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2017 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017.

This interim result has been reviewed by the Company's Audit and Risk Management Committee and independent auditors.

INTERIM RESULTS

For the first half year of 2017, the Group's revenue amounted to HK\$598,881,000 (six months ended 30 June 2016: HK\$603,467,000), representing 0.8% decrease as compared with corresponding period in the previous financial year. Profit attributable to equity shareholders amounted to HK\$241,951,000 (six months ended 30 June 2016: HK\$242,120,000) representing 0.1% decrease as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were HK25.99 cents (six months ended 30 June 2016: HK25.96 cents).

For the first half year of 2017, the Group's satellites maintained relatively high utilisation rates. The Group recorded a slight decrease in revenue during the first half year. However, due to oversupply of transponders in the market, the Group continued to sustain transponder price downward pressure. The increase of loss on changes in fair value of financial instruments for the period has also led to a slight decrease in profit attributable to equity shareholders.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.50 cents per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK3.50 cents per ordinary share). The details of interim dividend of the Group are set out in note 6 of this announcement.

The interim dividend will be paid on or about Thursday, 19 October 2017 to shareholders whose names appear on the register of members at the close of business on Tuesday, 3 October 2017.

* For identification purpose only

BUSINESS REVIEW

In-Orbit Satellites

During the first half year of 2017, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continue to provide reliable and high quality services to the Group's customers. As at 30 June 2017, the total transponder utilisation rate of the Group's satellites was 67.4%, representing a decrease of 2.1 percentage points as compared with the total transponder utilisation rate at the end of 2016.

The Group's in-orbit satellites, namely, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9, have integrated to form the super wide and strong satellite service capability provided to Asia, Australia, Middle East, Africa, Europe, and the Pacific region, covering more than 75% of the world's population.

APSTAR-5 Satellite

APSTAR-5, positioned at 138 degree East geostationary orbital slot, with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group holds 20 C-band transponders and 9 Ku-band transponders of this satellite. The Group has commissioned APSTAR-5C as the replacement satellite programme for APSTAR-5.

APSTAR-6 Satellite

APSTAR-6, positioned at 134 degree East geostationary orbital slot, is equipped with 38 C-band transponders and 12 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group has commissioned APSTAR-6C as the replacement satellite programme for APSTAR-6.

APSTAR-7 Satellite

APSTAR-7, positioned at 76.5 degree East geostationary orbital slot, is equipped with 28 C-band transponders and 28 Ku-band transponders with footprints covering the regions in Asia Pacific region, Middle East, Africa and Europe.

APSTAR-9 Satellite

APSTAR-9, positioned at 142 degree East geostationary orbital slot, is equipped with 32 C-band transponders and 14 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii.

Future Satellites

APSTAR-5C Satellite

On 23 December 2015, APT Satellite Company Limited (“APT HK”), a wholly-owned subsidiary of the Group, entered into a Satellite Transponder Agreement with Telesat International Limited, a wholly-owned subsidiary of Telesat Canada, in relation to the whole lifetime leasing of approximately 36,204 transponders representing approximately 57.47% of the total transponders capacities on APSTAR-5C.

APSTAR-5C is the replacement satellite for APSTAR-5. It is important for the Group to develop and launch APSTAR-5C, in replacing the in-orbit satellite APSTAR-5, for the continuity of the business and sustaining reliable services to existing APSTAR-5 customers. APSTAR-5C is scheduled to replace APSTAR-5 in the second half of 2018, which will carry additional transponders in expanded coverages, including satellite payload with regional high throughput capacities to satisfy future market demand so as to maintain the competitive edge of the Group.

APSTAR-6C Satellite

On 17 October 2015, APT HK entered into a Satellite Contract with China Great Wall Industry (Hong Kong) Corp. Limited, a wholly-owned subsidiary of China Great Wall Industry Corporation, including the manufacturing, launching and delivery of APSTAR-6C. The satellite, which is based on a DFH-4 series platform having 26 C-band transponders, 19 Ku-band/Ka-band transponders, is a high power geostationary communications satellite. APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the first half of 2018.

APSTAR-6D Satellite

The Group has been actively looking for opportunities to improve the Group’s market competitiveness. On 23 July 2016 and 12 August 2016, the Group entered into an investors’ agreement and a supplemental agreement respectively with the Chinese investors to jointly develop the high-throughput satellite business in Asia Pacific region and Mainland China. The Group committed to invest RMB600 million in the joint project, which represents 30% interest in the joint project. APSTAR-6D project is an advanced broadband satellite communication system in China and adjacent region, and is scheduled to be launched in 2019.

The Group develops and launches new satellites built with the latest advanced technology and versatile footprint coverage to replace the existing satellite in order to maintain business continuity of the Group’s customers and to enhance its edge in market competition over the region and to tap business growth with both conventional and high throughput transponder capacities.

Transponder Lease Services

During the first half year of 2017, amid the fierce market competition due to oversupply situation in transponder market has resulted in the significant pressure in the transponder utilisation rate and the transponder lease price. As at 30 June 2017, the Group's satellites overall average transponder utilisation rate achieved 67.4% representing approximately a decrease of 2.1 percentage points and the revenue of core business decreased by 0.7%. The Group has maintained satisfactorily high utilisation rates which ensure promising contribution for continuous profitability.

Satellite TV Broadcasting and Uplink Services, Satellite-based Telecommunication Services and Data Centre Services

With the Non-domestic Television Programme Service Licence, the Unified Carrier Licence and the satellite earth station facilities and data centre facilities, the Group will continue to expand the scope of services and provide customers with satellite TV broadcasting and uplink services, satellite telecommunication services and data centre services, to achieve excellent synergic effects.

BUSINESS PROSPECTS

Looking forward to the whole year of 2017, the oversupply situation of the global transponder market will continue. The market competition of the satellite industry will be fierce and subject to price downward pressure. Nevertheless, the transponder utilisation rates of the Group's satellites, APSTAR-5, APSTAR-6, APSTAR-7, and APSTAR-9, as the premium satellite resources, will continue to be at satisfactorily high level, which will strengthen the Group's ability of sustained and stable growth.

FINANCE

As at 30 June 2017, the Group's financial position remains very strong. Please refer to financial section for detailed analysis.

CORPORATE GOVERNANCE

The Group commits to a high standard of corporate governance especially in internal control and compliance; adheres to the business code of ethics, which are applicable to all directors, senior management, and all employees; implements whistleblower protection policy, as well as advocates environmental awareness.

FINANCIAL REVIEW

As at 30 June 2017, the Group's financial position remains very strong. The table below sets out the financial performance for the six-month periods ended 30 June 2017 and 30 June 2016:

Financial Highlights

	Six months ended 30 June		Change
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	
Revenue	598,881	603,467	-0.8%
Gross profit	363,495	357,413	+1.7%
Profit before taxation	299,764	297,092	+0.9%
Profit attributable to shareholders	241,951	242,120	-0.1%
Basic earnings per share (<i>HK cents</i>)	25.99	25.96	+0.1%
EBITDA (<i>note 1</i>)	505,086	499,159	+1.2%
EBITDA Margin (%)	84.3%	82.7%	+1.6 percentage points
	At	At	
	30 June	31 December	
	2017	2016	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total cash and bank balance	722,613	802,982	-10.0%
Total assets	6,872,613	6,463,035	+6.3%
Total liabilities	1,817,632	1,613,841	+12.6%
Net assets per share (<i>HK\$</i>)	5.43	5.20	+4.4%
Gearing ratio (%)	26.4%	25.0%	+1.4 percentage points
Liquidity ratio	2.18 times	2.86 times	-0.68 times

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation.

Revenue

	Six months ended 30 June		Change
	2017	2016	
	HK\$'000	HK\$'000	
Income from provision of satellite transponder capacity and related services	580,575	584,577	-0.7%
Income from provision of satellite-based broadcasting and telecommunications services	12,527	9,749	+28.5%
Service income	5,779	9,141	-36.8%
Total	598,881	603,467	-0.8%

For the first half year of 2017, the Group's revenue amounted to HK\$598,881,000 (six months ended 30 June 2016: HK\$603,467,000), representing 0.8% decrease as compared with the corresponding period in the previous financial year. The increase in gross profit was mainly due to the decrease in in-orbit insurance of APSTAR-9. The profit attributable to shareholders decreased by 0.1% to HK\$241,951,000. The decrease was mainly due to the recognition of loss on changes in fair value of financial instruments of HK\$11,474,000 as compared with loss on changes in fair value of financial instruments of HK\$4,249,000 in the same period of last year.

Other net income

	Six months ended 30 June		Change
	2017	2016	
	HK\$'000	HK\$'000	
Interest income on bank deposits and other interest income	5,264	8,096	-35.0%
Foreign currencies exchange loss	(812)	(5,030)	-83.9%
Rental income in respect of properties	624	619	+0.8%
Other service income	-	1,722	-100%
Other income	500	1,323	-62.2%
Reversal of impairment loss on trade and other receivables recognised, net	-	5,331	-100%
Total	5,576	12,061	-53.8%

Total other net income for the period ended 30 June 2017 decreased by 53.8% to HK\$5,576,000. The decrease was mainly because during the period ended 30 June 2016, the Group has credited a net reversal of impairment loss on trade and other receivables of HK\$5,331,000.

Finance costs

There was no finance costs recognised during the period ended 30 June 2017, as compared to finance costs of HK\$9,286,000 for the same period of last year. The decrease was primarily due to the finance costs of HK\$6,894,000 capitalised for payment in respect of APSTAR-5C and APSTAR-6C during the period.

Fair value changes on financial instrument designated at fair value through profit or loss

Based on the market price as at 30 June 2017, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$12,465,000, with fair value loss of HK\$11,474,000 recognised in profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 13 of this announcement.

Income tax

Income tax expenses for the period ended 30 June 2017 increased to HK\$57,813,000, as compared to HK\$54,972,000 for the same period of last year. The increase was mainly due to the increase in provision for Hong Kong Profits Tax for the current period. The details of income tax of the Group are set out in note 5 of this announcement.

EBITDA

As a result of the decrease in cost of services, EBITDA for the period ended 30 June 2017 increased by 1.2% to HK\$505,086,000, with the margin increased from 82.7% to 84.3%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK\$253,082,000 (six months ended 30 June 2016: HK\$216,125,000). The capital expenditure was mainly for the payment for the construction of the APSTAR-6C, the payment of leasehold improvements and addition of equipments. The above capital expenditures were financed by internally-generated funds, cash flows from operating activities and borrowings from banks.

On 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate amount of US\$215,600,000 (equivalent to HK\$1,681,680,000) (the “2016 Facility”). The 2016 Facility comprises three components, including term loan facilities of up to US\$130,000,000 (equivalent to HK\$1,014,000,000) (the “Term Loan Facility”), revolving loan facility of up to US\$70,000,000 (equivalent to HK\$546,000,000) and a facility of up to US\$15,600,000 (equivalent to HK\$121,680,000) on certain commercial arrangements. The 2016 Facility is to be applied to finance the operation of APT HK including but not limited to the repayment of its existing bank borrowings, the procurement of satellites, the launch services of the satellites and the working capital in relation to such projects. The 2016 Facility is secured by the insurance claim proceeds relating to APSTAR-6C. At 30 June 2017, US\$71,602,000 (equivalent to HK\$558,496,000) (31 December 2016: US\$65,302,000 (equivalent to HK\$509,356,000)) has been drawn down against the Term Loan Facility under the 2016 Facility. The Term Loan Facility is repayable by way of seven semi-annual instalments commencing from the 24th month after the Term Loan Facility was first drawdown.

In addition, on 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US\$10,000,000 (equivalent to HK\$78,000,000). At 30 June 2017, US\$10,000,000 (equivalent to HK\$78,000,000) (31 December 2016: US\$10,000,000 (equivalent to HK\$78,000,000)) has been drawn down against the facility. The facility is repayable within one year from the date of drawdown of the facility.

As at 30 June 2017, the total borrowings (net of unamortised finance cost) amounted to approximately HK\$632,062,000 (31 December 2016: approximately HK\$582,241,000). The Group recorded an increase of approximately HK\$49,821,000 in the total borrowings during the period ended 30 June 2017, which were due to the increase of borrowing amount.

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

Term of repayment	HK\$
Repayable within one year or on demand	89,170,000
Repayable after one year but within five years	542,892,000
	<u>632,062,000</u>

As at 30 June 2017, the Group’s total liabilities were HK\$1,817,632,000, an increase of HK\$203,791,000 as compared to 31 December 2016, mainly due to the increase of bank loan with regards to the Term Loan Facility. The gearing ratio (total liabilities/total assets) has increased to 26.4%, representing a 1.4 percentage points increase as compared to 31 December 2016.

For the period ended 30 June 2017, the Group recorded a net cash inflow of HK\$72,971,000 (six months ended 30 June 2016: outflow of HK\$167,550,000) which included net cash inflow of HK\$245,317,000 generated from operating activities. This was offset by net cash outflow of HK\$167,778,000 used in investing activities and HK\$4,568,000 used in financing activities.

As at 30 June 2017, the Group has approximately HK\$722,613,000 of cash and bank deposits, 94.5% of which were denominated in United States Dollar, 4.7% in Renminbi and 0.8% in Hong Kong Dollar and other currencies which comprising HK\$327,153,000 cash and cash equivalents and HK\$395,460,000 bank deposits with original maturity beyond 3 months. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming few years.

Capital structure

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

Foreign exchange exposure

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated against the Hong Kong Dollar during the period ended 30 June 2017.

Interest rate exposure

In respect of the Group's cash flow exposure to interest rate risk arising primarily from long-term borrowings at floating London Inter-Bank Offered Rate ("LIBOR rate") the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks during the period.

Charges on group assets

As at 30 June 2017, no pledged bank deposits relating to commercial arrangements have been made during the period (31 December 2016: HK\$39,000).

As at 30 June 2017, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately HK\$3,433,000 (31 December 2016: HK\$3,491,000).

Capital commitments

As at 30 June 2017, the Group has outstanding capital commitments mainly related to APSTAR-5C, APSTAR-6C and investment in an associate which is not provided for in the Group's financial statements. Among which HK\$194,667,000 (31 December 2016: HK\$194,667,000) commitments were authorised but not contracted for and HK\$1,240,499,000 (31 December 2016: HK\$1,780,815,000) was contracted for.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 19 of this announcement.

Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 20 of this announcement.

FINANCIAL HIGHLIGHTS

Unaudited consolidated statement of profit or loss

For the six months ended 30 June 2017

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2017	2016
	Note	\$'000	\$'000
Revenue	3	598,881	603,467
Cost of services		<u>(235,386)</u>	<u>(246,054)</u>
Gross profit		363,495	357,413
Other net income	4(a)	5,576	12,061
Valuation gain/(loss) on investment properties	9	530	(310)
Administrative expenses		<u>(58,357)</u>	<u>(58,537)</u>
Profit from operations		311,244	310,627
Fair value changes on financial instrument designated at fair value through profit or loss	13	(11,474)	(4,249)
Finance costs	4(b)	–	(9,286)
Share of loss of an associate		<u>(6)</u>	<u>–</u>
Profit before taxation	4	299,764	297,092
Income tax	5	<u>(57,813)</u>	<u>(54,972)</u>
Profit for the period and attributable to equity shareholders of the Company		<u>241,951</u>	<u>242,120</u>
Earnings per share	7		
Basic and diluted		<u>25.99 cents</u>	<u>25.96 cents</u>

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2017

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Profit for the period	241,951	242,120
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss	–	–
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	11,115	(261)
	11,115	(261)
Other comprehensive income for the period	11,115	(261)
Total comprehensive income for the period	253,066	241,859

Unaudited consolidated statement of financial position

At 30 June 2017

(Expressed in Hong Kong dollars)

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	8	4,448,228	4,395,237
Investment properties	9	11,216	10,686
Intangible asset	10	133,585	133,585
Interest in a joint venture		490	490
Interest in an associate	11	345,481	167,509
Club memberships		380	380
Prepaid expenses	12	903,533	768,897
Deferred tax assets		417	325
		<u>5,843,330</u>	<u>5,477,109</u>
Current assets			
Financial assets at fair value			
through profit or loss	13	12,465	23,939
Trade receivables, net	14	257,777	127,170
Deposits, prepayments and other receivables	12	36,428	31,835
Pledged bank deposits	15	–	39
Bank deposits with original maturity			
beyond 3 months		395,460	549,390
Cash and cash equivalents		327,153	253,553
		<u>1,029,283</u>	<u>985,926</u>
Current liabilities			
Payables and accrued charges	16	179,558	105,424
Rentals received in advance		104,793	99,333
Secured bank borrowings due within one year	17	89,170	78,000
Current taxation		99,066	61,620
		<u>472,587</u>	<u>344,377</u>
Net current assets		<u>556,696</u>	<u>641,549</u>
Total assets less current liabilities			
 carried forward		<u>6,400,026</u>	<u>6,118,658</u>

Unaudited consolidated statement of financial position (continued)

At 30 June 2017

(Expressed in Hong Kong dollars)

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
Total assets less current liabilities brought forward		6,400,026	6,118,658
Non-current liabilities			
Secured bank borrowings due after one year	17	542,892	504,241
Deposits received		80,654	78,619
Deferred income		106,250	89,658
Deferred tax liabilities		615,249	596,946
		1,345,045	1,269,464
Net assets		5,054,981	4,849,194
Capital and reserves			
Share capital	18	93,081	93,101
Share premium		1,235,362	1,236,081
Contributed surplus		511,000	511,000
Revaluation reserve		4,017	4,017
Exchange reserve		4,151	(6,964)
Other reserves		442	442
Accumulated profits		3,206,928	3,011,517
Total equity		5,054,981	4,849,194

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2017

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Revaluation reserve \$'000	Exchange reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Balance at 1 January 2016	93,271	1,242,722	511,000	4,017	1,723	442	2,597,190	4,450,365
Changes in equity for the six months ended 30 June 2016:								
Profit for the period	-	-	-	-	-	-	242,120	242,120
Other comprehensive income	-	-	-	-	(261)	-	-	(261)
Total comprehensive income	-	-	-	-	(261)	-	242,120	241,859
Dividend approved in respect of the previous year (note 6(b))	-	-	-	-	-	-	(46,636)	(46,636)
Balance at 30 June 2016	<u>93,271</u>	<u>1,242,722</u>	<u>511,000</u>	<u>4,017</u>	<u>1,462</u>	<u>442</u>	<u>2,792,674</u>	<u>4,645,588</u>
Balance at 1 January 2017	93,101	1,236,081	511,000	4,017	(6,964)	442	3,011,517	4,849,194
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	-	-	-	-	-	-	241,951	241,951
Other comprehensive income	-	-	-	-	11,115	-	-	11,115
Total comprehensive income	-	-	-	-	11,115	-	241,951	253,066
Dividend approved in respect of the previous year (note 6(b))	-	-	-	-	-	-	(46,540)	(46,540)
Purchase of own shares (note 18(b))	(20)	(719)	-	-	-	-	-	(739)
Balance at 30 June 2017	<u>93,081</u>	<u>1,235,362</u>	<u>511,000</u>	<u>4,017</u>	<u>4,151</u>	<u>442</u>	<u>3,206,928</u>	<u>5,054,981</u>

(Expressed in Hong Kong dollars)

Notes:

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months period ended 30 June 2017 but are extracted from that report.

The interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") and the Group's interests in an associate and joint venture has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2017.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent amendments to HKFRSs, consequently issued by the HKICPA, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the six months ended 30 June 2017 and 2016 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Geographical information

The Group's operating assets consist primarily of its satellites which are put into services for transmission to multiple countries, and are not based within a specific geographical location. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

The Group is domiciled in Hong Kong. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the six months ended 30 June 2017 are \$64,153,000, \$145,999,000, \$282,416,000, and \$106,313,000 respectively (six months ended 30 June 2016: \$65,268,000, \$155,448,000, \$275,724,000 and \$107,027,000 respectively).

5 INCOME TAX

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	31,293	–
Current tax – Outside Hong Kong		
Provision for the period	8,445	9,164
Over-provision in respect of prior periods	(136)	(1,247)
	8,309	7,917
Deferred taxation – Hong Kong	18,211	47,055
Actual tax expense	57,813	54,972

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% of the estimated assessable profits for the period. No provision was made for Hong Kong Profits Tax in 2016 as the Company and its subsidiaries either had tax losses available for offset or had no estimated assessable profits for that period.

Taxation outside Hong Kong includes profits tax and withholding taxes paid or payable in respect of the Group's income from provision of satellite transponder capacity to customers who are located outside Hong Kong.

Over-provision in respect of prior periods represents reversal of provision for withholding taxes. Management considers the likelihood of the Group being required to pay such withholding taxes has become remote and therefore made the reversal during the period.

6 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable for the period

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Interim dividend declared after the end of the reporting period of 3.50 cents (2016: 3.50 cents) per ordinary share	32,578	32,645

As the interim dividend is declared after the end of the reporting period, such dividend has not been recognised as a liability as at 30 June 2017.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 5.00 cents (2016: 5.00 cents) per ordinary share	46,540	46,636

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$241,951,000 (six months ended 30 June 2016: \$242,120,000) and the weighted average of 930,853,000 ordinary shares (30 June 2016: 932,711,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2017 and 2016.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired property, plant and equipment, including construction-in-progress at a total cost of \$253,082,000 (six months ended 30 June 2016: \$216,125,000). Items of property, plant and equipment with a net book value of \$329,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: \$58,000), resulting in a loss on disposal of \$181,000 (six months ended 30 June 2016: \$58,000).

(b) Impairment loss

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2017 and 2016 and did not identify any indication of impairment.

9 INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2017 at \$11,216,000 (31 December 2016: \$10,686,000) on an open market value basis by reference to net rental income allowing for reversionary income potential by Savills Valuation and Professional Services Limited, an independent professional property appraiser who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. A valuation gain of \$530,000 (six months ended 30 June 2016: loss of \$310,000) has been credited in the profit or loss during the six months ended 30 June 2017.

10 INTANGIBLE ASSET

During 2009, the Group obtained the right to operate a satellite at an orbital slot. Such intangible asset is considered to have an indefinite life.

During the six months ended 30 June 2017 and 2016, the Group conducted a review for impairment of the intangible asset and concluded no impairment would be required.

11 INTEREST IN AN ASSOCIATE

On 23 July 2016, the Group entered into an Investors' Agreement for the establishment of APT Mobile SatCom Limited ("APT Mobile") in Shenzhen, Guangdong Province of the PRC. The total registered capital of APT Mobile is RMB2,000 million, of which the Group has committed to contribute RMB600 million, representing 30% of the equity interest in APT Mobile. Details of which can be referred to in the announcements on 23 July 2016 and 14 August 2016 in relation to the establishment of APT Mobile.

The principal activities of APT Mobile are the construction and development of global high-throughput satellite communication system. As at 30 June 2017, APT Mobile was at the initial set up stage and the capital contribution made by the Group amounted to RMB300 million (equivalent to \$345 million) (31 December 2016: RMB150 million (equivalent to \$175 million)). The above associate is accounted for using the equity method in the consolidated financial statements.

12 PREPAID EXPENSES

Prepaid expenses primarily represent the advance payments in respect of transponder lease contract and licence fee for the right to use certain designated transmission frequencies. Part of the prepaid expenses which fall due within one year are included as part of deposits, prepayments and other receivables.

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Non-current prepaid expenses balance at 1 January	768,897	247,941
Movements during the period/year:		
– additions	139,784	534,356
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	(5,148)	(13,400)
Non-current prepaid expenses at 30 June/31 December	<u>903,533</u>	<u>768,897</u>

On 23 December 2015, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, entered into a satellite transponder agreement with a third party for the lifetime leasing of 36,204 transponders on APSTAR-5C at a lease price of US\$118,826,696 (equivalent to \$926,848,000). APSTAR-5C is the replacement satellite for APSTAR-5 which is currently under construction. During the period ended 30 June 2017, additional prepaid expense of US\$17,921,000 (equivalent to \$139,784,000) (31 December 2016: US\$63,069,000 (equivalent to \$491,939,000)) was made in respect of APSTAR-5C. Total APSTAR-5C prepaid expense of US\$92,276,000 (equivalent to \$719,753,000) was recognised as at 30 June 2017 (31 December 2016: US\$74,355,000 (equivalent to \$579,969,000)).

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2017, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$12,465,000 (31 December 2016: \$23,939,000), based on the quoted price as at the period end, with a fair value loss of \$11,474,000 (six months ended 30 June 2016: \$4,249,000) charged to profit or loss.

14 TRADE RECEIVABLES, NET

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of revenue recognition, at the end of the reporting period:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within 30 days	49,854	38,716
31 – 60 days	45,855	19,070
61 – 90 days	37,578	11,557
91 – 120 days	25,373	8,661
Over 120 days	99,117	49,166
	<u>257,777</u>	<u>127,170</u>

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

15 PLEDGE OF ASSETS

As at 30 June 2017, no pledged bank deposits relating to commercial arrangements have been made during the period (31 December 2016: \$39,000).

As at 30 June 2017, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately \$3,433,000 (31 December 2016: \$3,491,000).

16 PAYABLES AND ACCRUED CHARGES

Trade payables are all aged within three months based on due date, and all payables and accrued charges are expected to be settled within one year from the end of the reporting period.

17 SECURED BANK BORROWINGS

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Secured bank borrowings (net of unamortised finance cost) are repayable as follows:		
Within one year or on demand	89,170	78,000
After one year but within five years	<u>542,892</u>	<u>504,241</u>
	<u>632,062</u>	<u>582,241</u>

On 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate amount of US\$215,600,000 (equivalent to \$1,681,680,000) (the “2016 Facility”). The 2016 Facility comprises three components, including term loan facilities of up to US\$130,000,000 (equivalent to \$1,014,000,000) (the “Term Loan Facility”), revolving loan facility of up to US\$70,000,000 (equivalent to \$546,000,000) and a facility of up to US\$15,600,000 (equivalent to \$121,680,000) on certain commercial arrangements. The 2016 Facility is to be applied to finance the operation of APT HK including, but not limited to, the repayment of its existing bank borrowings, the procurement of satellites, the launch services of the satellites and the working capital in relation to such projects. The 2016 Facility is secured by insurance claim proceeds relating to APSTAR-6C. At 30 June 2017, US\$71,602,000 (equivalent to \$558,496,000) (31 December 2016: US\$65,302,000 (equivalent to \$509,356,000)) has been drawn down against the Term Loan Facility under the 2016 Facility. The Term Loan Facility is repayable by way of seven semi-annual instalments commencing from the 24th month after the Term Loan Facility was first drawdown.

On 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US\$10,000,000 (equivalent to \$78,000,000). At 30 June 2017, US\$10,000,000 (equivalent to \$78,000,000) (31 December 2016: US\$10,000,000 (equivalent to \$78,000,000)) has been drawn down against the facility. The facility is repayable within one year from the date of drawdown of the facility.

The 2016 Facility is subject to the fulfillment of covenants related to certain of the Group’s ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the six months ended 30 June 2017, the Group has complied with all of the above covenants.

18 SHARE CAPITAL

(a) Authorised and issued share capital

	At 30 June 2017		At 31 December 2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	2,000,000	200,000	2,000,000	200,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	931,009	93,101	932,711	93,271
Shares repurchased	<u>(200)</u>	<u>(20)</u>	<u>(1,702)</u>	<u>(170)</u>
At 30 June/31 December	<u>930,809</u>	<u>93,081</u>	<u>931,009</u>	<u>93,101</u>

(b) Purchase of own shares

During the interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
January 2017	200,000	3.68	3.67	<u>739</u>
				<u>739</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against share premium.

19 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 17). The extent of such banking facilities utilised by APT HK at 30 June 2017 amounted to \$636,496,000 (31 December 2016: \$587,356,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 15.

In June 2017, APT HK received a summons and complaint filed by a third party in the Supreme Court of the State of New York, County of New York, The United States of America, in respect of an action for trademark infringement during the provision of transponder service to a customer. The total compensation sought under this claim amounted to US\$12,200,000 (equivalent to \$95,160,000). APT HK rebuts any liability in respect of this claim and, based on legal advice obtained, the directors of the Company do not believe it probable that the court will find against APT HK. In addition, based on the service agreement entered into between APT HK and this customer, in the unlikely event that the court finds against APT HK, APT HK will be able to seek indemnity from the customer relating to any losses or damages due to claims resulted from the services rendered. No provision has therefore been made in respect of this claim.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the directors declared an interim dividend of \$32,578,000. Further details are disclosed in note 6.

HUMAN RESOURCES

As at 30 June 2017, the Group had 115 employees (30 June 2016: 121). The Group continues to provide on the job training to employees, which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During six months ended 30 June 2017, the Company repurchased a total of 200,000 of its own ordinary shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), which were then cancelled on 10 February 2017. Details of movement of the share capital of the Company are set out in note 18 of this announcement.

Except for the repurchase of the Company's own ordinary shares as set out in note 18 of this announcement, there was no purchase, sale or redemption of the Company's own shares by the Company, or any subsidiaries of the Company during the six months ended 30 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3 October 2017 to Wednesday, 4 October 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Friday, 29 September 2017.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2017, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

- A.4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-laws of the Company; and
- A.4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company maintain its consistency of making business decisions.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 28 August 2017, the Audit and Risk Management Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2017, and discussed auditing and internal control matters. The Audit and Risk Management Committee comprises four independent non-executive directors, Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo.

INTERIM REPORT

The unaudited financial information set out above does not constitute the Company's 2017 interim financial report for the six months ended 30 June 2017, but represents an extract from the interim financial report.

The Company's 2017 Interim Report containing information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to all our staff for their valuable contribution to the development of the Group.

By Order of the Board
APT Satellite Holdings Limited
Yuan Jie
Chairman

Hong Kong, 29 August 2017

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

Executive Directors:

Cheng Guangren (*President*) and Qi Liang (*Vice President*)

Non-Executive Directors:

Yuan Jie (*Chairman*), Lim Toon, Yin Yen-liang, Li Zhongbao, Fu Zhiheng, Lim Kian Soon and Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-Executive Directors:

Lui King Man, Lam Sek Kong, Cui Liguu and Meng Xingguo