the closing price was HK\$19.00, an increase of 34.8%. Although the indices shown in the table above may not be strictly comparable, on the basis of the closing share price on 13th February, 2007, the Last Trading Day and the Latest Practicable Date, the Shares had outperformed each of the above indices. Since the Last Trading Day, the indices have dropped between 3.2% and 8.9%.

Set out below is a graph showing the relative performance of the Shares since 2nd January, 2007 until the Latest Practicable Date compared with HSI, HSCIIT and HSCITC:



Although from May, 2009, the Shares began to underperform all of the indices against which the Shares are compared, this underperformance started to reverse in May, 2011. More recently the Shares have notably outperformed the indices referred to above. Accordingly, although trading in the Shares has been thin, the overall performance of the Share price has more recently reflected well on the Company when compared with the above indices.

LETTER FROM ANGLO CHINESE

We consider that the terms offered under the 2007 privatisation proposal were materially more attractive to the Shareholders by any of the comparisons shown above and taking into account general stock market conditions. The historical performance, the current state of development and the prospects of the Group would imply that the terms of the Proposal should not be relatively less attractive than those proposed under the 2007 privatisation proposal.

The 2007 privatisation proposal was not implemented because the U.S. State Department stated in correspondence that it would not grant the approval necessary to implement the privatisation of the Company by the offeror under that proposal. It was a condition of the 2007 privatisation proposal that such authorisation should be obtained and given the importance of the authorisation by the U.S. State Department, the offeror decided to invoke the condition and not waive it. Proceeding without obtaining the authorisation for the U.S. State Department would, in the opinion of the offeror, have been materially adverse to the Group. Some of the technology used in the satellites constructed in the United States and operated by the Group is considered by the U.S. State Department to be of a militarily sensitive nature and is governed by ITAR requiring authorisation for its sale to non-US citizens or corporations. Such authorisation contains change or consolidation of control restrictions.

In view of the offeror invoking the conditions the meetings to consider the 2007 privatisation proposal was adjourned indefinitely and the resolutions were therefore not put to the Shareholders.

As regards the Proposal, the U.S. State Department preliminarily informed the Company in February 2012 that, based upon its review of the transaction documents and undertakings in relation to the Proposal provided by the Company, it had no objection to the Proposal proceeding on such basis. The U.S. State Department has reconfirmed this position in subsequent conversations with the Company's advisers following the publication of the Joint Announcement.

Comparable analyses

Peer comparison

There are not many companies in the industry which are directly comparable to the Company. Based on publicly available information, we set out below a table summarising all comparable companies selected on the basis that they are (i) publicly listed companies on the Stock Exchange or other stock exchanges and (ii) engaged in business activities similar to those of the Company through the provision of transponder capacity and broadband access services:

Performance of comparable companies of the Group

List of comparable companies of the Group

Company	Ticker	Jurisdiction	Principal activities	EV (US\$ m)	Market capitalisation (US\$ m)	P/E	EV/ EBITDA	Turnover (US\$ m)	Net income growth 2010-11
				(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)
APT Satellite Holdings Ltd.	SEHK:1045	Hong Kong	APT Satellite Holdings Limited, through its subsidiaries, maintains, operates, and leases satellite telecommunication systems.	326.9	190.7	5.3x	4.1x	97.7	41.4%

LETTER FROM ANGLO CHINESE

Company	Ticker	Jurisdiction	Principal activities	EV (US\$ m)	Market capitalisation (US\$ m)	P/E	EV/ EBITDA	Turnover (US\$ m)	Net income growth 2010-11
				<i>(Note 2)</i>	<i>(Note 2)</i>	<i>(Note 2)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
Eutelsat Communications	ENXTPA:ETL	France	Eutelsat Communications is a KU-band satellite operator. It offers television and radio broadcasting, video broadcasting, corporate networks, Internet access, and mobile communications. It serves Europe, the Middle East, Africa, Asia, eastern North America, and South America.	11,329.2	8,142.9	19.3x	9.0x	1,542.2	25.6%
SES, S.A.	BDL:008808732	Luxembourg	SES S.A., through subsidiaries, offers global satellite broadband communications services. It offers feeds for cable television networks, Internet access, corporate networks, network facilities, telecommunications services, and audiovisual broadcasting.	15,213.6	9,851.2	11.9x	9.1x	2,288.1	26.8%
Space Communication Ltd.	TASE:SCC	Israel	Space Communication Ltd. supplies and markets satellite communication services.	362.4	330.5	25.9x	8.3x	84.7	-127.4%
Thaicom Public Company Limited	SET:THCOM	Thailand	Thaicom PCL operates satellite communication business. It operates and provides satellite transponder services. It also provides Internet, satellite uplink/downlink, and telephone network services.	827.6	584.4	N/A	8.6x	234.4	-39.2%
<i>Max</i>				15,213.6	9,851.2	25.9x	9.1x	2,288.1	41%
<i>Min</i>				326.9	190.7	5.3x	4.1x	84.7	-127%
<i>Median</i>				827.6	584.4	15.6x	8.6x	234.4	26%
<i>Average</i>				5,611.9	3,819.9	15.6x	7.8x	849.4	-15%
The Company	SEHK:1135	Hong Kong	The Company, through its subsidiaries, owns and operates satellites for commercial services primarily to the broadcasting and telecommunications industries. The Company's satellite capacity is used for video, high speed Internet, broadband multimedia, and direct to home (DTH) services.	642.3	955.2	9.8x	4.2x	221.4	18.4%

LETTER FROM ANGLO CHINESE

Notes:

- 1 N/A = Not applicable due to negative earnings
- 2 These ratios are calculated using the market capitalisation as at the Last Trading Date and the latest twelve months earning figures of the individual companies
- 3 Turnover and net income figures are based on the annual results for financial years 2010 and 2011 of the individual companies
- 4 Exchange rates used:
 - 0.1289 USD/HKD
 - 1.3202 USD/EUR
 - 0.2665 USD/ILS
 - 0.0323 USD/THB

Sources: S&P Capital IQ and Bloomberg

On the Last Trading Day, the Shares were trading at a lower price to earnings (“P/E”) multiple than the other comparable companies except Thaicom Public Company Limited and APT Satellite Holdings Ltd (“APT”).

As shown in the table above, the comparable companies have operations in different markets and jurisdictions with different business scales and capital structures. In particular, Eutelsat Communications and SES, S.A. are based in Europe and substantially larger than the Company and the other three comparable companies financially and they may enjoy different operating conditions than satellite operators in the Asia-Pacific and Middle East. In terms of the number of satellites operated by these companies, as of the Latest Practicable Date, Eutelsat Communications and SES, S.A. operate 28 and 50 satellites respectively. The other three comparable companies operate 2 to 4 satellites compared to 4 satellites currently operated by the Company. Notwithstanding the different sizes and markets of the comparable companies and the Company, we consider that it is not uncommon to use companies of different sizes in comparable analyses so long as these companies are in the same industry and the principal business activities of these companies are similar. Given the limited number of comparable players in the Asia Pacific region and as in the case of peer comparison of listed issuers which are multinational corporations, we consider that it is appropriate to compare the Company with companies which have operations in different markets.

Apart from the P/E multiple, we have also compared the EV/EBITDA ratio, which we believe is a fair measure in comparing companies with different capital structures and also comparing the valuation of the above comparable companies with that of the Company. It is a multiple of enterprise value, which is calculated as market capitalisation plus debt, minority interest and preferred shares, minus total cash and cash equivalents, to the EBITDA of a company. We note that except APT, the EV/EBITDA ratios of Eutelsat Communications, SES, S.A., Space Communication Ltd. and Thaicom Public Company Limited are all higher than that of the Company. This indicates that the market values the Company less favourably than the comparable companies except APT.

LETTER FROM ANGLO CHINESE

As compared to APT which is also listed on the Stock Exchange, the Share performance of the Company is relatively better in terms of the comparable multiples. Based on our observations, as with the Company, the trading liquidity of the shares of APT in the last two years has been thin. The average daily trading volume of the shares of APT for each of the two years ended 31st December, 2010 and 2011 was approximately 416,167 shares and 103,294 shares respectively, representing 0.10% and 0.02% of the average total issued number of shares of APT for each of the two years. APT recorded annual turnover of HK\$758.3 million, an increase of 5.4% over the previous year but experienced approximately 41.4% growth in net income to HK\$280.9 million for the year ended 31st December, 2011. However, the recent share performance of APT has been unsatisfactory. For the one year period from 22nd March, 2011 to the Last Trading Day, the average closing price of its shares dropped by approximately 41.7% to HK\$1.75 from HK\$3.00 for the comparative period from 22nd March, 2010 to 21st March, 2011. We note that the share price of APT started to fall subsequent to a bonus issue in May, 2011 and it started to rebound since February, 2012. The performance of APT was generally in line with the HSI during the review period. The decline in the share price of APT in the period contrasts with an increase of approximately 29.1% in the average closing price of the Shares to HK\$16.52 for the one year period from 22nd March, 2011 to the Last Trading Day from HK\$12.80 for the prior one year period. We consider that the historical share performance and trading liquidity of APT and the Company indicate the limited market recognition of the brands and services of satellite operators including the Company and APT by investors in Hong Kong despite the recent satisfactory financial results recorded by these companies.

The multiples of the comparable companies shown above are used to represent the value of a company to an investor holding such shares as a passive investment. A proposal to acquire all the outstanding shares giving the acquirer greater flexibility and the ability to access to the Group's cash flows would be expected to be a premium to such comparable multiples. As referred to in the table in the section headed "Precedent transactions in the satellite industry" below, the implied P/E and implied EV/EBITDA of the Proposal of approximately 11.1 times and 5.3 times, respectively, are still at the bottom end of the range of comparable multiples of the peer companies outside Hong Kong rendering the terms of the Proposal comparatively unattractive.

LETTER FROM ANGLO CHINESE

Precedent privatisation proposals

We have from publicly available information and on a best efforts basis identified below all privatisation proposals for cash that (i) involve companies listed on the Stock Exchange; (ii) were announced during the period from 8th January, 2010 to the Latest Practicable Date; and (iii) were successfully completed as at the Latest Practicable Date. The following table sets out the range of premia/discounts of the offer prices or cancellation considerations of the twelve privatisation proposals over/to the then prevailing market prices of the respective companies involved over the indicated date/periods leading to the announcements of the privatisation proposals.

Precedent privatisation proposals

Date of first announcement	Company	Principal Activities	Stock code	Last Trading Day	Premium of offer or cancellation price over the share price of the relevant company prior to announcement of privatisation			NAV per share	NAV premium
					30 day average closing price	90 day average closing price	180 day average closing price		
21 st February, 2012	Alibaba.com Limited	Alibaba engaged in provision of software, technology and other services on online business-to-business (B2B) marketplaces.	1688	45.9%	58.8%	59.3%	42.0%	1.83	639.3%
20 th December, 2011	Cosway Corporation Limited (Note 1)	Cosway engaged in property investment and investment holding. The principal activities of the subsidiaries consist of direct sales of consumer products, property investment and investment holding.	288	34.2%	45.1%	32.9%	23.8%	0.25	349.0%
19 th October, 2011	Zhengzhou China Resources Gas Co. Ltd. (Note 2)	Zhengzhou China Resources Gas is principally engaged in the sales of natural gas, pressure control equipment and gas appliances, the construction of gas pipelines and the provision of renovation services of gas pipelines.	3928	49.7%	38.4%	22.8%	10.9%	10.95	34.5%
8 th August, 2011	HannStar Board International Holdings Ltd.	The principal activity of HannStar Board is investment holding. Through subsidiaries, the HannStar Board engaged in manufacturing, sales and trading of PCBs.	667	47.1%	51.8%	48.0%	23.8%	2.17	-42.4%
30 th June, 2011	China Resources Microelectronics Ltd. (Note 2)	CR Micro, together with its subsidiaries, engaged in activities cover open foundry, Integrated Circuits ("IC") design, IC testing and packaging as well as discrete devices businesses.	597	43.3%	29.7%	21.9%	27.5%	0.42	13.2%

LETTER FROM ANGLO CHINESE

Date of first announcement	Company	Principal Activities	Stock code	Last Trading Day	Premium of offer or cancellation price over the share price of the relevant company prior to announcement of privatisation			NAV per share	NAV premium
					30 day average closing price	90 day average closing price	180 day average closing price		
13 th May, 2011	Little Sheep Group Limited	Little Sheep acts as an investment holding company. The principal activities of its subsidiaries are the operation of Chinese hot pot restaurants, the provision of catering services and the sale of related food products in Mainland China, Hong Kong and Macau.	968	30.0%	29.6%	32.3%	30.8%	1.35	480.0%
20 th January, 2011	Shanghai Forte Land Co. Ltd.	Shanghai Forte Land is principally engaged in property development.	2337	25.4%	34.3%	43.0%	52.4%	3.26	7.5%
19 th January, 2011	Fubon Bank (Hong Kong) Ltd. (Note 3)	Fubon Bank, through its branches and subsidiaries, provides a range of banking, financial and related services.	636	37.6%	43.3%	39.4%	46.3%	3.56	46.2%
12 th August, 2010	Integrated Distribution Services Group Ltd. (Note 2)	The Group is principally engaged in the provision of logistics services, the distribution of fast moving consumer goods and healthcare products, and manufacturing.	2387	36.2%	45.8%	51.3%	54.5%	4.15	406.0%
10 th August, 2010	Industrial and Commercial Bank of China (Asia) Limited	The principal activities of the ICBC are the provision of banking, financial and other financial related services.	349	27.8%	41.2%	48.8%	59.1%	13.73	114.5%
27 th April, 2010	Wheelock Properties Limited	The principal activity of Wheelock Properties is investment holding. Through its subsidiaries, Wheelock Properties's principal activities involves investment, finance and property.	49	143.9%	153.9%	153.9%	156.4%	13.45	-3.4%
8 th January, 2010	Hutchison Telecommunications International Limited	The principal activity of Hutchison and its subsidiaries is the provision of mobile telecommunications services	2332	37.0%	38.4%	38.4%	29.4%	2.49	-11.6%

LETTER FROM ANGLO CHINESE

Date of first announcement	Company	Principal Activities	Stock code	Last Trading Day	Premium of offer or cancellation price over the share price of the relevant company prior to announcement of privatisation			NAV per share	NAV premium
					30 day average closing price	90 day average closing price	180 day average closing price		
<i>Max</i>				143.9%	153.9%	153.9%	156.4%		639.3%
<i>Min</i>				25.4%	29.6%	21.9%	10.9%		-42.4%
<i>Median</i>				37.3%	42.3%	41.2%	36.4%		40.4%
<i>Average</i>				46.5%	50.9%	49.3%	46.4%		169.4%
2 nd April, 2012	The Proposal		1135	23.7%	29.1%	41.3%	43.1%	17.07	37.7%

Notes:

1. Cosway Corporation Limited announced on 7th July, 2011 that its controlling shareholding was considering the possible privatisation of the company which may result in the delisting of the company. The first joint announcement on the proposed privatisation was made on 20th December, 2011.
2. In each of these privatisation proposals, the eligible shareholders may elect either cash alternative of share alternative as the form of cancellation consideration. The computations above are based on the cash alternatives only.
3. The cancellation consideration of the privatisation proposal of Fubon Bank (Hong Kong) Ltd. was increased from HK\$5.0 to HK\$5.2 per share after the first announcement of privatisation. The computations above are based on the revised cancellation consideration.
4. In compiling the above table, we have not included the merger of Denway Motors Limited (“Denway”) with its controlling shareholder, Guangzhou Automobile Group Co., Ltd (“GAC”) through a privatisation proposal by way of a scheme of arrangement in 2010 as the independent shareholders of Denway were offered new H shares of GAC in exchange for cancellation of Denway’s shares held by them. In conjunction with the proposed privatisation, it was proposed that GAC would list its H shares on the Stock Exchange by way of introduction. The price consideration in the case of such a merger is different to a cash exit under a privatisation. We therefore consider that this is not a comparable precedent privatisation whereby the shares of the listed company being privatised are delisted on the Stock Exchange after the privatisation.

Source: www.hkexnews.hk

We have compared the premium represented by the Cancellation Consideration over the Share price or average Share price of the Company in various date/periods with the premia/discounts represented by the offer prices or cancellation considerations in the other privatisation proposals in the corresponding date/periods. As shown in the table above, the premia of approximately 41.3% and 43.1% of the Cancellation Consideration over the 90 days and 180 days average closing prices of the Company, respectively, are within the range of 21.9% to 156.9% and 10.9% to 156.4% of the comparable premia of the precedent privatisation proposals for each of the comparable periods. However, the premia of approximately 23.7% and 29.1% of the Cancellation Consideration over the Last Trading Day and the 30 day average closing prices of the Company, respectively, fall outside the range of premia represented by the precedent privatisation proposals for such comparable date/period.

LETTER FROM ANGLO CHINESE

We have also compared the price to NAV ratio represented by the Cancellation Consideration to the corresponding ratios of the other privatisation proposals. The premium of the Cancellation Consideration over the NAV of the Company is approximately 37.7%. We note the range of -42.4% to 639.3% of premia over NAV in the precedent privatisation proposals is very wide and therefore not helpful towards drawing a meaningful benchmark.

On the basis of the comparison with the precedent privatisation proposals referred to above, we note that the Cancellation Consideration does not compare favourably with the precedent privatisation proposals referred to above in terms of the premium of the Cancellation Consideration over the Last Trading Day and 30 days average closing price but the premia of the Cancellation Consideration over the 90 days and 180 days average closing prices are within the ranges of the respective comparables. It should be noted that the precedent privatisation proposals were conducted under different market conditions and the companies involved are in different industry sectors. Therefore, the factors and considerations that affect the premia/discounts of the offer prices or cancellation considerations vary on a case by case basis and are different from those applicable to the Proposal.

Precedent transactions in the satellite industry

Based on publicly available information, we have identified a number of the more recently announced transactions from the years 2005 to 2010 relating to acquisition of equity interests in companies engaged in, amongst other things, the provision of transponder capacity and broadband access services for the purpose of comparing the terms of these transactions to those of the Proposal, details of which are set out in the table below.

Precedent transactions in the satellite industry

(Amounts in US\$ millions)

Date of announcement	Target/issuer name	Buyer/investor name(s)	Percentage of shareholding Sought	Total transaction value	Implied EV/EBITDA	Implied P/E	Premium 1 Day Prior	Premium 1 Month Prior
				<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
1 st September, 2010	Asia Broadcast Satellite Limited	Permira Advisers Ltd., Permira IV, L.P.	100.00%	237.64	—	—	—	—
28 th July, 2010	MEASAT Global Bhd	MEASAT Global Network Systems Sdn. Bhd.	40.40%	216.49	11.3x	6.5x	10.5%	37.3%
17 th May, 2010	Space-Communication Ltd.	Eurocom Communications, Ltd.	14.90%	44.59	8.3x	N/A	-2.7%	-9.2%
31 st October, 2007	Hispasat, S.A.	Abertis Telecom S.A.	28.40%	262.72	9.5x	28.6x	—	—
25 th June, 2007	Intelsat Ltd. (nka: Intelsat S.A.)	BC Partners, Silver Lake Partners, Unison Capital, Inc.	76.00%	15,866.78	12.5x	N/A	—	—

LETTER FROM ANGLO CHINESE

Date of announcement	Target/issuer name	Buyer/investor name(s)	Percentage of shareholding Sought	Total transaction value	Implied EV/EBITDA	Implied P/E	Premium 1 Day Prior	Premium 1 Month Prior
				<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
18 th December, 2006	Telesat Canada	Loral Space & Communications, Inc., Public Sector Pension Investment Board	100.00%	2,799.97	—	—	—	—
5 th December, 2006	Eutelsat Communications	Abertis Telecom S.A.	32.00%	1,412.42	9.1x	41.3x	-1.5%	7.4%
14 th December, 2005	New Skies Satellites Holdings Ltd. (nka:SES NEW SKIES)	SES Global SA (nka:SES, S.A.)	100.00%	1,249.32	8.7x	N/A	-4.2%	-4.0%
29 th August, 2005	PanAmSat Holding Corporation (nka:Intelsat Holding Corporation)	Intelsat (Bermuda), Ltd. (nka:Intelsat (Luxembourg) S.A.)	100.00%	6,375.04	10.0x	N/A	26.3%	23.5%
<i>Max</i>					12.5x	41.3x	26.3%	37.3%
<i>Min</i>					8.3x	6.5x	-4.2%	-9.2%
<i>Median</i>					9.5x	28.6x	-1.5%	7.4%
<i>Average</i>					9.9x	25.5x	5.7%	11.0%
2 nd April, 2012	The Company	Offeror	25.57%	308.77	5.3x	11.1x	23.7%	29.1%
				<i>(Note 2)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>

Notes:

- 1 nka = Now known as
N/A = Not applicable due to negative earnings
Cells marked “—” in the table indicate data are not available from the sources indicated below
- 2 The transaction value of the Company is based on the cash consideration for the Proposal of approximately HK\$2,399 million (equivalent to approximately US\$308.77 million) referred to in the Revision Announcement
- 3 Relevant figures set out in the table above are based on information available on the respective dates of announcements
- 4 Multiples and premiums of the Company are calculated with reference to the Revision Announcement and the audited financial statements of the Group

Source: S&P Capital IQ and publicly available information relating to the Company and the other precedent transactions

We note that the implied EV/EBITDA of 5.3 times and implied P/E of 11.1 times represented by the Cancellation Consideration under the Proposal are lower than the average implied EV/EBITDA of 9.9 times and implied P/E of 25.5 times and the median implied EV/EBITDA of 9.5 times and implied P/E of 28.6 times of the comparable transactions, respectively. The implied EV/EBITDA multiple of the Proposal falls outside the range of EV/EBITDA multiples of the comparable transactions. However, the implied P/E multiple represented by the Cancellation Consideration is within the range of the implied P/E multiples of the comparable transactions.

LETTER FROM ANGLO CHINESE

Further, the premia represented by the Cancellation Consideration over the Last Trading Day and the 30 days average closing price of the Company are also higher than the median discount/premium and average premia represented by the offer prices in the comparable transactions and they are within the range of the comparable discount/premium for the respective date/period. In this regard, we consider that the Proposal compares reasonably favourably to these transactions in terms of the discounts/premia represented by the closing prices of the target companies in the precedent transactions in the satellite industry.

Potential for other proposals

Under the Takeovers Codes, in the event that the Scheme should be withdrawn or lapse, the Offeror or persons acting in concert with it which includes Bowenvale and its shareholders, except with the permission of the Executive, will not be allowed to make a further offer within 12 months of the Scheme lapsing or being withdrawn. Accordingly, the Shareholders should not expect another privatisation proposal from the Offeror or persons acting in concert with it during such period. Nevertheless, Bowenvale's shareholders have displayed an interest on two occasions, firstly in 2007 and secondly with the current Proposal, to privatise the Company and may seek to do again in the future although in relation to the Proposal the Offeror comprises the MSOT and MSOT Trustee which is a wholly owned subsidiary of the Company.

As set out in more detail under the section headed "Previous privatisation proposal" above, a previous proposal to privatise the Company resulting in 100% of the voting interest as well as economic interest being acquired by the offeror under that proposal was not implemented because the U.S. State Department stated that it would not grant the approval of the increase of interest by the shareholders who jointly controlled 68.9% of the Company to 100% of the voting capital of the Company. The U.S. State Department has authorised the current structure of the Scheme whereby 25.57% of the voting rights will be held by MSOT. Owing to the sensitive nature of technology used in the satellites manufactured in the United States and operated by the Company a change of control in the Company or an increase in the interest of the existing controlling shareholders is likely to be restricted. This factor reduces the number of alternatives that may be available for the Company to implement proposals which change the voting shareholding structure of the Company.

Furthermore the Company is controlled by Bowenvale which is jointly controlled by GECC and CITIC. Any proposal relating to the shareholding structure of the Company will require their approval.

As mentioned above, according to the Revision Announcement, the Offeror will not further increase the Cancellation Consideration under Rule 18.3 of the Takeovers Code and the Offeror will not therefore be allowed to increase further the Cancellation Consideration (except in wholly exceptional circumstances).

The Management Incentive Award Plan and the Takeovers Code

The Offeror comprises the MSOT and MSOT Trustee. The MSOT Trustee is a wholly owned subsidiary of Company and is trustee for the MSOT, a management stock ownership trust established by the Company for the purpose (i) of holding the 15,324,985 new Shares and 84,695,820 Preference Shares to be issued and allotted to MSOT (representing collectively a 5% economic interest and 25.57%

LETTER FROM ANGLO CHINESE

voting interest in the Company) following the cancellation of 100,020,805 Scheme Shares upon the implementation of the Scheme; and (ii) in connection with the operation of a management incentive award plan ("MIAP") for the benefit of selected employees of the Group. The proposed share capital structure and shareholding structure with MSOT as the shareholder of the Preference Shares and Shares together with the potential senior management participation through the proposed initial awards has been approved by the U.S. State Department in relation to application of ITAR.

Furthermore we have been informed by the Company that it was advised by its US legal advisers that MIAP should be immediately established upon the Scheme becoming effective by the initial awards to facilitate approval by the U.S. State Department of the proposed shareholding structure in the Company. The MIAP will be adopted by the Company as from the effective date of the Scheme and the initial awards will be made. Details of the initial awards and their terms are set out later in this section.

Pursuant to MIAP, the Board may select employees of the Group to participate in the MIAP from time to time. The total amount of awards that may be made is limited to the 15,324,985 Shares held by the MSOT, representing 5% of the Shares in issue following implementation of the Scheme. The participants will be granted awards and the MSOT will be deemed to have allocated an unallocated Share it holds to each award. On vesting of an award the participants granted the award will be entitled to a monetary payout calculated, in part, on the value of the Shares and the dividends received relating to the underlying Shares of the award. Although no participant in the MIAP will have any rights relating to any dividend or distribution or voting rights attributable to any Shares held by MSOT, in principle the participant will enjoy the economic benefits attached to the Shares through their underlying value and the receipt of an equivalent amount of any dividend paid on the relevant underlying Shares relating to an award. In respect of the initial awards the underlying value will be based on the Cancellation Consideration as described in more detail below.

It is the Company's intention that upon the Scheme becoming effective and with effect from the effective date of the Scheme, an initial allocation of awards will be granted under the MIAP to selected members of senior management, all of whom have interests in the Shares in either vested or unvested form. It is proposed that the initial awards will be made to seven senior members of management including Mr. William Wade and will comprise awards in relation to 3,064,999 Shares representing approximately 1% of the issued ordinary share capital of the Company following the Scheme becoming effective.

LETTER FROM ANGLO CHINESE

The names of the initial participants, their current shareholdings in the Company and the number of awards to be initially awarded to them are set out in the sections headed “Information on the Offeror” in the Letter from the Board and “II. Information on the Offeror” in the Explanatory Statement of the latest version of the Scheme Document and listed in the following table:

Name	Number of Shares currently held (percentage of issued Share capital as at the Latest Practicable Date)	Number of unvested ESAS Awards (percentage of issued Share capital as at the Latest Practicable Date)	Number of initial awards to be allocated under the MIAP (percentage of issued Share capital upon completion of the Proposal)
Ms. Catherine Chang, General Counsel/ Director of the MSOT Trustee	60,731 (0.02%)	97,802 (0.03%)	275,850 (0.09%)
Mr. Philip Balaam, Vice President, Business Development	0 (0%)	32,949 (0.01%)	459,750 (0.15%)
Mr. Roger Tong, Vice President, Engineering and Operations/ Director of the MSOT Trustee . . .	41,620 (0.01%)	186,765 (0.05%)	459,750 (0.15%)
Ms. Sabrina Cubbon, Vice President, Sales and Marketing . .	115,399 (0.03%)	192,274 (0.05%)	367,800 (0.12%)
Ms. Sue Yeung, Vice President, Finance and Chief Financial Officer	93,370 (0.02%)	251,334 (0.06%)	459,750 (0.15%)
Mr. Zhang Hai Ming, Vice President, China	0 (0%)	52,174 (0.01%)	275,850 (0.09%)
Mr. William Wade, Chief Executive Officer and Director of the Company/Director of the MSOT Trustee	<u>130,561 (0.03%)</u>	<u>279,065 (0.07%)</u>	<u>766,249 (0.25%)</u>
Total	<u>441,681 (0.11%)</u>	<u>1,092,363 (0.28%)</u>	<u>3,064,999 (1%)</u>

The allocations of the initial awards have been made on the basis of the relative roles and responsibilities of the selected members of senior management. The awards will vest on the fifth anniversary of the effective date of the Scheme, subject to early vesting in the event of death, disability or retirement of a participant on or after the normal retirement date.

LETTER FROM ANGLO CHINESE

As awards under the MIAP are not capable of being extended to all Shareholders, the arrangements for the initial award allocations will require the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code, which is conditional on Anglo Chinese as the Independent Financial Adviser confirming that the arrangements for initial allocations of awards under the MIAP are fair and reasonable.

On vesting, the amount of the awards will be based on the Cancellation Consideration per Share with the addition of the accumulated dividends on the Shares during the period. Such amount will be subject to the performance scaling factor which by its application links the award value payable on vesting of an initial award to achievement of the long-term targets set by the Board in respect of the Company's aggregated EBITDA, net income and operating cash flow which will result in an adjustment of the award value for the amounts by which the long-term targets on average are, on a five year cumulative basis, met, exceeded or not achieved. The five year vesting period coupled with the performance scaling factor should incentivise the members of the senior management who are to be allocated awards under the initial allocation to remain with the Group and to work for continued growth of the Group's EBITDA, net income and cash flow during the vesting period.

The base value of the initial awards at the Cancellation Consideration before adjustments for accumulated dividends and the performance scaling factor will be approximately HK\$72.0 million which represents approximately 3% of the total consideration payable under the Proposal. As shown in the above table setting out details of the allocations of the initial awards, Mr. William Wade holds 130,561 Shares, is deemed to be acting in concert with the Offeror and is therefore required to abstain from voting on the resolution to approve the Scheme. It is proposed that he receive under the initial award an award representing 766,249 Shares, which would amount to approximately 25% of the 3,064,999 Shares subject to the initial awards and 0.25% of the Shares in issue on the Scheme becoming effective. We note also that other members of senior management who are to receive the awards under MIAP representing approximately 75% of the 3,064,999 Shares subject to the initial awards and 0.75% of the Shares in issue on the Scheme becoming effective, hold only 311,120 Shares in vested form, of which 102,351 Shares are held by Ms. Catherine Chang and Mr. Roger Tong (who are directors of the MSOT Trustee) who are also deemed to be acting in concert with the Offeror and are therefore required to abstain from voting on the resolution to approve the Scheme. The combined shareholding of the other members of senior members who are entitled to vote on the resolution to approve the Scheme (i.e. Ms. Sabrina Cubbon and Ms. Sue Yeung) represents less than 0.3% of the Shares held by the Independent Scheme Shareholders eligible to vote on resolution to approve the Scheme. We therefore do not consider such percentage to be material in assessing the possible outcome of the resolution to approve the Scheme to be put to the Independent Scheme Shareholders. The benefits being conferred on the selected members of senior management will arise solely by reason of their positions in the Company and this bears no relationship to their status as Shareholders.

Awards, other than the initial awards, are described as ordinary awards. No decision has been made to make any ordinary awards which vest over five years in four equal parts commencing on the second anniversary of the ordinary awards. No performance scaling factor would be applied to the ordinary awards.

The Company adopted an existing share award scheme, the ESAS, on 22nd August, 2007 which was to be effective for a period of 20 years. The ESAS was adopted on the basis that the Company is

LETTER FROM ANGLO CHINESE

listed on the Stock Exchange and that upon an award under the ESAS vesting, the participant would become the owner of the relevant Shares. Under the rules of the ESAS awarded Shares vest over five years in four equal parts commencing on the second anniversary of the date of the grant. Awards under the ESAS were limited to qualifying employees and to a total of 11,736,000, approximately 3% of the issued share capital of the Company on the adoption date of the ESAS. The ESAS did not include any stipulated performance criteria or apply a performance scaling factor to awards during the vesting period. In any financial year the total number of Shares that could be awarded is calculated by reference to the market price of the Shares and a percentage determined by the Board of the total annual base salary of all the eligible employees who remain as eligible employees on the grant date. The initial awards under the MIAP are therefore different in that they are linked to the future financial performance of the Group.

Since the adoption date, awards under the ESAS in respect of 3,867,035 Shares (excluding awards which have been forfeited before vesting) have been made of which 1,489,544 Shares (both vested and unvested) have been awarded to members of the senior management who are to receive the initial awards under the MIAP. The ESAS will become redundant following the Scheme becoming effective as all the Shares will be directly or indirectly owned by Bowenvale and therefore no Shares will be available for purchase by the trustee of ESAS and the Shares will cease to be listed on the Stock Exchange. The MIAP with respect to the ordinary awards is designed to replace the ESAS as a scheme to enable the Group as a then privatised enterprise to involve financially selected employees and members of management in the Group and to provide additional performance incentives. The provision of schemes for employees with such objective and purpose are common. We further understand from the management of the Company that the eligible employees under both ESAS and MIAP are the same.

It is stated in the Trust Deed of the MSOT which operates the MIAP that MSOT is established to effect the Proposal (including to acquire a total of 15,324,985 Shares and 84,695,820 Preference Shares collectively representing a 5% economic interest and a 25.57% voting interest in the Company) and thereafter to provide rewards to employees of the Group on the basis of the MIAP rules. The MIAP rules lay down the criteria and procedures for awards to be made with the objectives of rewarding past performance and providing future incentives. We understand that the initial awards were determined by the Board on the basis of an individual's role in the Company, the need to retain the individual in the long term and his/her ability to influence the performance of the Company. There was no exact formula used to determine the relative percentages of the initial allocations.

We also understand that the seven initial participants, who are members of senior management as shown in the 2011 annual report of the Company, are participants in the ESAS. Their selection as recipients of the initial awards was determined after a review by the Chairman of the Remuneration Committee of all participants in the ESAS which were submitted by the Chief Executive Officer of the Company. A preliminary recommendation was submitted to the Board for the consideration by the Chairman of the Remuneration Committee. The Board in turn took into account the selection criteria referred to above in arriving at the decision on the approval of the grant of the initial awards to these seven individuals and the number of initial awards to be granted to each of them. We therefore consider that it is appropriate for the Company to grant the initial awards to the initial participants on the basis of the selection criteria and procedure set out above. We further consider that and the MIAP objectives and the proposed initial award reflect a mechanism whereby key management and staff may be awarded and incentivised in line with the performance of the Company.

LETTER FROM ANGLO CHINESE

We consider that the nature of the initial awards is similar to that of other incentivising schemes such as share option or share award schemes of listed issuers to the extent that for the grantees to maximise economic benefits from such grants they are encouraged to contribute to the continued performance of the company to the benefit of shareholders as a whole. In addition, although the initial participants are not directly acquiring equity shareholdings pursuant to MIAP, in view of the mechanism whereby the economic value of the awards to them is determined on vesting, we consider that safeguards are in place to ensure risks and awards associated with MIAP apply to the management's retained interest in the Company as depending on the performance of the Company over the vesting period, the initial awards could range from nil value to a multiple of Cancellation Consideration plus accumulated dividends depending on the outcome of the performance scaling factor. Accordingly, we consider that Note 3 to Rule 25 is complied with in relation to the allocation of the initial awards.

We note that the number of Shares represented by the initial awards to members of the senior management is greater than the number vested and unvested Shares held by them through the ESAS. However the initial awards, unlike subsequent ordinary awards, do not vest until the fifth anniversary and are subject to adjustment linked to the performance of the Group during the five year period. Furthermore the initial awards were made also to facilitate approval by the U.S. State Department of the proposed shareholding structure in the Company. Moreover we do not consider that the number of Shares held by the members of senior management eligible to vote on the resolution to approve the Scheme to be material. On the basis of our analysis above, we consider the arrangements relating to the grant of the initial awards under MIAP to each of the seven members of the senior management of the Company, representing some 1% of the ordinary issued share capital of the Company, to be fair and reasonable.

RECOMMENDATION

In reaching our opinion, we have considered the principal factors and reasons set out in this letter above.

Over the five year period subsequent to the previous privatisation proposal in 2007 and up to the Last Trading Day, the Shares have been trading at a level considerably lower than the Cancellation Consideration and with low levels of liquidity. We understand from the management of the Company that compared to the operating environment in 2007, due to the limited capacity available on the Company's existing satellites, the current market conditions remains competitive and challenging and any positive impact of AsiaSat 6 and AsiaSat 8 on the Group's revenue contributions is yet to be seen until they become operational in 2014. The consequences of the current economic issues in various parts of the world on the markets in which the Group operate also remain unclear. We therefore recognise that the Proposal represents an opportunity for the Independent Scheme Shareholders to realise all or part of their investment at a price which is likely to exceed their original cost. Furthermore, with the equity markets showing weakness, as demonstrated by the fall in the Hang Seng Index by approximately 8.9% from 20,856.6 on the Last Trading Day to 18,995.1 on the Latest Practicable Date, the Share price may be weaker than the price prevailing shortly before the Latest Practicable Date should the Scheme lapse.

In light of the above, we are tempted to conclude that, with the 6.8% increase in the Cancellation Consideration to HK\$23.5 per Share, the terms of the Scheme are fair and reasonable bearing in mind that the price of the Shares is likely to trade below the Cancellation Consideration should the Scheme

LETTER FROM ANGLO CHINESE

lapse. Furthermore the Share price has weakened since the announcement dated 8th June, 2012 that the Company had received an email from a Shareholder holding more than that the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing a representation that it is “disinclined to view the offer favourably”.

However, although by some of the measures set out in this letter, the Cancellation Consideration values the Company favourably when compared with the selected comparable companies, in terms of the P/E ratio which reflects the value attributable to the Shareholders and is more relevant to the Scheme Shareholders, in terms of EV/EBITDA ratio, the comparison is unattractive. Further, the comparable companies are not trading at share prices subject to privatisation proposals which would generally be expected to command a premium to the prevailing market price of the company being privatised. We also note that as a whole the terms of the Proposal do not compare favourably with other precedent privatisation proposals which cover a number of other sectors and precedent transactions in the satellite industry reviewed by us over the comparable date/periods prior to the announcement of these privatisation proposals.

Our review of the previous privatisation proposal in 2007 indicates that the terms offered under the 2007 proposal were materially more attractive than those offered under the Proposal. In addition, the Group continued to demonstrate constant growth over the years from 2007 to 2011 and maintained high EBITDA and net profit margins during this period.

Having regard to the principal factors and reasons set out in this letter, we are of the view that the terms of the Proposal do not reflect the value that should be achieved for transferring shares to a controlling shareholder with the result that it holds 100% of the share capital of the company being privatised. Accordingly, we consider that the terms of the Proposal not to be fair and reasonable for the Scheme Shareholders and advise the Independent Board Committee to recommend that the Scheme Shareholders do not vote in favour of the Scheme. Shareholders who wish to realise their investment and are concerned that the Share price may fall below the current price of the Shares on the Stock Exchange on the lapse of the Scheme may consider selling some or all of their Shares in the market at current market prices.

Yours faithfully,
for and on behalf of

Anglo Chinese Corporate Finance, Limited

Dennis Cassidy
Director and Head of Investment Banking

Keith Ng
Director

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.

SCHEME OF ARRANGEMENT FOR CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE CANCELLATION CONSIDERATION

1. INTRODUCTION

Reference is made to the Announcement dated 2 April 2012.

On 21 March 2012, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act, which will, upon the Scheme becoming effective, involve the cancellation of all the Scheme Shares and allotment and issue of 15,324,985 Shares and 84,695,820 Preference Shares to the Offeror.

After the Announcement was issued, letters were received from Shareholders holding more than the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing representations on the level of the Cancellation Consideration, and representations and/or indications that they were not supportive of the Proposal on its announced terms.

On 24 May 2012, it was jointly announced by the Offeror and the Company that, in order to make the Proposal more attractive to the Independent Scheme Shareholders, the Offeror had increased the Cancellation Consideration from HK\$22.00 to HK\$23.50 per Scheme Share. All other terms of the Proposal remained unchanged. The Offeror also confirmed in the announcement that the Offeror would not further increase the Cancellation Consideration (save in wholly exceptional circumstances as permitted under Rule 18.3 of the Takeovers Code).

Subsequent to the announcement dated 24 May 2012 of the increase in the Cancellation Consideration, the Company has received further communications from Shareholders including (as announced on 8 June 2012), an e-mail from a Shareholder holding more than the number of votes required under the Takeovers Code to defeat the resolution(s) at the Court Meeting, containing a representation that it is “disinclined to view the offer favourably”. It has not been sought, and there is no intention or ability, to ascertain or confirm the final intention of such Shareholder or any other Shareholders as to the exercise of their voting rights at the Court Meeting and the SGM to be convened for approving the Proposal.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, the issued share capital of the Company comprised 391,195,500 Shares, and Bowenvale held 291,174,695 Shares (representing 74.43% of both the voting rights and economic interest of the Company). Upon the Scheme becoming effective, the issued share capital of the Company will comprise 306,499,680 Shares and 84,695,820 Preference Shares. Bowenvale will hold 291,174,695 Shares (representing 74.43% of the voting rights and 95% of the economic interest of the Company, respectively), and the Offeror will hold 84,695,820 Preference Shares (representing 21.65% of the voting rights of the Company with restricted economic rights) and 15,324,985 Shares (representing 3.92% of the voting rights and 5% of the primary economic rights of the Company, respectively). Thus, upon the Scheme becoming effective, the voting rights in the Company owned by Bowenvale will remain the same, but the economic interest in the Company owned by it will increase from 74.43% to 95% as the Preference Shares held by the Offeror will have restricted economic rights. As regards accounting treatment, the Company understands that applicable Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards will require the economic interest in the shares actually held by the Offeror in the Company to be treated as a technical matter in a similar manner to treasury shares of the Company, which will cause the consolidated books of the Company to report 100% of the economic interest in the Company as allocable to Bowenvale, although as noted above the economic interests in such shares will as a legal matter be held by the Offeror.

The purpose of this Explanatory Statement is to explain the terms and effect of the Scheme and, specifically, to provide Scheme Shareholders with additional information in relation to the Scheme.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (i) the letter from the Board set out on pages 10 to 31; (ii) the letter from the IBC to the Independent Scheme Shareholders, set out on pages 32 to 33; (iii) the letter from Anglo Chinese, the independent financial adviser to the IBC, set out on pages 34 to 65; (iv) the terms of the Scheme set out on pages S-1 to S-6; (v) the notices of the Court Meeting and the SGM set out on pages N-1 to N-2 and pages SGM-1 to SGM-17, respectively; and (vi) the forms of proxy in respect of the Court Meeting and the SGM as enclosed with this Scheme Document.

2. TERMS OF THE PROPOSAL

Subject to the Scheme becoming effective, the Scheme Shareholders whose names appear on the Register on the Scheme Record Date will receive the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

For every Scheme ShareHK\$23.50 in cash

The consideration to which any Scheme Shareholder is entitled under the Proposal will be paid in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

EXPLANATORY STATEMENT

3. CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on the Company and all Shareholders subject to satisfaction or valid waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme by a majority in number of Scheme Shareholders present and voting at the Court Meeting representing not less than three-fourths in value of those Shares that are voted by the Scheme Shareholders at the Court Meeting either in person or by proxy, provided that:
 - (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast against the resolution to approve (by way of poll) the Scheme is not more than 10% of the votes attaching to all the Shares held by the Independent Scheme Shareholders;
- (b) the passing by the Shareholders of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares, the creation of the Preference Shares, the amendments to the bye-laws of the Company, the reduction of the relevant portion of the issued share capital of the Company and the issue of the new Shares and Preference Shares to the Offeror) by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy, at the SGM;
- (c) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (d) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to the reduction of the issued share capital of the Company referred to in (b) above;
- (e) all other Authorisations in connection with the Proposal having been obtained from the Relevant Regulatory Agencies in Bermuda, Hong Kong, the United States of America and other relevant jurisdictions, including but not limited to the U.S. State Department;
- (f) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Regulatory Agencies which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (g) all necessary consents which may be required under any existing material contractual obligations of the Company and of the Offeror being obtained;

EXPLANATORY STATEMENT

- (h) a waiver from OFCA in respect of compliance with statements and representations regarding the legal and beneficial interests in the Licensee's voting control and shares set out in the Licensee's non-domestic television programme service licences issued by OFCA;
- (i) all necessary approvals being obtained to amend the ESAS Rules and the related trust deed, and/or other arrangements having been made to ensure that the proceeds from the Scheme referable to the Scheme Shares held under the ESAS are distributable to participants of the ESAS as contemplated by the Announcement (or alternative arrangements satisfactory to the Offeror having been made), and such arrangements being acceptable to the SFC for the purposes of the Takeovers Code;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms);
- (k) none of the telecommunications licences held by the Group which are material in the context of the Group as a whole having been revoked by OFCA when Conditions (f), (g), (h) and (j) are satisfied; and
- (l) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal or because of a change in control or management of the Company could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole:
 - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and
 - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder.

The Offeror reserves the right to waive any of Conditions (e) to (l), either in whole or in respect of any particular matter. Conditions (a) to (d) cannot be waived in any event. All of the Conditions will have to be satisfied or validly waived (as applicable), on or before 17 September 2012 (or such later date as may be proposed by the Offeror and permitted by the Executive), otherwise the Scheme will lapse and will not become effective. When all the Conditions are satisfied or waived (as applicable) the Scheme will become effective and binding on the Company and all the Scheme Shareholders. As at the Latest Practicable Date, save for condition (i) above, none of the Conditions have been satisfied.

EXPLANATORY STATEMENT

The U.S. State Department preliminarily informed the Company in February 2012 that, based upon its review of the transaction documents and undertakings in relation to the Proposal provided by the Company, it had no objection to the Proposal proceeding on such basis. The U.S. State Department has reconfirmed this position in subsequent conversations with the Company's advisers following the publication of the Announcement.

The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal.

WARNING: Shareholders and/or potential investors should be aware that the Proposal (including the Scheme) will only become effective upon all the Conditions being satisfied or validly waived (as applicable). The Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.

4. SCHEME UNDER SECTION 99 OF THE COMPANIES ACT AND THE COURT MEETING AND BINDING EFFECT OF THE SCHEME

According to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs. It is provided in Section 99 of the Companies Act that if a majority in number representing three-fourths in value of the members or class of members, as the case may be, present and voting at the meeting summoned as directed by the Court agree to any arrangement, such arrangement shall, if sanctioned by an order of the Court, be binding on all members or class of members, as the case may be, and also on the company.

Provided that the Scheme is approved as mentioned above and not disapproved at the Court Meeting by the Independent Scheme Shareholders holding more than 10% in nominal value of all the Shares held by the Independent Scheme Shareholders, then pursuant to section 99 of the Companies Act, the Scheme will, so long as it is sanctioned by the Court and a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration, become binding on the Company and all Shareholders.

5. THE ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by the law of Bermuda as summarised above, Rule 2.10 of the Takeovers Code requires (unless the Executive otherwise consents) that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Shares held by the Independent Scheme Shareholders that are cast (by way of poll) either in person or by proxy at a duly convened meeting of the holders of the disinterested Shares; and

EXPLANATORY STATEMENT

- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested Shares.

As at the Latest Practicable Date, the Independent Scheme Shareholders held in aggregate 98,986,492 Shares (i.e. the disinterested Shares as defined in note 6 to Rule 2 of the Takeovers Code) and 10% of the votes attached to all disinterested Shares referred to in paragraph (b) above was 9,898,650.

6. FINANCIAL EFFECTS OF THE PROPOSAL

Comparisons of value

The cash consideration of HK\$23.50 per Scheme Share represents:

- a premium of approximately 23.7% over the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.9% over the average of the closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$18.96 per Share;
- a premium of approximately 25.2% over the average of the closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of approximately HK\$18.76 per Share;
- a premium of approximately 29.1% over the average of the closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day of approximately HK\$18.20 per Share;
- a premium of approximately 36.1% over the average of the closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day of approximately HK\$17.27 per Share;
- a premium of approximately 41.3% over the average of the closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day of HK\$16.63 per Share;
- a premium of approximately 43.1% over the average of the closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day of approximately HK\$16.42 per Share;
- a premium of approximately 6.8% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on the Pre-adjustment Date; and
- a premium of approximately 37.7% over the audited consolidated net asset value per Share of approximately HK\$17.07 as at 31 December 2011.

EXPLANATORY STATEMENT

Highest and lowest prices

During the 6-month period ending on the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$19.00 per Share on 13 March 2012, 15 March 2012, 16 March 2012, 19 March 2012 and 21 March 2012, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$14.20 per Share on 4 October 2011.

The Cancellation Consideration represents a premium of approximately 65.5% over the lowest closing price of HK\$14.20 per Share during the 6-month period ending on the Last Trading Day.

Issue of new Shares and Preference Shares

Upon the Scheme becoming effective, the Company will allot and issue 15,324,985 Shares and 84,695,820 Preference Shares to the Offeror credited as fully paid.

Each Preference Share shall have one vote on a poll at any general meeting of the Company, and the voting rights conferred by the Preference Shares shall rank *pari passu* with the voting rights conferred by the Shares.

The Preference Shares do not confer any right to receive a dividend or other distribution to holders of Shares made at any time prior to the Company's winding up, and do not confer any right to share or participate in any entitlement conferred by the Shares (including any entitlement of holders of Shares to participate in an offer for subscription of further new Shares of any class or description). On a return of capital for a winding up of the Company or otherwise, the holders of the Preference Shares will be repaid first for the nominal amount of each Preference Share. The issue or creation of new Shares with priority over the entitlement attaching to the Preference Shares to a preferential return on winding-up of the Company, will be deemed to be a variation of the rights attaching to the Preference Shares requiring the approval of not less than 75% of the votes cast by the holders of the Preference Shares.

If the Company resolves to divide, consolidate or sub-divide the Shares, or to change the denomination of the Shares, the Company will ensure that the nominal value of each Preference Share remains equal to the nominal value of a Share and that the voting and economic interests of the Company's shareholders will not be affected by such division, consolidation or sub-division. The Company will also take equivalent actions to ensure that the voting and economic interests of Shareholders are unaffected if it resolves to divide, consolidate or sub-divide the Preference Shares or change the denomination of the Preference Shares.

Provided that prior notice has been given to, and clearance received from, the Relevant Regulatory Agencies, and all applicable laws and regulations have been complied with, the Company may at any time, on the approval of the Shareholders at general meeting, redeem all or any of the Preference Shares at nominal value (or such other value as the Board shall determine).

Net assets

As at 31 December 2011, the audited consolidated net assets of the Group amounted to approximately HK\$6,677 million, or approximately HK\$17.07 per share. The Cancellation Consideration represents a premium of approximately 37.7% over the audited consolidated net assets per share as at 31 December 2011.

EXPLANATORY STATEMENT

Earnings

The audited consolidated profits of the Group attributable to the owners for the year ended 31 December 2011 amounted to approximately HK\$823 million, representing basic and diluted earnings of approximately HK\$2.11 and HK\$2.10 per share respectively.

7. FINANCIAL RESOURCES

The amount of cash required for the Proposal (together with the cash payable to ESAS participants as described in the section headed "EXISTING SHARE AWARD SCHEME" below) is approximately HK\$2,399 million. The amount payable to Scheme Shareholders under the Proposal will be borrowed by the Offeror from the Group under the Loan Arrangement which in turn will be funded by HSBC and the internal resources of the Group. Repayment of such funding by the Offeror will be dependent on future dividends available for distribution by the Company to the Offeror, which will in turn be dependent on the business of the Company.

HSBC has been appointed as the financial adviser to the Offeror in respect of the Proposal. The Company is guaranteeing the financial obligations of the Offeror, and has agreed to indemnify HSBC against any failure in the performance or satisfaction by the Offeror of such financial obligations under such engagement between the Offeror and HSBC. HSBC is satisfied that sufficient financial resources are available to the Offeror for the payment in full of the cash required for the Proposal.

In addition, expenses in relation to the implementation of the Scheme will be funded out of the internal resources of the Group.

8. OTHER EFFECTS OF THE PROPOSAL

Shareholding structure of the Company

As at the Latest Practicable Date, there were 391,195,500 Shares in issue. 100,020,805 Shares (representing approximately 25.57% of the issued share capital of the Company) were held by the Shareholders other than Bowenvale, of which 1,033,176 Shares were held by Mr. William Wade and Mr. Peter Jackson (who are Directors) and Ms. Catherine Chang and Mr. Roger Tong (who are directors of the MSOT Trustee), who are parties acting in concert with the Offeror. As at the Latest Practicable Date, the Offeror and parties acting in concert (including Bowenvale, CITIC, GECC, Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang and Mr. Roger Tong) collectively held 292,207,871 Shares and together with the Shares held by the ESAS Trustee under the ESAS, which will be treated as acting in concert with the Offeror in respect of those Shares, held 292,209,008 Shares, representing approximately 74.70% of the issued share capital of the Company. Only Scheme Shareholders may vote at the Court Meeting (persons who are not Independent Scheme Shareholders will abstain from voting), but all Shareholders shall be entitled to vote at the SGM (the ESAS Trustee will abstain from voting).

As at the Latest Practicable Date, the Independent Scheme Shareholders held 98,986,492 Shares in aggregate (representing approximately 25.30% of the issued share capital of the Company) of which 50,000 Shares (representing approximately 0.01% of the issued share capital of the Company) were held by Mr. James Watkins, an independent non-executive Director.

EXPLANATORY STATEMENT

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Upon completion of the Proposal		
	Number of Shares owned	% of the total issued share capital	Number of Shares owned (Note 1)	Number of Preference Shares owned (Note 1)	% of the total issued share capital
Offeror	—	—	15,324,985	84,695,820	25.57
Bowenvale	291,174,695	74.43	291,174,695	—	74.43
Mr. William Wade (executive Director)	130,561	0.03	—	—	—
Mr. Peter Jackson (non-executive Director)	800,264	0.20	—	—	—
Ms. Catherine Chang (director of the MSOT Trustee)	60,731	0.02	—	—	—
Mr. Roger Tong (director of the MSOT Trustee)	41,620	0.01	—	—	—
the ESAS Trustee (Note 2)	1,137	0.0003	—	—	—
Offeror and parties acting in concert with it	292,209,008	74.70	306,499,680	84,695,820	100
Mr. James Watkins (independent non-executive Director)	50,000	0.01	—	—	—
Independent Scheme Shareholders (other than Mr. James Watkins)	98,936,492	25.29	—	—	—
Independent Scheme Shareholders	98,986,492	25.30	—	—	—
Total	391,195,500	100	306,499,680	84,695,820	100
Total number of Scheme Shares (Note 3)	100,020,805	25.57	—	—	—
Scheme Shareholders (Note 4)	100,020,805	25.57	—	—	—

Notes:

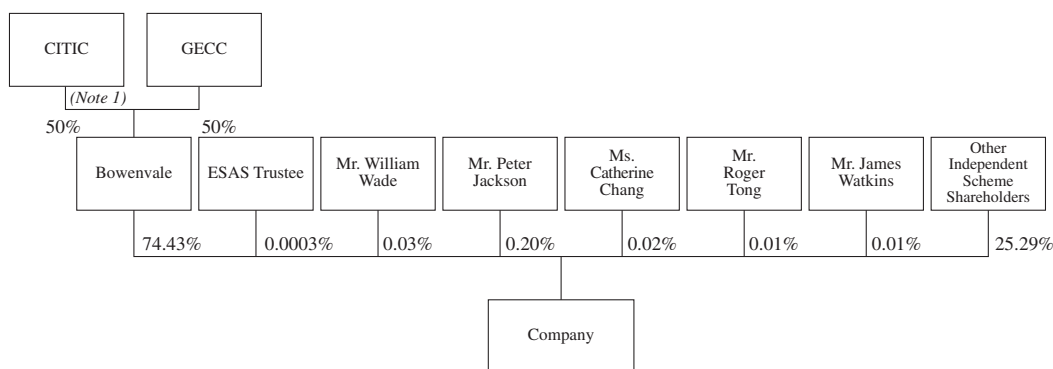
1. Immediately upon completion of the Proposal, the Scheme Shares will be cancelled and extinguished and 15,324,985 new Shares and 84,695,820 Preference Shares will be allotted and issued to the Offeror. Immediately upon completion of the Proposal, the issued share capital of the Company will comprise 15,324,985 Shares and 84,695,820 Preference Shares held by the Offeror and 291,174,695 Shares held by Bowenvale.
2. The ESAS Trustee is the trustee of the ESAS and an independent trustee company. The Shares held by the ESAS Trustee under the ESAS will be treated as Shares held by a party acting in concert with the Offeror. Please refer to the section headed "EXISTING SHARE AWARD SCHEME" below for details of the ESAS.

EXPLANATORY STATEMENT

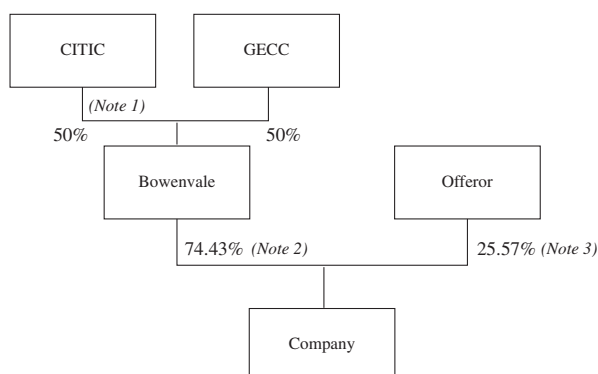
3. Total number of Scheme Shares comprise the Shares held by Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang, Mr. Roger Tong, Mr. James Watkins, the ESAS Trustee and other Independent Scheme Shareholders.
4. Scheme Shareholders means Shareholders other than Bowenvale.

The following diagrams illustrate the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

As at the Latest Practicable Date:



Immediately upon completion of the Proposal:



Notes:

1. These percentages reflect the proportion of voting shares held indirectly by CITIC and GECC in Bowenvale. Such shareholding structure of Bowenvale will remain unchanged immediately upon completion of the Proposal. The ultimate beneficial owner of CITIC is the Ministry of Finance of the People's Republic of China, and of GECC is General Electric Company.
2. Immediately upon completion of the Proposal, Bowenvale will hold 291,174,695 Shares (representing 74.43% of the voting rights and 95% of the economic interest of the Company, respectively).
3. Immediately upon completion of the Proposal, the Offeror will hold 84,695,820 Preference Shares (representing 21.65% of the voting rights of the Company with restricted economic interest) and 15,324,985 Shares (representing 3.92% of the voting rights and 5% of the economic interest of the Company, respectively).

EXPLANATORY STATEMENT

9. REASONS FOR AND IMPACT OF THE PROPOSAL

Benefits of the Proposal to the Scheme Shareholders

For the past few years, the Shares have suffered from low liquidity. The Offeror and the Company believe that the level of liquidity of the Shares is insufficient to allow investors to trade freely in the Shares, and the ability of the Company to take advantage of its listed status to raise funds from the public equity capital market is limited, and that the costs associated with the maintenance of the Company's listing on the Stock Exchange may no longer be warranted.

The low liquidity of the Shares can be observed over the 180-day period ended on and including the Last Trading Day, during which the liquidity in the Shares on the Stock Exchange was restricted to an average daily turnover of HK\$1,009,511 or 61,744 Shares. Such average daily turnover in the number of Shares represented only approximately 0.06% of the number of Scheme Shares.

The Cancellation Consideration allows an exit for the Scheme Shareholders at a premium that the Offeror considers to be attractive and which is higher than the closing price of the Shares on the Stock Exchange at any time in the last 10 years. The Cancellation Consideration also represents a premium of approximately 37.7% to the audited consolidated net asset value per Share of approximately HK\$17.07 as at 31 December 2011 and a premium of approximately 23.7% over the closing price of the Shares of HK\$19.00 as quoted by the Stock Exchange on the Last Trading Day.

In light of the above, the Proposal provides an opportunity for the Scheme Shareholders to realise their investment in the Company at a price above the prevailing market price of the Shares.

Drawbacks of the Proposal to the Scheme Shareholders

If the Proposal is implemented, the Board will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange to take effect immediately following the effective date of the Scheme, and accordingly, there will not be any open market for the Scheme Shareholders to re-invest in the securities of the Company.

The Scheme Shareholders should note that notwithstanding the benefits of the Proposal as set out in the sections headed "REASONS FOR AND IMPACT OF THE PROPOSAL — Benefits of the Proposal to the Scheme Shareholders" in the Letter from the Board and the Explanatory Statement of this Scheme Document, the IBC and Anglo Chinese, having regard to the factors set out in the sections headed "Letter from the IBC" and the "Letter from Anglo Chinese" of this Scheme Document respectively, are of the view that the terms of the Proposal are not fair and reasonable so far as the Independent Scheme Shareholders are concerned. Scheme Shareholders are therefore urged to read the letter from the IBC and the letter from Anglo Chinese carefully regarding the principal factors and reasons, the recommendations set out therein and the consequences of the lapse of the Scheme.

EXPLANATORY STATEMENT

Benefits of the Proposal to the Company

It has been the Company's policy to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and the Company will continue to explore such opportunities as they arise from time to time. In particular, the Company is engaged in active exclusive negotiations with a potential buyer on the possible disposal of the Group's entire interest in SpeedCast Holdings Limited, a wholly-owned subsidiary of the Company which principally engages in the business of providing private networks and satellite telecommunications services. However, as at the Latest Practicable Date, no terms on such disposal have been finalised and such possible disposal may or may not materialise. If such disposal materialises, it may constitute a discloseable transaction for the Company under the Listing Rules and a frustrating action under Rule 4 of the Takeovers Code, and the Company will comply with the applicable requirements under the Listing Rules and the Takeovers Code accordingly. The privatisation of the Company will eliminate the need for approval from public shareholders, provide greater flexibility when participating in these structuring and future corporate transactions, and relieve the Company from other regulatory sanctions and compliance obligations to which the Company is presently subject as a publicly listed company.

The Proposal will also enable the Company to protect proprietary pricing information and other commercially sensitive information that is currently accessible to the Company's competitors and suppliers through analysis of its public filings.

Business outlook of the Company

Despite the continuing global economic uncertainties, the Company is cautiously optimistic that its markets will remain stable throughout 2012. It is therefore adopting a positive outlook for its core business in 2012, during which it will continue to develop its business in new and existing markets. The Company's business will focus mainly on new opportunities being pursued in relation to the continuing growth in high definition services and the healthy expansion of the direct to home business. However, significant growth in the near term may be hindered by a number of key factors. As at the end of 2011, utilisation of its satellite fleet had reached 82%. This high level of utilisation will restrict capacity available for major growth until the planned launch in 2014 of two additional satellites "AsiaSat 6" and "AsiaSat 8". The Company's recently launched satellite "AsiaSat 7" will provide limited near term growth as it will be temporarily used to develop new markets until it eventually replaces the Company's satellite "AsiaSat 3S". Additionally, with the end of the service life of the Company's satellite "AsiaSat 2", the Company will no longer have the positive contribution from its short term lease, resulting in a reduction in revenue. Unlike previous years where lower levels of utilisation allowed the Company to take advantage of unexpected positive developments in the market, it will be challenging to compensate for this shortfall in revenue given the limited capacity available on the Company's existing satellites. Despite the present stability in the core business areas, the Company will be restricted by capacity and unable to capitalise on new growth opportunities in the coming few years. It also remains to be seen whether economic issues in various parts of the world will begin to have a greater negative impact on the markets in which the Company operates.

EXPLANATORY STATEMENT

Furthermore, as detailed in the Company's announcement dated 26 April 2012, pursuant to new arrangements between a subsidiary of the Company and independent third party customers in respect of certain existing and new transponder agreements, the Company will suffer a shortfall in annual revenue with effect from the third quarter of 2013, representing approximately 6% of the Group's consolidated revenue for the year ended 31 December 2011.

As mentioned in the Chairman's statement in the 2011 annual report of the Company, a new finance bill (the "**Finance Bill**") was proposed in India which could have unfavourable consequences for the Group's current tax proceedings in the Indian Courts. Further details are set out in note 31 to the Company's financial statements for the year ended 31 December 2011, which are set out on pages I-55 to I-56 of this Scheme Document.

As announced by the Company in an announcement dated 29 May 2012, the Finance Bill was recently passed by the Indian Parliament and was enacted with retrospective effect after presidential assent was given to it. Under the Indian Income Tax Act (as amended by the Finance Bill), revenues received from the provision of satellite transponder capacity to the Group's customers which carry on business in India or earn income from any source in India ("**Indian sourced**") will be charged tax in India. As the Finance Bill was enacted with retrospective effect, this would result in unfavourable consequences to the Group's current tax proceedings in the Indian Courts where orders in favour of the Group were made in the past. However, the portion of revenue earned by the Group that would be deemed to be Indian sourced is yet to be decided by the Indian Courts and is therefore still uncertain.

The Group is currently seeking clarifications from its legal and tax advisers in order to assess the potential exposure of the above to the Group and is evaluating various options available to it to deal with the issues arising from the retrospective amendments to the Indian Income Tax Act introduced by the Finance Bill.

Based on the latest advice received by the Company from the Company's tax and legal advisers in India, the Company will record a provision which will reflect an appropriately conservative view based on the historical information currently available in respect of potential Indian tax in the Group's forthcoming interim results for the period ending 30 June 2012, notwithstanding that there is an arguable case in the Group's current tax proceedings in the Indian Courts.

There is no certainty that the amount of the provision to be recognised by the Company will be sufficient to cover the ultimate Indian tax exposure of the Group. However, based on the latest information currently available to the Group, the Company believes that the overall impact on the consolidated statement of comprehensive income of the Group in respect of the liability covered by this provision will not be material.

There is no intention to change the existing dividend policy of the Company should the Scheme lapse.

EXPLANATORY STATEMENT

10. INFORMATION ON THE GROUP

The Company is incorporated in Bermuda with limited liability, the Shares of which have been listed on the Stock Exchange since 1996. The Group is principally engaged in the provision of satellite transponder capacity and satellite services to broadcasting and telecommunications markets and broadband access services.

A summary of the audited consolidated results of the Group for each of the two years ended 31 December 2010 and 2011 is set out below:

	For the year ended 31 December	
	2010	2011
	(HK\$'000)	(HK\$'000)
Turnover	1,456,222	1,718,251
Profit before income tax	775,379	932,424
Profit attributable to shareholders	694,590	822,685

As at 31 December 2011, the audited consolidated net assets of the Group were approximately HK\$6,677 million.

11. INFORMATION ON THE OFFEROR

The MSOT Trustee is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and is the trustee of MSOT, a management stock ownership trust established by the Company for the purpose of holding new Shares and Preference Shares to be allotted and issued upon the implementation of the Scheme and in connection with the operation of a MIAP to be adopted by the Company as from the effective date of the Scheme for the benefit of selected employees of the Group.

Pursuant to the MIAP, the Board may select employees of the Company or Opco and if so decided by the Board, employees of any other companies in the Group to participate in the MIAP from time to time. The participants will be granted awards, and MSOT will be deemed to have allocated an unallocated Share it holds to each award. On vesting of an award, the participants granted the award will be entitled to a monetary payout calculated, in part, on the dividends received on the Shares deemed allocated to the relevant vested award, subject to adjustments as may be applicable under the rules of the MIAP. No participants in the MIAP will have any rights relating to any dividend, distributions or voting rights attributable to any Shares; these rights will belong to MSOT.

EXPLANATORY STATEMENT

It is the Company's intention that, upon the Scheme becoming effective and with effect from the effective date of the Scheme, an initial allocation of awards will be granted under the MIAP to selected members of senior management over Shares representing in aggregate not more than 1% of the total voting share capital of the Company immediately following implementation of the Scheme. The names of the initial participants, their current shareholding in the Company and the number of awards to be initially awarded to them are listed in the table below:

Name	Number of Shares currently held (percentage of issued Share capital as at the Latest Practicable Date)	Number of unvested ESAS awards (percentage of issued Share capital as at the Latest Practicable Date)	Number of initial awards to be allocated under the MIAP (percentage of issued Share capital upon completion of the Proposal)
Ms. Catherine Chang, General Counsel / Director of the MSOT Trustee	60,731 (0.02%)	97,802 (0.03%)	275,850 (0.09%)
Mr. Philip Balaam, Vice President, Business Development	0 (0%)	32,949 (0.01%)	459,750 (0.15%)
Mr. Roger Tong, Vice President, Engineering and Operations / Director of the MSOT Trustee . . .	41,620 (0.01%)	186,765 (0.05%)	459,750 (0.15%)
Ms. Sabrina Cubbon, Vice President, Sales and Marketing . .	115,399 (0.03%)	192,274 (0.05%)	367,800 (0.12%)
Ms. Sue Yeung, Vice President, Finance and Chief Financial Officer	93,370 (0.02%)	251,334 (0.06%)	459,750 (0.15%)
Mr. Zhang Hai Ming, Vice President, China	0 (0%)	52,174 (0.01%)	275,850 (0.09%)
Mr. William Wade, Chief Executive Officer and Director of the Company / Director of the MSOT Trustee	130,561 (0.03%)	279,065 (0.07%)	766,249 (0.25%)
Total.	<u>441,681 (0.11%)</u>	<u>1,092,363 (0.28%)</u>	<u>3,064,999 (1%)</u>

As awards under the MIAP are not capable of being extended to all Shareholders, the arrangements for the initial award allocations will require the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Offeror has made an application to the Executive for such consent subject to (and conditional upon) Anglo Chinese confirming that the arrangements for initial allocations of awards under the MIAP are fair and reasonable.

EXPLANATORY STATEMENT

As the trustee of MSOT, the MSOT Trustee will hold the Shares and the Preference Shares allocated to it under the MIAP, and other assets held under MSOT for the benefit of the participants in the MIAP. The MSOT Trustee is managed by a board of three directors, who are employees or directors of the Company who have served as employees and/or directors of the Company for a minimum of three years and are not employees or directors of and are not providing any services to Bowenvale, its shareholders or any of its affiliates (other than the Company).

The board of the MSOT Trustee is responsible for directing the voting of the Shares and Preference Shares held by MSOT and for exercising any discretions provided to the MSOT Trustee under the trust deed constituting MSOT. Each director of the board of the MSOT Trustee has the qualifications prescribed by the U.S. State Department for the purposes of ITAR and is not a national of or born in a country named in ITAR section 126.1 or otherwise prohibited from receiving defence articles or defence services pursuant to ITAR licences.

The MIAP Board Committee is responsible for overseeing the operation of the MIAP and for making recommendations on matters including the number of awards to be granted to participants and the general operation of the MIAP and MSOT (including recommendations on how the Company should exercise its rights (other than recommending or directing the voting of Shares and Preference Shares) under the MIAP or the trust deed constituting MSOT).

The initial members of the board of directors of the MSOT Trustee are Mr. William Wade, Ms. Catherine Chang and Mr. Roger Tong, and the initial members of the MIAP Board Committee responsible for overseeing the MIAP are Mr. John F. Connelly, Mr. Mark Chen and Mr. Peter Jackson.

Going forward, and after implementation of the Scheme, it is intended that the department heads of the Company will from time to time nominate Group Employees from their respective departments to participate in the MIAP, and the MIAP Board Committee will determine which of the nominated Group Employees will be recommended to the Board for participation in the MIAP. The Board may, after taking into account the recommendation of the MIAP Board Committee, approve such nominated Group Employees as eligible employees for participation in the MIAP and/or select any of the department heads of the Company to be MIAP Eligible Employees. The chief executive officer and each executive Director of the Company automatically qualify as MIAP Eligible Employees. The Board will then, after taking into account the recommendation of the MIAP Board Committee, determine the number of awards under the MIAP to be granted to each MIAP Eligible Employee.

MSOT may not be terminated, except (in all cases) in compliance with all applicable laws and regulations and, unless any such termination of MSOT and the other results of terminating MSOT would be compliant with ITAR. In addition, no such termination of MSOT will be permissible or effective unless prior notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with such termination. Subject to the above, MSOT may be or shall be terminated if determined by the Company with the prior written approval of a majority of the Shareholders. For the avoidance of doubt, the perpetuity period applicable to MSOT shall be a period of 80 years following the effective date of the Scheme.

EXPLANATORY STATEMENT

12. THE OFFEROR'S INTENTIONS REGARDING THE COMPANY

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business as a provider of satellite capacity and related services. The Offeror does not have any intention to introduce any changes to the existing operations (including redeployment of fixed assets or significant employee changes within the Group). However, the Offeror notes that it is the Company's policy to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that the Company will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

13. EXISTING SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 22 August 2007, the Company adopted the ESAS on 22 August 2007. The trustee of the ESAS is Equity Trust (Jersey) Limited, and as at the Latest Practicable Date, the ESAS Trustee (in its capacity as the trustee of ESAS) held 1,137 Shares (representing 0.0003% of the issued share capital of the Company), all of which will form part of the Scheme Shares.

Equity Trust (Jersey) Limited is an independent trustee company. Nonetheless, it will be treated, as regards those Shares held for the time being under the ESAS, as acting in concert with the Offeror, and, as regards such Shares, is not entitled to vote at the Court Meeting and the SGM. Accordingly, Shares held by the ESAS Trustee under the ESAS will not be taken to constitute Scheme Shares held by the Independent Scheme Shareholders. Under the ESAS trust deed, the ESAS Trustee is prohibited from exercising the voting rights in respect of the Shares held under the ESAS. The ESAS Trustee will therefore abstain from voting at the Court Meeting and the SGM.

As at the Latest Practicable Date, the ESAS Trustee held 1,137 Shares subject to outstanding awards under the ESAS.

The total number of outstanding ESAS awards (2,081,172 Shares in total) is larger than the number of Shares held by the ESAS Trustee. However, the proposal described below will mean (among other things) that the ESAS Trustee will not need or be required to acquire any further Shares to cover the shortfall.

The Company has made certain amendments to the ESAS Rules and the related trust deed to include a provision for ESAS participants to receive the cash equivalent of the Shares awarded to them under the ESAS once the Scheme becomes effective. The purpose of these amendments is to enable the ESAS participants to receive an amount equal to the Cancellation Consideration per ESAS award on the same basis as Scheme Shareholders under the Proposal (i.e., equal treatment). The necessary consents from the ESAS participants and the ESAS Trustee have been obtained in respect of such amendments.

EXPLANATORY STATEMENT

14. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and persons acting in concert with it has received any irrevocable commitment from the Independent Scheme Shareholders in respect of voting at the Court Meeting or the SGM.

15. MEETINGS

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme. Pursuant to section 99 of the Companies Act, such resolution will be passed if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. Such resolution will only be considered to have been passed under the Takeovers Code if (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares of the Independent Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the Scheme Shares held by all of the Independent Scheme Shareholders. Based on 98,986,492 Scheme Shares held by the Independent Scheme Shareholders as at the Latest Practicable Date, 10% of such Scheme Shares amounted to 9,898,650 Scheme Shares.

Immediately following the Court Meeting, the SGM will be convened for the purpose of considering and, if thought fit, passing a special resolution to approve, inter alia, the capital reduction arising as a result of the Scheme, and subject to the Scheme becoming effective, the amendments to the bye-laws of the Company to reflect, among other matters, the creation of the Preference Shares as a new class of share capital of the Company, and the withdrawal of the listing of the Shares on the Stock Exchange. The special resolution will be passed if it is approved by a majority of at least three-fourths of the votes cast by Shareholders present and voting, in person or by proxy, at the SGM. All Shareholders will be entitled to attend and vote on such special resolution at the SGM.

For the purpose of determining entitlements of the Shareholders to attend and vote at the Court Meeting and the SGM, the Register will be closed from Monday, 16 July 2012 to Wednesday, 18 July 2012 (both days inclusive). During such period no transfer of the Shares will be registered. In order to qualify to vote at the Court Meeting and at the SGM, Shareholders should ensure that the relevant transfer documentation for the Shares (accompanied by the relevant share certificates) is lodged with the Company's branch share registrar in Hong Kong for registration in their names or in the names of their nominees before the closure of the Register. The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Notice of the Court Meeting is set out on pages N-1 to N-2 of this Scheme Document, and Notice of the SGM is set out on pages SGM-1 to SGM-17 of this Scheme Document. The Meetings will be held on Wednesday, 18 July 2012 at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong at the respective times specified in such notices on pages N-1 to N-2 and pages SGM-1 to SGM-17 of this Scheme Document.

EXPLANATORY STATEMENT

16. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS AND THE INDEPENDENT SCHEME SHAREHOLDERS

A pink form of proxy for use in respect of the Court Meeting and a white form of proxy in respect of the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend any of the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the white form of proxy in respect of the SGM in accordance with the instructions printed respectively on them, and to deposit them at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any case not later than the following respective times in order to be valid:

- **the pink form of proxy for use at the Court Meeting must be lodged not later than 9:30 a.m. on Monday, 16 July 2012 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting; and**
- **the white form of proxy for use at the SGM must be lodged not later than 10:00 a.m. on Monday, 16 July 2012.**

Completion and return of a form of proxy for each of the Court Meeting or the SGM will not preclude you from attending the relevant Meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Register will be closed from Monday, 16 July 2012 to Wednesday, 18 July 2012 (both days inclusive) for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM. This book closure period is not for determining the entitlements of Scheme Shares under the Scheme.

The Register will be closed as from Thursday, 9 August 2012 to Monday, 13 August 2012 (both days inclusive), for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme, and during such period, no transfer of Shares will be registered.

Shareholders who hold their Shares in CCASS

No person shall be recognised by the Company as holding any Shares on trust. Any Beneficial Owner whose Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the SGM. A Beneficial Owner who wishes to attend the Court Meeting and/or the SGM personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the

EXPLANATORY STATEMENT

SGM and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the “**Investor Participant**”), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant (“**Other CCASS Participant**”) regarding voting instructions to be given to such Other CCASS Participants if they wish to vote in respect of the Scheme. The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the SGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, and if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares in to your name so as to qualify to attend and vote at the Court Meeting and the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

17. RECOMMENDATIONS

Your attention is drawn to the letter from the IBC to the Independent Scheme Shareholders set out on pages 32 to 33 of this Scheme Document which contains its recommendation to the Independent Scheme Shareholders. The IBC, having considered the terms of the Proposal and having taken into account the advice of Anglo Chinese, considers the terms of the Proposal to be not fair and reasonable so far as the Independent Scheme Shareholders are concerned and accordingly, has recommended that the Independent Scheme Shareholders not to vote in favour of both the resolution to approve the Scheme at the Court Meeting and the special resolution to approve the allotment and issue of Shares and Preference Shares arising as a result of the Scheme at the SGM. However, the IBC also

EXPLANATORY STATEMENT

recommends the Independent Scheme Shareholders to read the letter from Anglo Chinese carefully regarding the principal factors and reasons, recommendations set out therein and the consequences of the lapse of the Scheme.

18. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will accordingly cease to have effect as documents or evidence of title.

Conditional upon the approval of the Scheme by the Scheme Shareholders at the Court Meeting and the passing of the special resolution to approve the allotment and issue of Shares and Preference Shares arising as a result of the Scheme by the Shareholders at the SGM, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Friday, 3 August 2012 and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Wednesday, 15 August 2012.

Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective by way of separate announcement.

If the Scheme is not approved or lapses, it is intended that the listing of the Shares on the Stock Exchange will be maintained.

19. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Monday, 13 August 2012, it is proposed that the Register be closed from Thursday, 9 August 2012 to Monday, 13 August 2012 (both days inclusive) (or such other dates as may be notified to Scheme Shareholders by way of an announcement) in order to determine the Scheme Shareholders who are qualified for entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the relevant transfer documentation for the Shares is lodged with the Company's branch share registrar in Hong Kong for registration in their names or in the names of their nominees before the closure of the Register. The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Upon the Scheme becoming effective, cheques for cash entitlements under the Scheme will be sent to the Scheme Shareholders whose names appear on the Register at 4:00 p.m. on the Scheme Record Date. In the case of joint holders, cheques for cash entitlements will be sent to the holder whose name first appears in respect of such holdings in the Register at 4:00 p.m. on the Scheme Record Date.

Cheques in respect of the Cancellation Consideration are expected to be sent out to the Scheme Shareholders within 7 Business Days of the Effective Date. Assuming that the Scheme becomes effective on Monday, 13 August 2012 (Bermuda time), cheques for cash entitlements under the Scheme are expected to be despatched on or before Monday, 20 August 2012. In the absence of any specific instructions to the contrary received in writing by the Company's branch share registrar in Hong Kong,

EXPLANATORY STATEMENT

cheques for cash entitlements under the Scheme will be sent to the persons entitled thereto at their respective registered addresses on the Register or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the Register in respect of the joint holding. All such cheques will be sent at the risk of the Scheme Shareholders and neither the Offeror nor the Company will be responsible for any loss or delay in transmission.

20. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

21. OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to, and acceptance of the Proposal by, Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

22. COSTS OF THE SCHEME

The costs of the Scheme will be borne by the Offeror. The costs of the Scheme and of its implementation to the Company are expected to amount to approximately HK\$55 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

23. FURTHER INFORMATION

Save for the MIAP, the Directors, whether as directors, members, creditors or otherwise, have no material interests in the Proposal or any other arrangements or matters contemplated thereby. Except for the MIAP, the effect of the Proposal on any interests of the Directors is not different from the effect on the like interests of other persons.

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2011, 2010 and 2009 as extracted from the annual reports of the Company for the years ended 31 December 2011, 2010 and 2009 respectively.

The auditor's reports from PricewaterhouseCoopers, in respect of the Group's audited consolidated financial statements for each of the financial year ended 31 December 2011, 2010 and 2009, did not contain any qualifications.

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000
Sales	1,718,251	1,456,222	1,162,918
Cost of services	(481,898)	(499,581)	(403,907)
Gross profit	1,236,353	956,641	759,011
Administrative expenses	(237,884)	(156,085)	(184,652)
Other gains — net	46,538	26,622	20,575
Operating profit	1,045,007	827,178	594,934
Finance costs	(7,089)	(10,219)	(109)
Share of losses of a jointly controlled entity	(82,678)	(41,580)	(12,242)
Provision for impairment loss on loan to a jointly controlled entity	(22,816)	—	—
Profit before income tax	932,424	775,379	582,583
Income tax expense	(109,856)	(80,910)	(59,202)
Profit and total comprehensive income for the year	822,568	694,469	523,381
Profit and total comprehensive income attributable to:			
Owners of the Company	822,685	694,590	525,215
Non-controlling interests	(117)	(121)	(1,834)
	<u>822,568</u>	<u>694,469</u>	<u>523,381</u>
Earnings per share attributable to the owners of the Company during the year (expressed in HK\$ per share)			
Basic earnings per share	<u>2.11</u>	<u>1.78</u>	<u>1.35</u>
Diluted earnings per share	<u>2.10</u>	<u>1.78</u>	<u>1.34</u>
Dividends	<u>31,296</u>	<u>207,333</u>	<u>156,478</u>
Dividends per share	<u>0.08</u>	<u>0.53</u>	<u>0.40</u>

The Company had no exceptional or extraordinary items for each of the three years ended 31 December 2011, 2010 and 2009.

2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2011 extracted from the annual report of the Company for the year ended 31 December 2011:

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2011	2010
		HK\$'000	HK\$'000
Sales	5	1,718,251	1,456,222
Cost of services	22	(481,898)	(499,581)
Gross profit		1,236,353	956,641
Administrative expenses	22	(237,884)	(156,085)
Other gains — net	21	46,538	26,622
Operating profit		1,045,007	827,178
Finance costs	24	(7,089)	(10,219)
Share of losses of a jointly controlled entity	10	(82,678)	(41,580)
Provision for impairment loss on loan to a jointly controlled entity	10	(22,816)	—
Profit before income tax		932,424	775,379
Income tax expense	25	(109,856)	(80,910)
Profit and total comprehensive income for the year		<u>822,568</u>	<u>694,469</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		822,685	694,590
Non-controlling interests		(117)	(121)
		<u>822,568</u>	<u>694,469</u>
Earnings per share attributable to the owners of the Company during the year (expressed in HK\$ per share)			
Basic earnings per share	27	<u>2.11</u>	<u>1.78</u>
Diluted earnings per share	27	<u>2.10</u>	<u>1.78</u>
Dividends	28	<u>31,296</u>	<u>207,333</u>

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2011	2010
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	20,700	21,283
Property, plant and equipment	7	4,726,467	4,030,123
Intangible assets	8	38,675	38,675
Unbilled receivables		96,606	119,944
Interest in a jointly controlled entity	10	—	114,327
Amount paid to tax authority	11	37,704	221,202
Total non-current assets		4,920,152	4,545,554
Current assets			
Inventories	12	5,369	4,432
Trade and other receivables	13	368,618	229,160
Cash and cash equivalents	14	2,266,484	2,286,164
		2,640,471	2,519,756
Assets held for sale	15	—	—
Total current assets		2,640,471	2,519,756
Total assets		7,560,623	7,065,310
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares	16	39,120	39,120
Reserves	17(a)		
— Retained earnings		6,604,346	5,812,466
— Proposed final dividend	28	—	176,038
— Other reserves		32,260	15,632
		6,675,726	6,043,256
Non-controlling interests		1,140	1,257
Total equity		6,676,866	6,044,513

	Note	As at 31 December	
		2011	2010
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	287,596	255,718
Deferred revenue	18	90,011	107,828
Other amounts received in advance		37,264	159,052
Other payables		2,150	2,106
Total non-current liabilities		<u>417,021</u>	<u>524,704</u>
Current liabilities			
Construction payables		36,064	5,930
Other payables and accrued expenses		100,506	95,899
Deferred revenue	18	232,927	281,766
Obligations under finance leases	19	—	7
Current income tax liabilities		97,118	112,370
Dividend payable		121	121
Total current liabilities		<u>466,736</u>	<u>496,093</u>
Total liabilities		<u>883,757</u>	<u>1,020,797</u>
Total equity and liabilities		<u>7,560,623</u>	<u>7,065,310</u>
Net current assets		<u>2,173,735</u>	<u>2,023,663</u>
Total assets less current liabilities		<u>7,093,887</u>	<u>6,569,217</u>

Statement of Financial Position

	Note	As at 31 December	
		2011	2010
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	444,208	452,243
Total non-current assets		444,208	452,243
Current assets			
Amount due from a subsidiary	9	40,473	24,012
Other receivables, deposits and prepayments		460	688
Total current assets		40,933	24,700
Total assets		485,141	476,943
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares	16	39,120	39,120
Reserves	17(b)		
— Retained earnings		17,473	14,433
— Proposed final dividend	28	—	176,038
— Other reserves		423,375	242,540
Total equity		479,968	472,131
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		4,836	4,631
Current income tax liabilities		337	181
Total liabilities		5,173	4,812
Total equity and liabilities		485,141	476,943
Net current assets		35,760	19,888
Total assets less current liabilities		479,968	472,131

Consolidated Statement of Changes in Equity

Note	Attributable to owners of the Company							
	Share capital	Share premium	Shares held under 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
Balance at 1 January 2010	39,120	17,866	(15,886)	5,573	5,449,879	5,496,552	1,378	5,497,930
Comprehensive income								
Profit or loss	—	—	—	—	694,590	694,590	(121)	694,469
Transactions with owners								
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
Total transactions with owners	—	—	2,995	5,084	(155,965)	(147,886)	—	(147,886)
Balance at 31 December 2010	39,120	17,866	(12,891)	10,657	5,988,504	6,043,256	1,257	6,044,513
Balance at 1 January 2011	39,120	17,866	(12,891)	10,657	5,988,504	6,043,256	1,257	6,044,513
Comprehensive income								
Profit or loss	—	—	—	—	822,685	822,685	(117)	822,568
Transactions with owners								
Employees share award scheme:								
— Shares held under Share Award Scheme	—	—	(1,000)	—	—	(1,000)	—	(1,000)
— Share-based payment	—	—	—	17,628	—	17,628	—	17,628
— Shares vested under Share Award Scheme	—	—	12,831	(12,831)	—	—	—	—
Final dividend relating to 2010	28	—	—	—	(176,038)	(176,038)	—	(176,038)
Interim dividend relating to 2011	28	—	—	—	(31,296)	(31,296)	—	(31,296)
Dividend for shares held by Share Award Trust	—	—	—	—	491	491	—	491
Total transactions with owners	—	—	11,831	4,797	(206,843)	(190,215)	—	(190,215)
Balance at 31 December 2011	39,120	17,866	(1,060)	15,454	6,604,346	6,675,726	1,140	6,676,866

Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2011	2010
		HK\$'000	HK\$'000
Cash flows from operating activities:			
Cash generated from the operations	29	1,214,504	1,510,849
Hong Kong profits tax (paid)/refunded		(69,203)	33,240
Overseas tax paid		(24,027)	(12,021)
Net cash generated from operating activities		<u>1,121,274</u>	<u>1,532,068</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(975,643)	(601,689)
Proceeds from disposals of property, plant and equipment	29	2,263	1,038
Interest received		40,277	27,020
Net cash used in investing activities		<u>(933,103)</u>	<u>(573,631)</u>
Cash flows from financing activities:			
Purchases of shares under Share Award Scheme		(1,000)	—
Repayment of obligations under finance leases		(7)	(10)
Interest paid		(1)	(10)
Dividends paid	28	(206,843)	(155,965)
Net cash used in financing activities		<u>(207,851)</u>	<u>(155,985)</u>
Net (decrease)/increase in cash and cash equivalents		(19,680)	802,452
Cash and cash equivalents at beginning of the year		<u>2,286,164</u>	<u>1,483,712</u>
Cash and cash equivalents at end of the year	14	<u><u>2,266,484</u></u>	<u><u>2,286,164</u></u>

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 22 March 2012.

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.

Changes in accounting policy and disclosures**(a) New and amended standards adopted by the Group**

The following new and revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 are as follows:

HKFRSs (Amendment)	Improvements to HKFRSs (2010)
HKAS 24 (Revised)	Related Party Disclosures

HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC) Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above 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 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income ²
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendment)	Presentation — Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets ¹
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurements ²

¹ Effective for the Group for annual periods beginning on or after 1 January 2012

² Effective for the Group for annual periods beginning on or after 1 January 2013

³ Effective for the Group for annual periods beginning on or after 1 January 2014

⁴ Effective for the Group for annual periods beginning on or after 1 January 2015

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 to the former owners of the acquiree 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss (note 2.6).

Inter-company transactions, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets 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). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) *Transactions with non-controlling interests*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their

capacity as owners. The difference between fair value of 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 at the date when control is lost, 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.

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 CEO 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'.

(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 in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

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 or administrative purposes 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 and is carried at cost less any identified impairment loss. 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.

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	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.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiary represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 that are subject to amortisation 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.

2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.9 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.

2.10 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 the amounts that are settled or expected to be settled more 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 2.11 and 2.12). 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or

principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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;
- 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Construction payables

Construction payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Construction payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 balance sheet date in the countries where the company's subsidiaries and associates 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

2.16 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:

- 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.

2.17 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.

2.18 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.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when 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 of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (a) 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.
- (b) 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.

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.

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

- (c) Broadband access revenue is recognised when the broadband access services are rendered.
- (d) 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.
- (e) 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.
- (f) Dividend income is recognised when the right to receive payment is established.

2.20 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. 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.

2.21 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 or directors, where appropriate.

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 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 2011 and 2010, 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 2011, certain trade receivables, cash and cash equivalents were denominated in Renminbi (“RMB”) and the foreign currency exposure is analysed as follows:

	<u>2011</u>	<u>2010</u>
	RMB’000	RMB’000
Trade receivables	75,733	52,261
Cash and cash equivalents	<u>135,231</u>	<u>292</u>

At 31 December 2011, 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 earnings by approximately HK\$12,839,000 (2010: HK\$3,099,000).

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 2010.

(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:

	2011		2010	
	Effective Interest Rate	HK\$'000	Effective Interest Rate	HK\$'000
	%		%	
Short-term deposits	1.2%	2,181,633	0.8%	2,113,763

At 31 December 2011, 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 earnings by approximately HK\$21,816,000 (2010: HK\$21,138,000).

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 2010.

(d) 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.

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

	2011			2010		
	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
Current liabilities						
Construction payables	36,064	—	36,064	5,930	—	5,930
Other payables and accrued expenses	100,506	—	100,506	95,899	—	95,899
Obligations under finance leases	—	—	—	7	—	7
	<u>136,570</u>	<u>—</u>	<u>136,570</u>	<u>101,836</u>	<u>—</u>	<u>101,836</u>
Non-current liabilities						
Other payables	—	2,150	2,150	—	2,150	2,150

Company

	2011			2010		
	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
Current liabilities						
Other payables and accrued expenses	4,836	—	4,836	4,631	—	4,631

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 generally 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 2010.

3.3 Fair value estimation

The carrying value of the Group's financial assets and financial liabilities is a reasonable approximation of their fair values due to their relatively short term nature of these financial instruments.

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) 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, AsiaSat 3S, AsiaSat 4 and AsiaSat 5) represented 34% of its total assets as of 31 December 2011 (2010: 41%). 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 2011, 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 (2010: HK\$19,264,000) and HK\$22,008,000 (2010: HK\$22,008,000) respectively.

4.2 Critical judgements 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.

(b) Impairment 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 recoverable amount is determined at the higher of fair value less costs to sell and value in use. 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 2011 and 2010, there had been no indication that the carrying amounts of long-lived assets of the Group may have become impaired.

(c) Provision for impairment loss of trade receivables

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

5 Sales and segment information

(a) Sales:

The Group's sales are analysed as follows:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Income from provision of satellite transponder capacity		
— recurring	1,439,016	1,221,833
— non-recurring	780	321
Sales of satellite transponder capacity	17,818	17,818
Income from provision of broadband access services and sale of equipment	239,199	206,072
Other revenue	<u>21,438</u>	<u>10,178</u>
	<u>1,718,251</u>	<u>1,456,222</u>

(b) Segment information:

The chief operating decision-maker has been identified as the CEO of the Group. The CEO 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 CEO, 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 CEO is measured in a manner consistent with the consolidated statement of comprehensive income.

The amounts provided to the CEO 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:

	2011				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	1,233,401	239,199	—	—	1,472,600
Sales to related parties (Note 33)	224,213	—	—	—	224,213
Inter-segment sales	100,594	808	—	(101,402)	—
Other revenue	21,438	—	—	—	21,438
Total	1,579,646	240,007	—	(101,402)	1,718,251
Operating profit	1,018,578	26,429	—	—	1,045,007
Finance costs	(7,083)	(6)	—	—	(7,089)
Share of losses of a jointly controlled entity	—	—	(82,678)	—	(82,678)
Provision for impairment loss on loan to a jointly controlled entity	—	—	(22,816)	—	(22,816)
Profit/(loss) before income tax	1,011,495	26,423	(105,494)	—	932,424
Income tax expense	(109,856)	—	—	—	(109,856)
Profit/(loss) for the year	901,639	26,423	(105,494)	—	822,568
Depreciation	332,971	11,610	—	—	344,581
Interest income	45,839	1	—	—	45,840
Total assets	7,453,303	122,498	—	(15,178)	7,560,623
Capital expenditure	1,023,267	19,223	—	—	1,042,490
Interest in a jointly controlled entity	—	—	—	—	—
Total liabilities	854,995	43,940	—	(15,178)	883,757

	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
Total	1,328,015	206,880	—	(78,673)	1,456,222
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/(loss) before income tax	794,045	22,914	(41,580)	—	775,379
Income tax expense	(80,910)	—	—	—	(80,910)
Profit/(loss) for the year	713,135	22,914	(41,580)	—	694,469
Depreciation	332,834	10,262	—	—	343,096
Interest income	25,115	1	—	—	25,116
Total assets	6,864,224	99,716	114,327	(12,957)	7,065,310
Capital expenditure	530,076	19,682	—	—	549,758
Interest in a jointly controlled entity	—	—	114,327	—	114,327
Total liabilities	986,172	47,582	—	(12,957)	1,020,797

The Group is domiciled in Hong Kong. The sales to customers in Hong Kong and Greater China for the year ended 31 December 2011 are HK\$234,063,000 (2010: HK\$241,768,000) and HK\$231,097,000 (2010: HK\$181,021,000) respectively, and the total sales to customers in other countries is HK\$1,253,091,000 (2010: HK\$1,033,433,000).

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 has been presented.

For the year ended 31 December 2011, sales of approximately HK\$200,944,000 (2010: HK\$190,996,000) 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:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	<u>20,700</u>	<u>21,283</u>
At 1 January	21,283	21,866
Amortisation of prepaid operating lease payments (Note 22)	<u>(583)</u>	<u>(583)</u>
At 31 December	<u>20,700</u>	<u>21,283</u>

7 Property, plant and equipment — Group

	Satellites and tracking facilities			Furniture, fixtures	Office equipment	Motor vehicles	Teleport	Plant and equipment	Total
	In operation	Under construction	Buildings	and fittings			and hub equipment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000		
At 1 January 2010									
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	<u>3,267,908</u>	<u>430,789</u>	<u>93,346</u>	<u>5,622</u>	<u>1,699</u>	<u>2,745</u>	<u>21,799</u>	<u>6</u>	<u>3,823,914</u>
Year ended 31									
December 2010									
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	<u>2,954,552</u>	<u>949,583</u>	<u>88,671</u>	<u>2,495</u>	<u>2,206</u>	<u>2,075</u>	<u>30,538</u>	<u>3</u>	<u>4,030,123</u>
At 31 December 2010									
Cost	6,134,009	949,583	122,546	18,953	20,204	5,208	74,658	1,222	7,326,383
Accumulated depreciation	(3,179,457)	—	(33,875)	(16,458)	(17,998)	(3,133)	(44,120)	(1,219)	(3,296,260)
Net book amount	<u>2,954,552</u>	<u>949,583</u>	<u>88,671</u>	<u>2,495</u>	<u>2,206</u>	<u>2,075</u>	<u>30,538</u>	<u>3</u>	<u>4,030,123</u>
Year ended 31									
December 2011									
Opening net book amount	2,954,552	949,583	88,671	2,495	2,206	2,075	30,538	3	4,030,123
Additions	11,651	972,306	140	1,778	876	1,483	54,256	—	1,042,490
Transfer between categories	4,589	(4,589)	—	—	—	—	—	—	—
Disposals (Note 29)	(14)	—	—	(25)	(16)	(524)	(986)	—	(1,565)
Depreciation	(325,156)	—	(4,908)	(2,269)	(1,373)	(943)	(9,930)	(2)	(344,581)
Closing net book amount	<u>2,645,622</u>	<u>1,917,300</u>	<u>83,903</u>	<u>1,979</u>	<u>1,693</u>	<u>2,091</u>	<u>73,878</u>	<u>1</u>	<u>4,726,467</u>
At 31 December 2011									
Cost	6,150,218	1,917,300	122,686	20,163	19,409	4,456	126,619	1,220	8,362,071
Accumulated depreciation	(3,504,596)	—	(38,783)	(18,184)	(17,716)	(2,365)	(52,741)	(1,219)	(3,635,604)
Net book amount	<u>2,645,622</u>	<u>1,917,300</u>	<u>83,903</u>	<u>1,979</u>	<u>1,693</u>	<u>2,091</u>	<u>73,878</u>	<u>1</u>	<u>4,726,467</u>

At 31 December 2011, the carrying amount of the Group's office equipment held under finance leases was HK\$Nil (2010: HK\$6,000). Depreciation expense of HK\$344,581,000 (2010: HK\$343,096,000) has been charged in cost of services.

During the year ended 31 December 2011, additions to teleport and hub equipment of HK\$36,889,000 (2010: HK\$Nil) was purchased from a jointly controlled entity.

8 Intangible assets — Group

	Licences	Goodwill	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010			
Cost	1,889	38,675	40,564
Accumulated amortisation and impairment	(1,889)	—	(1,889)
Net book amount	<u>—</u>	<u>38,675</u>	<u>38,675</u>
Years ended 31 December 2010 and 2011			
Opening net book amount	<u>—</u>	<u>38,675</u>	<u>38,675</u>
Closing net book amount	<u>—</u>	<u>38,675</u>	<u>38,675</u>
At 31 December 2010 and 2011			
Cost	1,889	38,675	40,564
Accumulated amortisation and impairment	(1,889)	—	(1,889)
Net book amount	<u>—</u>	<u>38,675</u>	<u>38,675</u>

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 the CGU's fair value less costs to sell with reference to recent quote for a comparable company. At 31 December 2011, this recoverable amount exceeded the carrying value of the Group's CGU. Management believes that any reasonably foreseeable change in the fair value less costs to sell the CGU would not cause it to fall below the carrying amount of the goodwill.

9 Investments in subsidiaries

	Company	
	2011	2010
	HK\$'000	HK\$'000
Unlisted shares in subsidiaries, at cost	429,054	429,054
Investment in Share Award Trust (Note b)	15,154	23,189
	<u>444,208</u>	<u>452,243</u>

At 31 December 2011, the amount due from a subsidiary of HK\$40,473,000 (2010: HK\$24,012,000), denominated in Hong Kong Dollars, has no fixed terms of repayment and is unsecured and interest-free.

(a) Particulars of subsidiaries

The following is the list of the principal subsidiaries at 31 December 2011:

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.

(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.

<u>Special purpose entity</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
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

10 Interest in a jointly controlled entity — Group

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

	<u>2011</u>	<u>2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Unlisted shares, at cost	136,500	136,500
Share of losses (note (a))	<u>(136,500)</u>	<u>(53,822)</u>
	—	82,678
Loan to the jointly controlled entity (note (b))	22,816	31,649
Impairment charge (note (b))	<u>(22,816)</u>	<u>—</u>
	<u>—</u>	<u>114,327</u>

Notes:

- (a) During the year, the Group took up additional share of losses in the jointly controlled entity. The accumulative share of losses has exceeded the Group's interest in the jointly controlled entity and hence the Group did not recognise the excess amount and has reduced its investment cost to zero as at 31 December 2011.
- (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. During the year, the Group has purchased certain property, plant and equipment from the jointly controlled entity at a consideration of HK\$36,889,000 (2010: Nil). Settlement is made by way of offsetting with the loan for same amount (Note 29). Accordingly, as at 31 December 2011, the remaining fair value of the shareholder's loan was HK\$22,816,000 (2010: HK\$31,649,000) which was based on cash flows discounted using a rate of 3.3 % (2010: 3.3%). The discount rate used equals to average of United States 10 year Treasury Yield.

The Group has recorded a full provision for impairment on the shareholder's loan because management considered that it is probable that the jointly controlled entity may not have sufficient cash to meet its liabilities. Accordingly, an impairment charge of HK\$22,816,000 (2010: Nil) has been charged to the statement of comprehensive income for the year.

- (c) On 13 December 2011, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 50% interest in DISH-HD Asia Satellite at a consideration of US\$1. Refer to Note 15 to these financial statements for more details.

<u>Name</u>	<u>Place of incorporation and kind of legal entity</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital and debt securities</u>	<u>Effective interest held</u>
DISH-HD Asia Satellite	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 par value US\$0.01 each	50%

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

	<u>2011</u>	<u>2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets	4,561	40,577
Current assets	40,847	85,656
Non-current liabilities	(25,297)	(29,929)
Current liabilities	(20,038)	(13,626)
	<u>73</u>	<u>82,678</u>
Income	15,286	25,621
Expenses	(100,365)	(67,201)
Net loss for the year	<u>(85,079)</u>	<u>(41,580)</u>

Net loss for the year included an amount of HK\$2,401,000 not shared by the Group as it has exceeded the investment costs held by the Group as of 31 December 2011.

11 Amount paid to tax authority — Group

At 31 December 2011, an amount of approximately HK\$37,704,000 (2010: HK\$221,202,000) had been paid to the Government of India. For details, please refer to Note 31.

12 Inventories — Group

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Merchandise	5,467	4,432
Provision for impairment (Note 22)	<u>(98)</u>	<u>—</u>
	<u>5,369</u>	<u>4,432</u>

The cost of inventories recognised as expense and included in cost of services amounted to HK\$9,517,000 (2010: HK\$19,417,000).

13 Trade and other receivables — Group

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Trade receivables	264,453	108,174
Trade receivables from related parties (Note 33(d))	90,618	58,717
Less: provision for impairment of trade receivables	<u>(63,046)</u>	<u>(25,908)</u>
Trade receivables — net	292,025	140,983
Other receivables	40,030	60,475
Other receivables from related parties (Note 33(d))	4,604	2,384
Deposits and prepayments	31,959	25,561
Less: provision for impairment of other receivables	<u>—</u>	<u>(243)</u>
	<u>368,618</u>	<u>229,160</u>

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, United States Dollars and RMB and the foreign exchange risk thereon are discussed in 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:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
0 to 30 days	118,202	59,973
31 to 60 days	42,297	21,719
61 to 90 days	30,492	22,212
91 to 180 days	84,020	30,127
181 days or above	<u>80,060</u>	<u>32,860</u>
	<u>355,071</u>	<u>166,891</u>

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.

As of 31 December 2011, trade receivables of HK\$63,046,000 (2010: HK\$25,908,000) 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:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
0 to 30 days	8,312	1,235
31 to 60 days	3,681	378
61 to 90 days	11,531	1,261
91 to 180 days	9,146	436
181 days or above	<u>30,376</u>	<u>22,598</u>
	<u>63,046</u>	<u>25,908</u>

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
At 1 January	25,908	31,109
Provision/(write back) for impairment of receivables, net (Note 22)	37,340	(2,732)
Amounts written off	<u>(202)</u>	<u>(2,469)</u>
At 31 December	<u>63,046</u>	<u>25,908</u>

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.

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
0 to 30 days	109,890	58,738
31 to 60 days	38,616	21,341
61 to 90 days	18,961	20,951
91 to 180 days	74,874	29,691
181 days or above	<u>49,684</u>	<u>10,262</u>
	<u>292,025</u>	<u>140,983</u>

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.

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.

14 Cash and cash equivalents — Group

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Cash at bank and on hand	84,851	172,401
Short-term bank deposits	<u>2,181,633</u>	<u>2,113,763</u>
	<u>2,266,484</u>	<u>2,286,164</u>

The effective interest rate on short-term bank deposits was 1.2% (2010: 0.8%) and these deposits have an average maturity of 47 days (2010: 51 days).

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Cash and cash equivalents	<u>2,266,484</u>	<u>2,286,164</u>

15 Assets held for sale — Group

On 13 December 2011, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 50% interest in DISH-HD Asia Satellite, the jointly controlled entity, at a consideration of US\$1. The carrying amount of the investment was classified as assets held for sale following the approval of the Company's Board of Directors on 6 December 2011 to dispose of this investment. As at 31 December 2011, the sales transaction was yet to complete pending for certain regulatory approval. Management expects that this transaction will be completed within the next twelve months from the balance sheet date.

16 Share capital

	<u>2011</u>		<u>2010</u>	
	<u>Number of shares</u>		<u>Number of shares</u>	
	('000)	HK\$'000	('000)	HK\$'000
Authorised:				
Ordinary shares at HK\$0.1 each	<u>550,000</u>	<u>55,000</u>	<u>550,000</u>	<u>55,000</u>
Issued and fully paid:				
At 31 December	<u>391,196</u>	<u>39,120</u>	<u>391,196</u>	<u>39,120</u>

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 557,759 shares (2010: 890,427 shares) have been awarded to executive directors and employees at no consideration. A total of 1,075,507 shares (2010: 251,046 shares) at a cost of HK\$12,831,000 (2010: HK\$2,995,000) were vested during the year.

The number of shares awarded to and vested in the executive directors was 77,080 shares (2010: 241,611 shares) and 537,845 shares (2010: 70,016 shares) respectively for the year ended 31 December 2011.

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

	2011		2010	
	Average fair value HK\$ per share	Number of Award Shares	Average fair value HK\$ per share	Number of Award Shares
At 1 January		2,651,879		2,012,498
Awarded	18.00	557,759	11.82	890,427
Vested	11.93	(1,075,507)	11.93	(251,046)
At 31 December		<u>2,134,131</u>		<u>2,651,879</u>

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

	2011		2010	
	Value HK\$'000	Number of shares held	Value HK\$'000	Number of shares held
At 1 January	12,891	1,080,144	15,886	1,331,190
Purchase during the year	1,000	60,000	—	—
Shares vested during the year	(12,831)	(1,075,507)	(2,995)	(251,046)
At 31 December	<u>1,060</u>	<u>64,637</u>	<u>12,891</u>	<u>1,080,144</u>

The remaining vesting periods of the Award Shares outstanding as at 31 December 2011 are between 0.5 year to 4.5 years.

17 Other reserves

(a) Group

	Share premium	Share- based payment reserve	Shares held under Share Award Scheme	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	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
At 31 December 2010	<u>17,866</u>	<u>10,657</u>	<u>(12,891)</u>	<u>5,988,504</u>	<u>6,004,136</u>
At 1 January 2011	17,866	10,657	(12,891)	5,988,504	6,004,136
Share-based payment	—	17,628	—	—	17,628
Purchase of shares under Share Award Scheme	—	—	(1,000)	—	(1,000)
Shares vested under Share Award Scheme	—	(12,831)	12,831	—	—
Profit for the year	—	—	—	822,685	822,685
Final dividend relating to 2010	—	—	—	(176,038)	(176,038)
Interim dividend relating to 2011	—	—	—	(31,296)	(31,296)
Dividend for shares held by Share Award Trust	—	—	—	491	491
At 31 December 2011	<u>17,866</u>	<u>15,454</u>	<u>(1,060)</u>	<u>6,604,346</u>	<u>6,636,606</u>

(b) Company

	Share premium	Share- based payment reserve	Contributed surplus	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	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
At 31 December 2010	<u>17,866</u>	<u>10,657</u>	<u>390,055</u>	<u>14,433</u>	<u>433,011</u>
At 1 January 2011	17,866	10,657	390,055	14,433	433,011
Share-based payment	—	17,628	—	—	17,628
Shares vested under Share Award Scheme	—	(12,831)	—	—	(12,831)
Final dividend relating to 2010	—	—	—	(176,038)	(176,038)
Interim dividend relating to 2011	—	—	—	(31,296)	(31,296)
Profit for the year	—	—	—	210,374	210,374
At 31 December 2011	<u>17,866</u>	<u>15,454</u>	<u>390,055</u>	<u>17,473</u>	<u>440,848</u>

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.

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 2011, the Company's reserves available for distribution consisted of the share-based payment reserve of HK\$15,454,000 (2010: HK\$10,657,000), contributed surplus of HK\$390,055,000 (2010: HK\$390,055,000) and retained earnings of HK\$17,473,000 (2010: HK\$14,433,000).

18 Deferred revenue — Group

	2011	2010
	HK\$'000	HK\$'000
The maturity of deferred revenue is as follows:		
Within one year	232,927	281,766
More than one year	90,011	107,828
	<u>322,938</u>	<u>389,594</u>

19 Obligations under finance leases — Group

At 31 December 2011, the Group has obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	8	—	7
Less: future finance charges	—	(1)	—	—
Present value of lease obligations	<u>—</u>	<u>7</u>	<u>—</u>	<u>7</u>

20 Deferred income tax liabilities — Group

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

	2011	2010
	HK\$'000	HK\$'000
At 1 January	255,718	220,537
Recognised in the consolidated statement of comprehensive income (Note 25)	31,878	35,181
At 31 December	<u>287,596</u>	<u>255,718</u>

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

	Accelerated tax depreciation	Share-based payment reserve	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	242,522	(460)	(21,525)	220,537
Recognised in the consolidated statement of comprehensive income	14,075	(419)	21,525	35,181
At 31 December 2010	256,597	(879)	—	255,718
Recognised in the consolidated statement of comprehensive income	32,274	(396)	—	31,878
At 31 December 2011	<u>288,871</u>	<u>(1,275)</u>	<u>—</u>	<u>287,596</u>

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\$15,197,000 (2010: HK\$18,717,000) in respect of losses amounting to HK\$92,106,000 (2010: HK\$113,437,000), in respect of a subsidiary, that can be carried forward against future taxable income. These losses do not expire under the current tax legislation.

21 Other gains — net

	2011	2010
	HK\$'000	HK\$'000
Interest income	45,840	25,116
Net gain on disposals of property, plant and equipment other than transponders	698	585
Others	—	921
	<u>46,538</u>	<u>26,622</u>

22 Expenses by nature

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Auditor's remuneration	1,650	1,430
Write off of trade receivables	257	37
Provision/(write back) for impairment		
— Trade receivables (Note 13)	37,340	(2,732)
— Other receivables (Note 13)	—	243
— Inventories (Note 12)	98	—
Depreciation		
— Property, plant and equipment (Note 7)	344,581	343,096
Employee benefit expense (Note 23)	169,708	135,070
Operating leases		
— Office premises	10,873	9,977
— Property, plant and equipment	53	—
— Leasehold land and land use rights (Note 6)	583	583
Net exchange loss/(gain)	2,119	(2,397)
Cost of inventories sold	9,517	19,417
Marketing and promotions expense	11,279	8,228
Satellite operations	7,491	8,346
	<u>169,708</u>	<u>135,070</u>

23 Employee benefit expense

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Salary and other benefits, including directors' remuneration	144,796	120,512
Share-based payment	17,628	8,079
Pension costs — defined contribution plans	7,284	6,479
Total staff costs	<u>169,708</u>	<u>135,070</u>

	<u>2011</u>	<u>2010</u>
Number of employees	<u>191</u>	<u>176</u>

(a) Pensions — defined contribution plans

Forfeited contributions totaling HK\$244,000 (2010: HK\$334,000) 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 2011 and 31 December 2010.

(b) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of Director	Fees	Salary	Performance related bonuses	Other benefits (a)	Employer's	Share-based payment	Total
					contribution to pension scheme		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Peter JACKSON (d)	—	1,819	1,157	1,123	273	1,615	5,987
MI Zeng Xin (f)	200	—	—	—	—	—	200
JU Wei Min (f)	100	—	—	—	—	—	100
LUO Ning (b) & (f)	100	—	—	—	—	—	100
GUAN Yi (f) & (e)	100	—	—	—	—	—	100
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	—	3,432	2,183	1,713	515	939	8,782
Total	2,050	5,251	3,340	2,836	788	2,554	16,819

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

Name of Director			Performance	Other	Employer's	Share-	Total
	Fees	Salary	related	benefits	contribution	based	
	HK\$'000	HK\$'000	bonuses	(a)	to pension	payment	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Peter JACKSON (d)	—	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 (b) & (f)	94	—	—	—	—	—	94
GUAN Yi (f) & (e)	100	—	—	—	—	—	100
DING Yu Cheng (c) & (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
Total	2,050	6,358	5,009	3,752	944	3,107	21,220

Notes:

- (a) Other benefits include accommodation, car, leave passage, insurance premium and club membership and are short-term in nature.
- (b) Appointed on 22 January 2010.
- (c) Resigned on 22 January 2010.
- (d) Resigned on 31 July 2011.
- (e) Resigned on 9 January 2012.
- (f) Paid to a subsidiary of CITIC.
- (g) Paid to a subsidiary of GE.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	9,615	9,475
Employer's contribution to pension scheme	769	780
Performance related bonuses	3,924	4,644
Share-based payment	2,116	1,906
	<u>16,424</u>	<u>16,805</u>

The emoluments fell within the following bands:

	<u>Number of individuals</u>	
	<u>2011</u>	<u>2010</u>
Emolument bands		
HK\$4,500,001 — HK\$5,000,000	1	—
HK\$5,000,001 — HK\$5,500,000	1	1
HK\$5,500,001 — HK\$6,000,000	—	2
HK\$6,000,001 — HK\$6,500,000	1	—
	<u>3</u>	<u>3</u>

24 Finance costs

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Interest expense:		
— asset retirement obligations	44	100
— obligations under finance leases	1	2
— net impact of discounting of loan to the jointly controlled entity (Note 10)	7,044	10,117
	<u>7,089</u>	<u>10,219</u>

25 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% (2010: 16.5%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation, that range from 7% to 42.23% (2010: 7% to 20%), prevailing in the countries in which the profit is earned.

Details of deferred taxation are set out in Note 20.

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

	<u>2011</u>	<u>2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Current income tax		
— Hong Kong profits tax	56,407	33,437
— Over-provision in prior year	—	(1,246)
— Overseas taxation	<u>21,571</u>	<u>13,538</u>
Total current tax	<u>77,978</u>	<u>45,729</u>
Deferred income tax (Note 20)		
— Current year	31,878	34,195
— Over-provision for deferred tax assets in prior year	<u>—</u>	<u>986</u>
Total deferred tax	<u>31,878</u>	<u>35,181</u>
Income tax expense	<u>109,856</u>	<u>80,910</u>

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:

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Profit before income tax	932,424	775,379
Tax calculated at tax rate of 16.5% (2010: 16.5%)	153,850	127,938
Tax effect of income not subject to income tax	(136,174)	(110,818)
Tax effect of expenses not deductible for tax purposes	61,765	47,595
Tax effect of unrecognised timing differences by a subsidiary	(1,119)	(1,400)
Tax effect of tax losses of a jointly controlled entity not recognised	13,642	6,861
Effect of income tax rate differential between Hong Kong and overseas locations	21,567	13,534
Utilisation of previously unrecognised tax losses by a subsidiary	(3,675)	(2,540)
Over-provision in prior year, net	—	(260)
Tax expense	<u>109,856</u>	<u>80,910</u>

The effective tax rate of the Group was 11.8% (2010: 10.4%).

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\$210,373,000 (2010: HK\$158,591,000).

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.

	<u>2011</u>	<u>2010</u>
Profit attributable to owners of the Company (HK\$'000)	<u>822,685</u>	<u>694,590</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<u>390,503</u>	<u>389,963</u>
Basic earnings per share (HK\$ per share)	<u>2.11</u>	<u>1.78</u>

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.

	<u>2011</u>	<u>2010</u>
Profit used to determine diluted earnings per share (HK\$'000)	<u>822,685</u>	<u>694,590</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	390,503	389,963
Effect of Award Shares (in thousands)	<u>1,125</u>	<u>1,285</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	<u>391,628</u>	<u>391,248</u>
Diluted earnings per share (HK\$ per share)	<u>2.10</u>	<u>1.78</u>

28 Dividends

The dividends paid in 2011 and 2010 were HK\$206,843,000 (HK\$0.53 per share) and HK\$155,965,000 (HK\$0.40 per share) respectively. The directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

	<u>2011</u>	<u>2010</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interim dividend paid of HK\$0.08 (2010: HK\$0.08) per ordinary share	31,296	31,295
Proposed final dividend of HK\$Nil (2010: HK\$0.45) per ordinary share	—	<u>176,038</u>
	<u>31,296</u>	<u>207,333</u>

The aggregate amounts of the dividends paid and proposed during 2011 and 2010 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

29 Cash generated from the operations

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Profit before income tax	932,424	775,379
Adjustments for:		
— Write off of trade receivables (Note 22)	257	37
— Provision/(write back) for impairment		
— Trade receivables (Note 22)	37,340	(2,732)
— Other receivables (Note 22)	—	243
— Inventories (Note 22)	98	—
— Share-based payment (Note 23)	17,628	8,079
— Amortisation of prepaid operating lease payments (Note 6)	583	583
— Depreciation (Note 7)	344,581	343,096
— Net gain on disposals of property, plant and equipment (see below)	(698)	(585)
— Interest income (Note 21)	(45,840)	(25,116)
— Finance costs (Note 24)	7,089	10,219
— Share of losses of a jointly controlled entity	82,678	41,580
— Provision for impairment loss on loan to a jointly controlled entity (Note 10)	22,816	—
Changes in working capital:		
— Unbilled receivables	23,338	17,609
— Amount received from/(paid to) tax authority	183,498	(16,392)
— Inventories	(1,035)	(691)
— Trade and other receivables	(171,318)	181,640
— Loan to a jointly controlled entity (Note 10)	(35,100)	(33,966)
— Other amounts received in advance	(121,788)	159,052
— Other payables and accrued expenses	4,609	(62,104)
— Deferred revenue	(66,656)	114,918
Cash generated from the operations	<u>1,214,504</u>	<u>1,510,849</u>

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Net book amount of disposals (Note 7)	1,565	453
Net gain on disposals (Note 21)	698	585
Proceeds from disposals of property, plant and equipment	<u>2,263</u>	<u>1,038</u>

Non-cash transactions

During the year, there were HK\$36,889,000 (2010: HK\$Nil) non-cash transactions with respect to the purchase of property, plant and equipment from a jointly controlled entity settled by way of offsetting with the loan due to the Group (Note 10).

30 Financial instruments by category**Group**

	Loans and receivables	
	2011	2010
	HK\$'000	HK\$'000
Assets as per consolidated statement of financial position		
Loan to the jointly controlled entity (Note 10)	—	31,649
Trade and other receivables excluding prepayments	348,065	213,643
Cash and cash equivalents (Note 14)	2,266,484	2,286,164
Total	<u>2,614,549</u>	<u>2,531,456</u>

	Financial liabilities at amortised cost	
	2011	2010
	HK\$'000	HK\$'000
Liabilities as per consolidated statement of financial position		
Obligations under finance leases	—	7
Construction payables	36,064	5,930
Other payables and accrued expenses — current	100,506	95,899
Other payables — non-current	2,150	2,106
Total	<u>138,720</u>	<u>103,942</u>

Company

	Loans and receivables	
	2011	2010
	HK\$'000	HK\$'000
Assets as per statement of financial position		
Amount due from a subsidiary	<u>40,473</u>	<u>24,012</u>

	Financial liabilities at amortised cost	
	2011	2010
	HK\$'000	HK\$'000
Liabilities as per statement of financial position		
Other payables and accrued expenses	4,836	4,631

31 Contingencies

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 2011, the total amount of tax assessed by the IR amounted to INR1,745 million or approximately HK\$301 million for the assessment years from 1997-98 to 2008-09. The High Court in New Delhi pronounced orders dated 31 January 2011, 10 March 2011 and 20 December 2011 pertaining to the respective assessment years in favour of the Group for the assessment years from 1997-98 to 2007-08 that revenues earned by the Group are not chargeable to tax in India under the provisions of the Indian Income Tax Act. 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 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.

For the payments of tax and interest totalling INR1,260 million or approximately HK\$221 million previously made by the Group to the IR for the nine assessment years from 1997-98 to 2005-06, the Group has successfully claimed and received the refund of these payments along with interest on the refund in June 2011 following the High Court orders mentioned above. In addition, the Group was granted another tax refund in November 2011 pertaining to the two assessment years from 2006-07 to 2007-08 following the favourable order of the Tax Tribunal in May 2011. However, the IR has withheld a total amount of INR254 million or HK\$38 million to cover the tax assessed for the assessment year 2008-09 which is not covered by the said High Court orders. In this regard, the Group has filed an appeal to the Tax Tribunal against the 2008-09 assessment order and will proceed to claim the tax refund of INR254 million after obtaining a favourable ruling from the Tax Tribunal. The Group has recorded this amount as an asset under "Amount paid to tax authority" on the assumption that it is recoverable as at 31 December 2011.

Management anticipates that the IR may continue assessing the Group for Indian tax for assessment years post 2008-09 until the issues are settled finally by the Supreme Court of India. In late 2011, the IR has filed appeals for the nine assessment years from 1997-98 to 2005-06 before the Supreme Court with respect to the orders of the High Court dated 31

January 2011 and 10 March 2011. The IR's appeal has been admitted by the Supreme Court in January 2012 and the final hearing is estimated to take place in mid 2012. Further, management expects that the IR may also file appeals before the Supreme Court for the assessment years from 2006-07 to 2007-08 by mid 2012. The final decision of the IR's appeals before the Supreme Court may not be known until 2013. Based on the orders 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.

Subsequent to the year end, the 2012 Union Budget of India was presented to the Indian Parliament on 16 March 2012. This Union Budget includes the Finance Bill that proposes several retrospective amendments ("RA") to the Income Tax Act pending for approval by the Indian Parliament scheduled for May 2012. Should the Finance Bill be approved, it may lead to unfavourable consequences to the Group's current tax proceedings in the Indian Courts. Management is currently seeking clarifications from its legal and tax advisors in order to assess the potential exposure to the Group arising from the possible adoption of the new RA. As of the date of approval of these consolidated financial statements, this assessment is not yet complete and the directors consider that the degree of uncertainty with respect to the potential financial impact, if any, on the Group cannot be determined.

Based on the outcome of the High Court's orders and the potential changes in tax laws in India were announced after the balance sheet date, no provision has been recognised for Indian tax in the Group's 2011 consolidated financial statements as in prior years.

32 Commitments — Group

Capital commitments

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
AsiaSat 7		
Contracted but not provided for	76,703	748,205
Authorised but not contracted	9,478	22,932
AsiaSat 6		
Contracted but not provided for	851,424	—
AsiaSat 8		
Contracted but not provided for	881,174	—
Launch services for new satellites		
Authorised but not contracted	889,200	763,230
Other assets		
Contracted but not provided for	36,940	8,958
	<u>2,744,919</u>	<u>1,543,325</u>

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 22.

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Not later than 1 year	10,017	5,644
Later than 1 year and not later than 5 years	<u>13,781</u>	<u>1,089</u>
	<u>23,798</u>	<u>6,733</u>

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\$13,797,000 (2010: HK\$2,542,000).

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Not later than 1 year	17,371	1,973
Later than 1 year and not later than 5 years	<u>28,483</u>	<u>2,673</u>
	<u>45,854</u>	<u>4,646</u>

33 Related party transactions

At 31 December 2011, 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, a subsidiary of the jointly controlled entity which was classified as assets held for sale as at 31 December 2011 (Note 10).

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
CITICSat	189,113	128,478
CITIC Guoan Information Industry Company Limited	—	734
Power Star Limited	<u>35,100</u>	<u>33,966</u>
	<u>224,213</u>	<u>163,178</u>

(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.

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Power Star Limited	<u>7,381</u>	<u>5,846</u>

(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.

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
CITICSat	<u>1,251</u>	<u>11,395</u>

During the year, a refund of HK\$6,982,000 was received from the relevant tax authority for the overpayment of business tax in China for previous years (2010: Nil).

(c) Key management compensation

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	48,673	50,955
Share-based payment	<u>8,463</u>	<u>5,601</u>
	<u>57,136</u>	<u>56,556</u>

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

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
A subsidiary of CITIC	500	500
A subsidiary of GE	<u>550</u>	<u>550</u>
	<u>1,050</u>	<u>1,050</u>

(d) Year end balances arising from these transactions

	<u>2011</u>	<u>2010</u>
	HK\$'000	HK\$'000
Trade receivables from related parties (Note 13):		
CITIC Guoan Information Industry Company Limited	—	734
CITICSat (Note)	<u>90,618</u>	<u>57,983</u>
	<u>90,618</u>	<u>58,717</u>
Other receivables from related parties (Note 13):		
CITICSat	3,317	—
Power Star Limited	<u>1,287</u>	<u>2,384</u>
	<u>4,604</u>	<u>2,384</u>
Loan to a jointly controlled entity:		
Power Star Limited (Note 10)	<u>—</u>	<u>31,649</u>
Payables to related parties:		
CITICSat	<u>—</u>	<u>2,870</u>
Deferred revenue in relation to related parties:		
CITICSat	<u>66,702</u>	<u>51,287</u>

The receivables from and payables to related parties have no fixed terms of repayment. 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 2011, a provision for impairment of HK\$3,000 (2010: HK\$31,000) was recorded and included within the provision as disclosed in Note 13.

34 Events after the reporting period

Save as disclosed in Note 31 to the consolidated financial statements, there have been no other events subsequent to the year end which require adjustment or disclosure in the consolidated financial statements.

3. INDEBTEDNESS

Borrowings

At the close of business on 30 April 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, apart from intra-group liabilities, the Group did not have:—

- (a) any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans;
- (b) any borrowings or indebtedness in the nature of borrowing of the Group or loans, or other similar liabilities, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments;
- (c) any mortgages or charges; and
- (d) any guarantees and, save as disclosed in the paragraph headed “Contingent Liabilities” in this Appendix I, any contingent liabilities.

Contingent Liabilities

As set out in Note 31 to the Company’s audited financial statements for the year ended 31 December 2011 on pages I-55 and I-56 of this Scheme Document, the Group has a tax dispute with Indian Tax Authority. As stated in the Chairman’s statement in the 2011 annual report of the Company, a new Finance Bill (the “**Finance Bill**”) was proposed in India which could have unfavourable consequences for the Group’s current tax proceedings in the Indian Courts.

The Finance Bill was recently passed by the Indian Parliament and was enacted with retrospective effect after presidential assent was given to it. Further details are set out in the paragraph headed “Material Change” below.

Save as disclosed in the section headed “3. INDEBTEDNESS — Borrowings” in this Appendix I, at the close of business on 30 April 2012, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

Save for the change in contingent liabilities as disclosed in the section headed “3. INDEBTEDNESS — Contingent Liabilities” in this Appendix I, the Directors confirmed that there has been no material change in terms of the Group’s contingent liabilities and indebtedness during the period from 22 March 2012 to the Latest Practicable Date.

4. MATERIAL CHANGE

As detailed in the Company's announcement dated 26 April 2012, pursuant to new arrangements between a subsidiary of the Company and independent third party customers in respect of certain existing and new transponder agreements, the Company will suffer a shortfall in annual revenue with effect from the third quarter of 2013, representing approximately 6% of the Group's consolidated revenue for the year ended 31 December 2011.

As announced by the Company in an announcement dated 29 May 2012, the Finance Bill was recently passed by the Indian Parliament and was enacted with retrospective effect after presidential assent was given to it. Under the Indian Income Tax Act (as amended by the Finance Bill), revenues received from the provision of satellite transponder capacity to the Group's customers which carry on business in India or earn income from any source in India ("**Indian sourced**") will be charged tax in India. As the Finance Bill was enacted with retrospective effect, this would result in unfavourable consequences to the Group's current tax proceedings in the Indian Courts where orders in favour of the Group were made in the past. However, the portion of revenue earned by the Group that would be deemed to be Indian sourced is yet to be decided by the Indian Courts and is therefore still uncertain.

The Group is currently seeking clarifications from its legal and tax advisors in order to assess the potential exposure of the above to the Group and is evaluating various options available to it to deal with the issues arising from the retrospective amendments to the Indian Income Tax Act introduced by the Finance Bill.

Based on the latest advice received by the Company from the Company's tax and legal advisers in India, the Company will record a provision which will reflect an appropriately conservative view based on the historical information currently available in respect of potential Indian tax in the Group's forthcoming interim results for the period ending 30 June 2012, notwithstanding that there is an arguable case in the Group's current tax proceedings in the Indian Courts.

There is no certainty that the amount of the provision to be recognised by the Company will be sufficient to cover the ultimate Indian tax exposure of the Group. However, based on the latest information currently available to the Group, the Company believes that the overall impact on the consolidated statements of comprehensive income of the Group in respect of the liability covered by this provision will not be material.

Save as disclosed in this section, the Directors have confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2011, being the date to which the last published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Company, the Offeror and any parties acting in concert with it.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Scheme Document (in relation to the information relating to the Group only) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

2. MARKET PRICES

The Shares are traded on the Stock Exchange.

The table below shows the respective closing prices of the Shares on the Stock Exchange (i) on the last Trading Day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price
	HK\$
31 October 2011	14.80
30 November 2011	15.24
30 December 2011	15.60
31 January 2012	16.52
29 February 2012	18.70
21 March 2012, being the Last Trading Day (<i>Note</i>)	19.00
30 March 2012	19.00
30 April 2012	22.10
31 May 2012	23.15
22 June 2012, being the Latest Practicable Date	20.25

Note: This is the closing price on the Last Trading Day. The Shares were suspended from trading on the Stock Exchange from 9:00 a.m. on 22 March 2012 and resumed trading at 9:00 a.m. on 3 April 2012.

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$23.20 per Share on 28 May 2012 and HK\$14.20 per Share on 4 October 2011, respectively.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares and shares in the Company's associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Number of Shares/underlying Shares held in the Company									
Directors	Long or short position	Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests	Total	% of the issued share capital of the Company
Mr. William WADE.	Long position	409,626	—	—	—	—	—	409,626	0.10
Mr. Peter JACKSON.	Long position	800,264	—	—	—	—	—	800,264	0.20
Mr. James WATKINS.	Long position	50,000	—	—	—	—	—	50,000	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the Chief Executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the Chief Executive of the Company had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company.

(b) Holdings of the securities of the Company

As at the Latest Practicable Date:

- (i) the Offeror and parties acting in concert (including Bowenvale, CITIC, GECC, Mr. William Wade, Mr. Peter Jackson, Ms. Catherine Chang and Mr. Roger Tong) collectively held 292,207,871 Shares and together with the Shares held by the ESAS Trustee under the ESAS, which will be treated as acting in concert with the Offeror in respect of those Shares held by it under the ESAS, held 292,209,008 Shares. Save as disclosed in the sections headed “SHAREHOLDING STRUCTURE OF THE COMPANY” in the Letter from the Board and “8. OTHER EFFECTS OF THE PROPOSAL — Shareholding Structure of the Company” in the Explanatory Statement of this Scheme Document, and save for their interest in the unvested shares under the ESAS and in the initial awards under MIAP disclosed in the sections headed “INFORMATION ON THE OFFERER” in the Letter from the Board and “11. INFORMATION ON THE OFFEROR” in the Explanatory Statement of this Scheme Document, none of the Offeror nor parties acting in concert with the Offeror owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (ii) Mr. William Wade, Ms. Catherine Chang and Mr. Roger Tong, being directors of the MSOT Trustee, held 130,561 Shares, 60,731 Shares and 41,620 Shares, respectively. Save as disclosed above and in the sections headed “SHAREHOLDING STRUCTURE OF THE COMPANY” and “INFORMATION ON THE OFFEROR” in the Letter from the Board, “8. OTHER EFFECTS OF THE PROPOSAL — Shareholding Structure of the Company” in the Explanatory Statement and “3. DISCLOSURE OF INTERESTS — (a) Directors’ interests and short positions in the shares and the shares in the Company’s associated corporations” in Appendix II to this Scheme Document, and save for their interest in the unvested shares under the ESAS and in the initial awards under MIAP disclosed in the sections headed “INFORMATION ON THE OFFERER” in the Letter from the Board and “11. INFORMATION ON THE OFFEROR” in the Explanatory Statement of this Scheme Document, none of the directors of the Offeror were interested in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (iii) none of the Offeror nor any parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company, save for any of the aforesaid which have been either on-lent or sold;
- (iv) no subsidiaries of the Company, pension funds of the Group or advisers of the Company as specified in class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (v) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vi) the Directors (other than Mr. William Wade and Mr. Peter Jackson, who are not Independent Scheme Shareholders and will abstain from voting at the Court Meeting) intend to accept the Proposal in respect of their own holdings in the Shares; and

- (vii) neither the Directors nor the Company had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company save for any borrowed Shares which have been either on-lent or sold.

(c) Dealings in the securities of the Company

- (i) During the Relevant Period:

(A) none of (i) the Offeror, its directors nor any parties acting in concert with the Offeror, nor (ii) persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it, had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

(B) no Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

- (ii) During the period commencing from the Announcement Date and up to the Latest Practicable Date:

(A) no subsidiaries of the Company, pension funds of the Group or advisers of the Company as specified in class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders) had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

(B) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of “associate” in the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

(C) no Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company had been dealt for value.

(d) Interests in the securities of the Offeror

The Company is the sole shareholder of the Offeror. Save for the Company’s interest in the shares of the Offeror and for the interest in MSOT and the MIAP as at the Latest Practicable Date, neither the Directors nor the Company had any other interests in any shares, convertible securities, warrants, options or derivatives of the Offeror.

(e) Dealings in the securities of the Offeror

Save that the Company had subscribed 100 shares in the Offeror for the setting up of the Offeror, during the Relevant Period, neither the Directors nor the Company had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror.

(f) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (i) none of the Offeror nor any parties acting in concert with it had any agreement, arrangement or understanding to transfer, charge or pledge any of the Shares and the Preference Shares acquired pursuant to the Scheme to any other persons;
- (ii) none of the Offeror nor any parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person. The directors of the Offeror and its financial adviser were not aware of any such arrangements between any other associate of the Offeror on one hand and any other person on the other hand;
- (iii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of “associate” in the Takeovers Code;
- (iv) save for the MIAP, no benefit was or would be paid to any Directors as compensation for loss of office or otherwise in connection with the Scheme;
- (v) save for the MIAP as disclosed in the sections headed “INFORMATION ON THE OFFEROR” in the Letter from the Board and “11. INFORMATION ON THE OFFEROR” in the Explanatory Statement of this Scheme Document, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any parties acting in concert with it on one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand, which has any connection with or dependence upon the Scheme;
- (vi) save for the MIAP, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme; and
- (vii) save for the MIAP, no material contract had been entered into by the Offeror or any parties acting in concert with it in which any Director had a material personal interest.

4. INFORMATION REGARDING THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$55,000,000 comprising 550,000,000 Shares; and
- (b) the issued share capital of the Company was HK\$39,119,550 comprising 391,195,500 Shares.

The Company had not issued any Shares since 31 December 2011, being the end of the last financial year of the Company.

Each of the Shares ranks *pari passu* in all respects, including as to dividends, voting rights and capital. As at the Latest Practicable Date, there were no options, warrants or conversion rights affecting the Shares.

5. LITIGATION

Other than the tax proceedings in the Indian courts which can be adversely affected as a result of the new Finance Bill in India which has been passed by the Indian Parliament in May 2012 with retrospective effect (details of which are set out in the section headed “REASONS FOR AND IMPACT OF THE PROPOSAL — Business outlook of the Company” in the Letter from the Board of this Scheme Document), neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries or which the Company or any of its subsidiaries may become a party to as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

No contracts (other than contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by members of the Group within the two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date which are or may be material.

7. SERVICE CONTRACTS

Mr. William Wade, an Executive Director and President and Chief Executive Officer of the Company entered into a service contract with Opco on 1 August 2010 for a term of three years which can be terminated by either party in writing by giving to the other not less than twelve calendar months' notice in writing. Under such service contract, Mr. William Wade is also entitled to a target bonus equivalent to 50% of his annual basic salary based on the achievement of the Company's performance targets and the successful achievement of personal goals. The fixed and the variable remuneration payable under such contract is HK\$4,752,000 and HK\$2,183,000, respectively, (including housing allowance) for the year ended 31 December 2011.

Save as disclosed above, at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (a) which (including both continuous and fixed term contract) had been entered into or amended within six months before the commencement of the Offer Period; (b) which is a continuous contract with a notice period of 12 months or more; or (c) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

8. EXPERTS

The following are the qualifications of the experts who have been named in this Scheme Document:

Name	Qualification
HSBC	a registered institution under the SFO registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Anglo Chinese	a corporation licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (as defined in the SFO)

9. CONSENT

HSBC and Anglo Chinese have given and have not withdrawn their respective written consents to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of their respective letters, reports or opinions as the case may be and references to their names in the form and context in which they respectively appear.

10. GENERAL

- (a) The registered address of MSOT Trustee is situated at Jayla Place, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and its principal place of business is situated at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong.
- (b) The directors of the MSOT Trustee are Mr. William Wade, Mr. Roger Tong and Ms. Catherine Chang.
- (c) The registered address of Bowenvale (a party acting in concert with the Offeror) is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its business address in Hong Kong is situated at Room 2118, Hutchison House, 10 Harcourt Road, Hong Kong.
- (d) The registered address of CITIC (a party acting in concert with the Offeror) is situated at Capital Mansion, 6 Xinyuan Nan Road, Chaoyang District, Beijing 100004, People’s Republic of China and its correspondence address in Hong Kong is situated at Room 2118, Hutchison House, 10 Harcourt Road, Hong Kong.
- (e) The registered address of GECC (a party acting in concert with the Offeror) is situated at 901 Main Avenue, Norwalk, Connecticut 06851, United States of America and its business address in Hong Kong is situated at Suites 3501-3508, 35th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

- (f) The registered address of HSBC is at 1 Queen's Road Central, Hong Kong.
- (g) The English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m., Monday to Friday at (i) the principal office of the Company in Hong Kong at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong; (ii) the website of the Company at www.asiasat.com; and (iii) the website of SFC at www.sfc.hk from the date when this Scheme Document is published until the Effective Date or the date on which the Scheme is withdrawn or lapses, whichever is earliest:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the MSOT Trustee;
- (c) the annual reports containing the audited consolidated financial statements of the Company for each of the three years ended 31 December 2009, 31 December 2010 and 31 December 2011;
- (d) the letter from the Board, the text of which is set out on pages 10 to 31 of this Scheme Document;
- (e) the letter from the IBC to the Independent Scheme Shareholders, the text of which is set out on pages 32 to 33 of this Scheme Document;
- (f) the letter of advice from Anglo Chinese, the text of which is set out on pages 34 to 65 of this Scheme Document;
- (g) the service contract referred to in the section headed "7. SERVICE CONTRACTS" in this Appendix II; and
- (h) the written consents referred to in the section headed "9. CONSENT" in this Appendix II.

THE SCHEME

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
(Commercial Court)

2012: No.222

IN THE MATTER OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

-and-

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981 (AS AMENDED)

SCHEME OF ARRANGEMENT

between

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

and

THE HOLDERS OF THE SCHEME SHARES (as defined herein)

PRELIMINARY

- (A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

“AsiaSat Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Bowenvale”	Bowenvale Limited, a company incorporated in the British Virgin Islands with limited liability and which is jointly and indirectly owned by CITIC and GECC;
“CITIC”	CITIC Group Corporation, an enterprise established and existing under the laws of the People’s Republic of China;
“Companies Act”	The Companies Act 1981 (as amended) of Bermuda;

THE SCHEME

“Company”	Asia Satellite Telecommunications Holdings Limited, an exempted company incorporated in Bermuda with limited liability;
“Court”	the Supreme Court of Bermuda;
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof;
“Effective Date”	the date on which this Scheme becomes effective in accordance with paragraph 6 of this Scheme;
“GECC”	General Electric Capital Corporation, a company incorporated in the state of Delaware, United States of America and a wholly owned subsidiary of General Electric Company;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	22 June 2012 being the latest practicable date prior to despatch of the Scheme Document in which this Scheme is contained for the purposes of ascertaining certain information for inclusion therein;
“New AsiaSat Ordinary Share(s)”	the new ordinary share(s) of HK\$0.10 each in the capital of the Company to be allotted and issued in accordance with paragraph 1(b)(i) of this Scheme;
“New AsiaSat RPS”	the new redeemable preference share(s) of HK\$0.10 each in the capital of the Company to be allotted and issued in accordance with paragraph 1(b)(ii) of this Scheme;
“Offeror”	the Trust and AsiaSat MSOT (PTC) Limited, a private trust company incorporated in the British Virgin Islands, acting in its capacity as the trustee of the Trust;
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme;
“Record Time”	4:30 p.m. (Hong Kong time) on 13 August 2012, or such other time and/or date as shall have been announced to the Shareholders, being the record time and/or date for determining entitlements of scheme Shareholders under the Scheme;
“Register”	the branch and principal registers of members of the Company;

THE SCHEME

“Scheme”	this scheme of arrangement between the Company and the Scheme Shareholders in its present form or with or subject to any modification or addition to it or condition which the Court may approve or impose;
“Scheme Document”	the explanatory document dated 25 June 2012 sent by the Company to the Shareholders in connection with this Scheme;
“Scheme Shareholders”	Shareholders (other than Bowenvale) whose names appear on the Register as at the Record Time;
“Scheme Shares”	all the AsiaSat Shares held by the Scheme Shareholders as at the Record Time;
“Shareholder(s)”	registered holder(s) of AsiaSat Shares;
“Special General Meeting”	a special general meeting of the Company to be held immediately after the Court Meeting to consider and if thought fit, pass all necessary resolutions for the implementation of the Proposal, or any adjournment thereof;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Trust”	Asia Satellite Management Stock Ownership Trust, a trust established under the laws of Hong Kong for the implementation of the Scheme and, following the implementation of the Scheme the operation of the management incentive award plan adopted by the Company on 2 April 2012 for the benefit of certain employees of the Company; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

- (B) The Company was incorporated on 10 May 1996 in Bermuda under the Companies Act with an authorised share capital of HK\$99,999 divided into 999,990 AsiaSat Shares and as at the Latest Practicable Date had an authorised share capital of HK\$55,000,000 divided into 550,000,000 AsiaSat Shares of which 391,195,500 AsiaSat Shares had been issued and were fully paid or credited as fully paid.
- (C) On the Latest Practicable Date the Offeror held no AsiaSat Shares, but Bowenvale was beneficially interested in 291,174,695 AsiaSat Shares.
- (D) In consideration of and exchange for the cancellation and extinguishment of each of the Scheme Shares on the Effective Date, all holders of Scheme Shares shall be entitled to receive HK\$23.50 in cash for every Scheme Share held.

THE SCHEME

- (E) The Offeror and Bowenvale have each agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by them for the purpose of giving effect to this Scheme.
- (F) The primary purpose of this Scheme is that simultaneously on the Effective Date, all the Scheme Shares should be cancelled and extinguished and the New AsiaSat Ordinary Shares and the New AsiaSat RPS be created and issued to the Offeror and, as a result, Bowenvale will hold 291,174,695 Shares (representing 74.43% of the voting rights and 95% of the economic interest of the Company, respectively), and the Offeror (in its capacity as the trustee of the Trust) will hold 84,695,820 New AsiaSat RPS (representing 21.65% of the voting rights of the Company but with no economic interest in the Company prior to a winding-up) and 15,324,985 New AsiaSat Ordinary Shares (representing 3.92% of the voting rights of the Company and a 5% economic interest in the Company, respectively).

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES AND THE CREATION, ALLOTMENT AND ISSUE OF THE NEW ASIASAT SHARES

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect, the entire issued share capital of the Company shall be increased to its former amount by the creation of (i) 15,324,985 New AsiaSat Ordinary Shares, and (ii) 84,695,820 New AsiaSat RPS, being such number of new shares, in aggregate, as is equal to the number of the Scheme Shares; and
 - (c) the Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its share capital referred to in paragraph (a) above in paying up in full at par the 15,324,985 New AsiaSat Ordinary Shares and 84,695,820 New AsiaSat RPS as created under paragraph (b) above which shall be allotted and issued to the Offeror fully paid.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme, the Offeror will pay or cause to be paid to each holder of Scheme Share(s) as appearing in the Register at the Record Time, HK\$23.50 for every Scheme Share held.

THE SCHEME

PART III

GENERAL

3. (a) Not later than seven business days after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register at the Record Time) cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
- (b) Unless indicated otherwise in writing to the branch share registrar of the Company in Hong Kong (being Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:
- (i) in the case of each sole Scheme Shareholder, the registered address of such Scheme Shareholder as appearing in the Register as at the Record Time; or
- (ii) in the case of joint Scheme Shareholders, the registered address as appearing in the Register as at the Record Time of the joint Scheme Shareholder whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company and the Offeror for the moneys expressed to be represented thereby.
- (d) All cheques shall be posted at the risk of the addressee and other persons entitled thereto and the Company, the Offeror and any other persons involved in the Scheme shall not be liable for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled under the terms of this Scheme until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. No payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme.

THE SCHEME

The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror (or any successor company thereto) shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme including accrued interest (if any) subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from the Effective Date, (i) each Scheme Shareholder shall in accordance with the Scheme, cease to have any rights with respect to Scheme Shares, except the right to receive the consideration for the cancellation of the Scheme Shares set out in paragraph 2 of this Scheme; and (ii) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title and every holder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) in respect of its, his or her entire holding of Scheme Shares. Upon the cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
 5. All mandates or other instructions to the Company in force at 9.00 a.m. in Hong Kong on the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions.
 6. This Scheme shall become effective in its entirety as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been delivered to the Registrar of Companies in Bermuda for registration. The compromise and arrangement effected by this Scheme shall apply to all Scheme Shares and be binding on all Scheme Shareholders.
 7. The Company and the Offeror may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.
 8. Unless this Scheme shall have become effective on or before 17 September 2012, (or such later date, if any, as the Offeror and the Company may agree and the Court may allow), this Scheme shall lapse. Any extension to such date shall not be beyond 31 December 2012.

Dated 25 June 2012

NOTICE OF COURT MEETING



ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1135)

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
(Commercial Court)**

2012: No. 222

IN THE MATTER OF ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

-and-

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981 (AS AMENDED)

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 21 June 2012 (the "**Order**") made in the above matter, the Court has directed Asia Satellite Telecommunications Holdings Limited (the "**Company**") to convene a meeting (the "**Court Meeting**") of the Scheme Shareholders (as defined in the Scheme mentioned below), for the purpose of considering and, if thought fit, approving (with or without modification(s)) a scheme of arrangement (the "**Scheme**") proposed to be made between the Company and the Scheme Shareholders and that such Court Meeting will be held at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Wednesday, 18 July 2012 at 9:30 a.m. (Hong Kong time) at which place and time all the Scheme Shareholders are requested to attend.

A copy of the Scheme and a copy of the explanatory statement required to be furnished pursuant to section 100 of the Companies Act of Bermuda are incorporated in the printed document despatched to the Scheme Shareholders (the "**Document**") of which this Notice forms part. A copy of the Document can also be obtained by Scheme Shareholders from the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong Special Administrative Region ("**Hong Kong**") during normal working hours on any day (other than a Saturday, Sunday or public holiday in Hong Kong or Bermuda (as the case may be)).

NOTICE OF COURT MEETING

The Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Court Meeting is enclosed with the Document.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint shareholding.

It is requested that forms appointing proxies be lodged with Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for the Court Meeting, but if the forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting. Completion and return of the form of proxy shall not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting and, in such event, the form of proxy shall be deemed to have been revoked.

By the Order, the Court has appointed Mr. William Wade, a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Court Meeting and the Court has also directed the chairman of the Court Meeting to report the result thereof to the Court.

The Scheme will be subject to the subsequent approval of the Court as set out in the explanatory statement contained in the Document.

Dated this 25 June 2012

Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Attorneys for the Company

NOTICE OF SGM



ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1135)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "Special General Meeting") of shareholders of Asia Satellite Telecommunications Holdings Limited (the "**Company**") will be held at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Wednesday, 18 July 2012 at 10:00 a.m. (or as soon as the Court Meeting (as defined in the Scheme (as defined below), convened by direction of the Supreme Court of Bermuda for the same place and day, shall have been concluded or concluded after any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution.

SPECIAL RESOLUTION

"THAT

- (a) Subject to and immediately upon the scheme of arrangement (the "**Scheme**") between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purposes of identification initialled by the chairman of this meeting, subject to any modification or addition or condition as may be approved or imposed by the Supreme Court of Bermuda becoming effective, the bye-laws of the Company be amended as follows:

(1) Bye-law 1

By adding the following new definitions of "Applicable Law and Regulation", "Applicable Laws", "Applicable Regulatory Requirements", "Court Scheme", "Dispose", "Encumbrance", "Group", "ITAR", "MSOT", "Ordinary Shares", "Plan", "Preference Shares", "Relevant Regulatory Agencies", "Trust Deed" and "Trustee" in the existing Bye-law 1:

"Applicable Law and Regulation" shall mean Applicable Laws and Applicable Regulatory Requirements and including (specifically but without limitation) ITAR;"

"Applicable Laws" shall mean all laws of any relevant jurisdiction in force for the time being and from time to time and (i) applicable to the MSOT or the Trustee (in its capacity as trustee of MSOT) or (ii) applicable to or affecting the Company or the operations or ownership of the Company or the whole or any part or member of the Group;"

NOTICE OF SGM

““Applicable Regulatory Requirements” shall mean all regulatory requirements in force for the time being and from time to time and (i) applicable to the MSOT or the Trustee (in its capacity as trustee of MSOT) or (ii) applicable to or affecting the Company or the operations or ownership of the Company or the whole or any part or member of the Group;”

““Court Scheme” shall mean the Company’s scheme of arrangement effective on or about 13 August 2012;”

““Dispose” shall mean (i) to sell or otherwise dispose of shares in the Company or (ii) to enter into any other arrangement having comparable financial economic effect (and “Disposal” shall be construed accordingly);”

““Encumbrance” shall mean any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal, pledge or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;”

““Group” shall mean the Company and its subsidiaries as defined in section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong);”

““ITAR” shall mean the International Traffic in Arms Regulations promulgated pursuant to the United States Arms Export Control Act of 1976, as amended;”

““MSOT” shall mean the AsiaSat Management Stock Ownership Trust (as the same may be amended from time) as constituted by the Trust Deed;”

““Ordinary Shares” shall mean the ordinary shares of par value HK\$0.10 each, with the rights, preferences and privileges contained in these Bye-laws;”

““Plan” shall mean the AsiaSat Management Incentive Award Plan constituted by the combination of the Trust Deed and the rules governing and applicable to participation in the plan as adopted and varied from time to time;”

““Preference Shares” shall mean the redeemable preference shares of par value HK\$0.10 each, with the rights, preferences and privileges contained in these Bye-laws;”

““Relevant Regulatory Agencies” shall mean the U.S. State Department (or any successor U.S. regulator) and any other agency of any government with jurisdiction over a relevant regulatory issue;”

““Trust Deed” shall mean the trust deed dated 2 April 2012 constituting the MSOT;”

““Trustee” shall mean the trustee of the MSOT for the time being and from time to time acting in that capacity;”

NOTICE OF SGM

By deleting the definitions of “Clearing House”, “associates” and “Listing Rules” in the existing Bye-law 1 in its entirety.

By deleting the definitions of “share” and ““the Company” or “this Company”” in the existing Bye-law 1 in its entirety and substituting with the following definitions:

““share” shall mean a share in the capital of the Company (including the Ordinary Shares and the Preference Shares) and includes stock except where a distinction between stock and shares is expressed or implied;”

““the Company” or “this Company” shall mean Asia Satellite Telecommunications Holdings Limited, an exempted company incorporated under that name in Bermuda on 10 May, 1996;”

By adding the following paragraphs after the paragraph of “References to any Bye-laws by number are to the particular Bye-law of these Bye-laws.”

“Any reference, express or implied, to an enactment or other Applicable Law and Regulation (which includes any relevant legislation or regulation in any jurisdiction) includes references to:

- (i) that enactment or other legislation or regulation as amended, extended or applied by or under any other enactment or legislation (before or after the date of these Bye-laws);
- (ii) any enactment or other legislation or regulation which that enactment or other legislation or regulation re-enacts or replaces (with or without modification); and
- (iii) in the case of any enactment or other legislation, any subordinate legislation made (before or after the date of these Bye-laws) under that enactment or other legislation, as re-enacted, replaced, amended, extended or applied as described in paragraph (i) above, or under any enactment or other legislation referred to in paragraph (ii) above.

Any reference in Bye-law 4B to a document (or any part of that document) includes an amendment or supplement to, or replacement or novation of, that document (or any relevant part of that document).”

(2) **Bye-law 3**

By re-numbering the paragraph (A) of the Bye-laws 3 to paragraph (A1) and adding the words “, provided always that such purchase is effected in accordance with the provisions of the Companies Act and these Bye-laws” after the words “subject to such conditions as it thinks fit” in the last line of the paragraph (A) of the existing Bye-law 3.

NOTICE OF SGM

By adding the following paragraph (A2) and paragraph (A3) after the paragraph (A) of the existing Bye-law 3:

“(A2) The Board may at its discretion authorise the acquisition by the Company of its own shares, to be held as treasury shares, upon such terms as the Board may in its discretion determine, provided always that such acquisition is effected in accordance with the provisions of the Companies Act. The Company shall be entered in the register of members as a shareholder in respect of the shares held by the Company as treasury shares and shall be a shareholder of the Company but subject always to the provisions of the Companies Act and for the avoidance of doubt the Company shall not exercise any rights and shall not enjoy or participate in any of the rights attaching to those shares save as expressly provided for in the Companies Act.

(A3) No purchase by the Company of its own shares may be effected except (in all cases) in compliance with all Applicable Law and Regulation and (specifically) such purchase by the Company (and any resulting change in ownership and/or control) complies with ITAR. Moreover, no purchase by the Company of its own shares shall be effected unless prior thereto notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with such purchase.”

(3) **Bye-law 4**

By adding the words “, provided that such issue is in compliance with all Applicable Law and Regulation and (specifically) such issue by the Company (and any resulting change in ownership and/or control) complies with ITAR” after the words “determine)” in the 7th line of the existing Bye-law 4.

By adding the following Bye-law 4A and Bye-law 4B after the existing Bye-law 4:

“4A. The rights attaching to the Ordinary Shares shall, subject to these Bye-laws, be as follows:

- (a) be entitled to one vote per Ordinary Share;
- (b) be entitled to any and all such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, subject to Bye-law 4B.2 be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

NOTICE OF SGM

4B. The Company's Preference Shares were issued credited as fully paid up pursuant to the Court Scheme effective on or about 13 August 2012. The rights attaching to the Preference Shares shall, subject to these Bye-laws, as follows.

4B.1 As to voting and related matters

- (a) On a poll at any general meeting of the Company the holders of Preference Shares issued and outstanding for the time being shall have one vote in respect of each Preference Share held.
- (b) The voting rights conferred by the Preference Shares shall rank *pari passu* with the voting rights conferred by the Ordinary Shares.
- (c) The Preference Shares and Ordinary Shares shall rank *pari passu* in terms of the procedures and rules for general meetings of the Company and shareholder votes set out in Bye-laws 68 to 72 (General Meetings), Bye-laws 73 to 83 (Proceedings at General Meetings), and Bye-laws 84 to 96 (Vote of Members).
- (d) The Preference Shares and Ordinary Shares are separate classes, but for the purposes of all the Bye-laws referred to in paragraph (c) above, holders of Preference Shares and Ordinary Shares shall be treated as shareholders of equal standing and entitled to attend the same general meeting except in respect of matters that, pursuant to Applicable Law and Regulation and these Bye-laws, require approval by each class of the Company's shareholders.

4B.2 As to capital

On a return of capital on a winding up or otherwise, the assets of the Company available for distribution to its shareholders shall be applied:

- (a) firstly, in repaying to holders of Preference Shares the nominal amount of each Preference Share; and
- (b) thereafter (to the extent of any surplus assets remaining after the payments under subparagraph (a) above), in making payments to and among the holders of the Ordinary Shares rateably according to the nominal amounts of capital paid up or credited as paid up on those Ordinary Shares (and so that the holders of the Preference Shares shall have no right of participation in those assets) and Bye-law 186 shall be interpreted and applied accordingly.

4B.3 As to income and other rights

- (a) Other than on a return of capital pursuant to Bye-law 4B.2(a), a Preference Share shall not confer any right to receive a dividend or other distribution to holders of shares made at any time prior to the Company's winding up.

NOTICE OF SGM

- (b) A Preference Share shall not confer any right to share or participate in any entitlement conferred by the Ordinary Shares including (without limitation) any entitlement of holders of Ordinary Shares to participate in an offer for subscription of further new shares of any class or description.

4B.4 *As to redemption*

- (a) Subject to the following provisions of this Bye-law 4B.4, and provided that prior notice has been given to, and clearance received from, the Relevant Regulatory Agencies, the Company may at any time, on the approval of the shareholders in general meeting, redeem all or any of the Preference Shares for the time being in issue at par value or such other value as the Board may determine.
- (b) In the case of a partial redemption, the number of Preference Shares to be redeemed from each holder shall (if there is more than one holder) be determined by the Board rateably according to the number of Preference Shares held by each holder.
- (c) On each occasion when the Company determines to redeem any Preference Share(s), the Company shall give at least 14 days' notice in writing to the holders of Preference Shares to be redeemed (a **Redemption Notice**). A Redemption Notice shall specify the Preference Shares to be redeemed (**Relevant Preference Shares**), the date when the redemption is to be effective (the **Redemption Date**) and the place at which the certificate for the Relevant Preference Shares is to be presented. Upon service of a Redemption Notice the Relevant Preference Shares shall become due for redemption on the Redemption Date and each holder of Relevant Preference Shares shall become bound to surrender to the Company for cancellation the certificate for the Relevant Preference Shares at the specified location on the Redemption Date.
- (d) On the Redemption Date, subject to the holder of the Relevant Preference Shares duly presenting the certificate for the Relevant Preference Shares at the location specified in the Redemption Notice, the Company shall pay to the holder the redemption monies due on the Relevant Preference Shares redeemed.
- (e) If the holder of the Relevant Preference Shares does not present the certificate for the Relevant Preference Shares at the specified location on the Redemption Date, the Relevant Preference Shares will nevertheless be redeemed, but the Company shall not be obliged to pay the redemption monies until the certificate for the Relevant Preference Shares is duly provided.
- (f) Within 28 days of the date of delivery of the certificate for the Relevant Preference Shares, the Company shall send to the holder of the Relevant Preference Shares a new certificate for any non-redeemed Preference Shares comprised in any certificate surrendered by him.

NOTICE OF SGM

- (g) No redemption of Preference Shares is permissible or effective except (in all cases) in compliance with all Applicable Law and Regulation and (specifically) the redemption (and any resulting change in ownership and/or control) complies with ITAR. Moreover, no redemption of Preference Shares shall be permissible or effective unless prior thereto notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with the proposed redemption.

4B.5 *Capital reorganisations*

- (a) If the Company resolves to divide, consolidate or sub-divide its Ordinary Shares, or to change the denomination of its Ordinary Shares, pursuant to any of the provisions of Bye-law 66(A), the Company shall ensure that an equivalent change or equivalent action shall be made or undertaken to ensure that the nominal value of each Preference Share remains equal to the nominal value of an Ordinary Share and that the voting and economic interests of the Company's shareholders in the Company shall not be affected by such division, consolidation or sub-division.
- (b) If the Company resolves to divide, consolidate or sub-divide its Preference Shares, or to change the denomination of its Preference Shares, pursuant to any of the provisions of Bye-law 66(A), the Company shall ensure that an equivalent change or equivalent action shall be made or undertaken to ensure that the nominal value of each Ordinary Share remains equal to the nominal value of a Preference Share and that the voting and economic interests of the Company's shareholders in the Company shall not be affected by such division, consolidation or sub-division.
- (c) The Company shall effect any alteration of share capital under Bye-law 66(A) in a manner appropriate to achieve the objectives of paragraph (a) above, and shall not effect any alteration in relation to the Ordinary Shares unless the requirements of paragraph (a) above are met, and Bye-law 66 shall be interpreted and applied accordingly.
- (d) No capital reorganisation that would result in a reduction of the percentage voting share of the Preference Shares relative to all outstanding shares shall be permissible or effective unless prior thereto notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with the proposed capital reorganisation.

4B.6 *Variation of rights*

- (a) The issue or creation of new shares with priority over the entitlement attaching to the Preference Shares (and conferred on holders of Preference Shares) by Bye-law 4B.2 to preferential return of capital on winding up, shall be deemed to be a variation of the rights attaching to the Preference Shares requiring special majority approval of the holders of Preference Shares (i.e. passed by a majority of not less than 75% of the vote casted by such holders).

NOTICE OF SGM

- (b) Subject to paragraph (a) above, the rights attaching to the Preference Shares (and conferred upon the holders of Preference Shares) shall not (and shall be deemed not to) be altered or varied in any respect by the creation or issue of further shares ranking *pari passu* therewith or in priority thereto.
- (c) No variation of rights that would result in a reduction of the percentage voting share of the Preference Shares relative to all outstanding shares shall be permissible or effective unless prior thereto notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with the proposed variation of rights.

4B.7 *General Matters*

A Preference Share shall not entitle the holder to participate in the profits or assets of the Company except as expressly stated in these Bye-laws.”

(4) **Bye-law 5**

By adding the words “and Bye-law 4B” after the words “Subject to the Statutes” in the 1st line of the existing Bye-law 5.

(5) **Bye-law 7**

By adding the words “and these Bye-laws” after the words “of issue of the shares of that class) may, subject to the provisions of the Statutes” in the 3rd line of the paragraph (A) of the existing Bye-law 7.

By adding the words “, provided that if the Company shall at any time have only one person holding issued shares of that class, such person present in person or by proxy (or, in the case of a member being a corporation, as the duly authorised representative of such corporation) shall form a quorum for the transaction of business at such separate general meeting held during such time” after the words “a corporation, as the duly authorised representative of such corporation) may demand a poll” in the last line of the paragraph (A) of the existing Bye-law 7.

(6) **Bye-law 8**

By adding the words “, provided that such issue is in compliance with all Applicable Law and Regulation and (specifically) such issue by the Company (and any resulting change in ownership and/or control) complies with ITAR” after the words “resolution shall prescribe” in the last line of the existing Bye-law 8.

(7) **Bye-law 9**

By adding the words “(including the proviso to Bye-law 8)” after the words “of these Bye-laws” in the 4th line of the existing Bye-law 9.

NOTICE OF SGM

(8) Bye-law 10

By deleting the word “The” and replacing therefor the words “Subject to Bye-law 8 above, the” in the 1st line of the existing Bye-law 10.

(9) Bye-law 12

By adding the words “and provided that such disposal is in compliance with all Applicable Law and Regulation and (specifically) such issue by the Company (and any resulting change in ownership and/or control) complies with ITAR” after the words “no shares shall be issued at a discount” in the 5th line of the existing Bye-law 12.

By adding the words “and these Bye-laws” after the words “shares, comply with the provisions of the Statutes” in the 6th line of the existing Bye-law 12.

(10) Bye-law 14

By adding the words “and except for MSOT” after the words “law or as ordered by a court of competent jurisdiction” in the 2nd line of the existing Bye-law 14.

By adding the following Bye-law 14A after the existing Bye-law 14:

“14A.(A) Subject to the provisions of these Bye-laws, any shares of the Company held by the Company as treasury shares shall be at the disposal of the Board, which may hold all or any of the shares, dispose of or transfer all or any of the shares for cash or other consideration, or cancel all or any of the shares.

14A. (B) No disposal or transfer by the Company of shares of the Company may be effected except (in all cases) in compliance with all Applicable Law and Regulation and (specifically) such disposal or transfer by the Company (and any resulting change in ownership and/or control) complies with ITAR. Moreover, no disposal or transfer by the Company of shares of the Company shall be effected unless prior thereto notice has been given to, and clearance received from, the Relevant Regulatory Agencies to proceed with such disposal or transfer.”

(11) Bye-law 15

By deleting the words “and, while the issued share capital of the Company is, with the consent of the Board, listed on any stock exchange in Hong Kong, the Company shall keep a branch register in Hong Kong” after the words “members at such location outside Bermuda as the Board thinks fit” in the 3rd line of the paragraph (B) of the existing Bye-law 15.

(12) Bye-law 16

By deleting the words “or, if he shall so request, upon payment of a fee (not exceeding in the case of any share capital listed on a stock exchange in Hong Kong, the maximum

NOTICE OF SGM

amount prescribed or permitted from time to time by such stock exchange, and, in the case of any other share capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant register is situate, or otherwise in each case such other sum as the Board may from time to time determine) for every certificate after the first as the Board shall from time to time determine, such number of certificates for shares in stock exchange board lots (if any) or multiples thereof as he shall request and one for the balance (if any) of the shares in question” after the word “shares” in the 4th line of the existing Bye-law 16.

(13) Bye-law 20

By deleting the words “(not exceeding, in the case of any share capital listed on a stock exchange in Hong Kong, the maximum amount prescribed or permitted from time to time by such stock exchange, and, in the case of any other share capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant register is situate, or otherwise in each case such other sum as the Board may from time to time determine)” after the words “issued in lieu upon payment of such fee” in the 3rd line of the paragraph (A) of the existing Bye-law 20.

By deleting the words “(not exceeding, in the case of any share capital listed on a stock exchange in Hong Kong, the maximum amount prescribed or permitted from time to time by such stock exchange, and, in the case of any other share capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant register is situate, or otherwise in each case such other sum as the Board may from time to time determine)” after the words “it thinks fit, comply with such request subject to the payment of such sum” in the 4th line of the paragraph (B) of the existing Bye-law 20.

(14) Bye-law 21

By deleting the words “in the case of any share capital listed on a stock exchange in Hong Kong, the maximum amount prescribed or permitted from time to time by such stock exchange, and, in the case of any other capital,” after the words “payment of such fee, if any, not exceeding,” in the 2nd line of the existing Bye-law 21.

(15) Bye-law 23

By deleting the word “The” and replacing therefor the words “Subject to due compliance with all Applicable Law and Regulation and (specifically) compliance with ITAR, the” in the 1st line of the existing Bye-law 23.

(16) Bye-law 25

By adding the words “(for the avoidance of doubt excluding the Company in respect of any nil or partly paid shares held by the Company as treasury shares)” after the word “members” in the 2nd line of the existing Bye-law 25.

NOTICE OF SGM

(17) **Bye-law 26**

By adding the words “A call may be revoked or postponed as the Board may determine.” after the words “place of payment and to whom such call shall be paid.” in the last line of the existing Bye-law 26.

(18) **Bye-law 28**

By deleting the existing Bye-law 28 in its entirety and replacing it with the word “Deleted”.

(19) **Bye-law 38**

By adding the words “and these Bye-laws and provided that the transfer is in compliance with all Applicable Law and Regulation including ITAR” after the words “Subject to the Statutes” in the 1st line of the existing Bye-law 38.

(20) **Bye-law 42**

By deleting the words “in the case of any share capital listed on a stock exchange in Hong Kong, the maximum amount prescribed or permitted from time to time by such stock exchange, and, in the case of any other share capital,” after the words “a fee not exceeding,” in the 1st line of the paragraph (i) of the existing Bye-law 42.

By deleting the word “and” after the words “where applicable, the instrument of transfer is properly stamped;” of the paragraph (v) of the existing Bye-law 42.

By adding the word “; and” after the words “respect thereto has been obtained” in the 2nd line of the paragraph (vi) of the existing Bye-law 42.

By adding the following paragraph (vii) after the paragraph (vi) of the existing Bye-law 42:

“(vii) such transfer is in compliance with all Applicable Law and Regulation and (specifically) complies with ITAR”

(21) **Bye-law 53**

By adding the words “, provided that such forfeiture is in compliance with all Applicable Law and Regulation and (specifically) such forfeiture by the Company (and any resulting change in ownership and/or control) complies with ITAR” after the words “that effect” in the 4th line of the existing Bye-law 53.

By deleting the word “The” and replacing therefor the words “Subject to the compliance with the requirements set out in this Bye-law 53 above, the” in the 5th line of the existing Bye-law 53.

NOTICE OF SGM

(22) **Bye-law 54**

By adding the words “, provided that such sale or disposition is in compliance with all Applicable Law and Regulation and (specifically) such sale or disposition by the Company (and any resulting change in ownership and/or control) complies with ITAR” after the words “as the Board thinks fit” in the last line of the existing Bye-law 54.

(23) **Bye-law 56**

By deleting the word “The” and replacing therefor the words “Subject to the compliance with the requirements set out in Bye-law 54 above, the” in the 4th line of the existing Bye-law 56.

(24) **Bye-law 58**

By adding the words “, provided that such cancellation is also in compliance with all Applicable Law and Regulation and (specifically) such cancellation by the Company (and any resulting change in ownership and/or control) also complies with ITAR” after the words “incurred in respect of the share, and upon such further terms (if any) as it thinks fit” in the last line of the existing Bye-law 58.

(25) **Bye-law 63**

By deleting the word “The” and replacing therefor the words “Subject to due compliance with all Applicable Law and Regulation and (specifically) with ITAR, the” in the 1st line of the existing Bye-law 63.

(26) **Bye-law 66**

By deleting the word “The” and replacing therefor the words “Subject to due compliance with all Applicable Law and Regulation and (specifically) with ITAR, the” in the 1st line of the paragraph (A) of the existing Bye-law 66.

By deleting the word “The” and replacing therefor the words “Subject to due compliance with all Applicable Law and Regulation and (specifically) with ITAR, the” in the 1st line of the paragraph (B) of the existing Bye-law 66.

(27) **Bye-law 74**

By deleting the word “For” and replacing therefor the words “Subject to Bye-law 75, for” in the 1st line of the existing Bye-law 74.

By deleting the words “or, in the case of a member which is a clearing house (or its nominee), by proxy” after the words “representative)” in the 3rd line of the existing Bye-law 74.

NOTICE OF SGM

(28) Bye-law 75

By adding the words “If a quorum is not present at the adjourned meeting, the shareholder or shareholders present at such adjourned meeting shall for all purposes, be deemed to form a quorum provided that:” after the words “and place as shall be decided by the Board.” in the last line of the existing Bye-law 75.

By adding the following paragraph (a) and paragraph (b) after the existing Bye-law 75:

- “(a) prior notice has been given to, and clearance (if any such clearance is required by ITAR or the U.S. State Department) is received from ITAR or the U.S. State Department (or any successor U.S. regulator or relevant agency of the U.S. State Department) to proceed with the matter(s) to be resolved at the adjourned meeting; and
- (b) the shareholder or shareholders present at the adjourned meeting hold in aggregate, no less than two-thirds of the total issued voting shares in the Company.”

(29) Bye-law 78

By deleting the paragraph (ii) of the existing Bye-law 78 in its entirety and replacing it with the word “Deleted”.

(30) Bye-law 83

By adding the word “Companies” after the words “Subject to the” in the 1st line of the existing Bye-law 83.

(31) Bye-law 85

By deleting the words “or (being a proxy or proxies appointed by a member of the Company which is a clearing house or its nominee) is represented by one or more proxies” after the words “present by a representative duly authorised under Section 78 of the Companies Act” in the 4th line of the existing Bye-law 85.

(32) Bye-law 85A

By deleting the existing Bye-law 85A in its entirety and replacing it with the word “Deleted”.

(33) Bye-law 90

By deleting the words “A proxy or proxies appointed by a member of the Company which is a clearing house (or its nominee) shall be entitled to vote on a show of hands and generally

NOTICE OF SGM

to exercise the same powers on behalf of the member for which it acts as proxy as such member could exercise (and, in cases where such member is a corporation, as such member could exercise if it were an individual)." after the words "same occasion." in the 5th line of the paragraph (A) of the existing Bye-law 90.

(34) **Bye-law 96**

By deleting the paragraph (B) of the existing Bye-law 96 in its entirety and replacing it with the word "Deleted".

(35) **Bye-law 99**

By deleting the word "Subjects" and replacing therefor the word "Subject" in the 1st line of the existing Bye-law 99.

(36) **Bye-law 117**

By deleting the existing Bye-law 117 in its entirety and replacing it with the word "Deleted".

(37) **Bye-law 134**

By adding the word "not" after the words "of votes, and in case of an equality of votes the Chairman shall" in the 2nd line of the existing Bye-law 134.

(38) **Bye-law 177**

By deleting the words "or (in the case of a notice) by advertisement in English in a leading English language daily newspaper and (if the Relevant Territory is Hong Kong) in Chinese in a leading Chinese language daily newspaper circulating in the Relevant Territory" and replacing therefor the words "by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such member to the Company for such purpose; or by delivering it in accordance with the provisions of the Companies Act (including those pertaining to delivery of electronic records by publication on a website)" in the 5th line of the existing Bye-law 177.

(39) **Bye-law 178**

By deleting the existing Bye-law 178 in its entirety and replacing it with the word "Deleted".

(40) **Bye-law 179**

By adding the words "Any notice delivered by electronic means shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission. Any notice delivered by publication on a website in accordance with the

NOTICE OF SGM

Companies Act shall be deemed to have been delivered at the time when the requirements of the Companies Act in that regard have been met.” after the words “notice was so addressed and posted shall be conclusive evidence thereof.” in the last line of the existing Bye-law 179.

(41) Bye-law 186

By deleting the words “members in proportion to the aggregate nominal value of the shares held by them respectively” and replacing therefor the words “holders of the Ordinary Shares in accordance with Bye-law 4B above” in the 2nd line of the existing Bye-law 186.

(42) Bye-law 187

By adding the words “The winding up and liquidation shall be conducted in accordance with International Traffic in Arms Regulations (ITAR - 22 C.F.R. Chapter I, Subchapter M, Parts 120-130) or successor laws and regulations, including requirements for prior notification and approval of changes in end-user or end-use, and the requirement that ITAR-controlled defense articles or defense services (i.e., technology) of the Company must not be owned or controlled by ineligible persons. To the extent that the winding up or liquidation fails to meet these requirements, the Company will not be eligible for U.S. State Department licenses or agreements and current licenses or agreements will be revoked.” after the words “other assets upon which there is a liability.” in the last line of the existing Bye-law 187.

(43) Bye-law 190 and Bye-law 191

By adding the following Bye-law 190 and Bye-law 191 after the existing Bye-law 189:

”Adoption of incentive plans

190. Subject to due compliance with all Applicable Law and Regulation and (specifically) with ITAR, the Board may, by resolution, adopt any incentive award plan to retain and incentivise the Company’s or Group’s employees. Subject to due compliance with all Applicable Law and Regulation and (specifically) with ITAR, the Company may, by ordinary resolution, replace or amend any incentive award plan to retain and incentivise the Company’s or Group’s employees.

Plan Limits

191. The Company shall ensure that, at all times, awards outstanding under the Plan (or any other replacement management incentive award plan as approved by the Board) shall be deemed to be allocated to not less than 1% of the Company’s issued Ordinary Shares from time to time.”

NOTICE OF SGM

- (b) for the purpose of giving effect to the Scheme on the Effective Date (as defined in the Scheme):
- (i) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of share capital taking effect, the issued share capital of the Company shall be increased by the issue of 15,324,985 ordinary shares and 84,695,820 preference shares of HK\$0.10 each in the share capital of the Company; and
 - (iii) the Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its share capital referred to in sub-paragraph (i) above in paying up in full at par the 15,324,985 new shares and 84,695,820 new preference shares of the Company as considered under sub-paragraph 1(b) above, which shall be allotted and issued to the Offeror (as defined in the Scheme) credited as fully paid (as defined in the Scheme).
- (c) the directors of the Company be authorised to do all acts and things necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Supreme Court of Bermuda may see fit to impose.”

By Order of the Board
Sue YEUNG
Company Secretary

Hong Kong, 25 June 2012

Principal Office in Hong Kong:
19th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

- (a) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (b) To be valid, a proxy form must be delivered to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 10:00 a.m. on Monday, 16 July 2012. If a proxy form is signed under a power of attorney, the power of attorney or other authority relied on to sign (or a copy which has been certified by a notary or an office copy) must be delivered to the Company's registrar with the proxy form, except that the power of attorney which has already been registered with the Company need not be so delivered. Proxy forms sent electronically or by any other data transmission process will not be accepted. **Completion and return of a proxy form will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he so wish.**

NOTICE OF SGM

- (c) The register of members of the Company in Hong Kong and Bermuda will be closed from Monday, 16 July 2012 to Wednesday, 18 July 2012 (both days inclusive), during which period no transfer of shares in the Company will be allowed. In order to ascertain shareholders' rights for the purpose of attending and voting at the Special General Meeting, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 13 July 2012.