APSTAR
by APT Satellite

APT SATELLITE HOLDINGS LIMITED

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

Annual Report
2018

COMPANY PROFILE

APT Satellite Holdings Limited (the "Company") (Stock Code 1045) is a listed company in The Stock Exchange of Hong Kong Limited, holding the entire interest of APT Satellite Company Limited (The Company together with all its subsidiaries are collectively referred to as "the APT Group").

APT Group commenced its operation in 1992. It currently operates in-orbit satellites, namely, APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 ("APSTAR Systems") covering regions in Asia, Europe, Africa, and Australia approximately 75% of the world's population. APT Group provides excellent quality transponder, satellite telecommunications and satellite TV broadcasting and transmission services to broadcasters and telecommunication customers of these regions.

The advanced APSTAR Systems of APT Group, supported with the comprehensive and high quality services, have become very important satellite resources of the Asia Pacific region.

For more information, please contact us:

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Li Zhongbao *(Chairman)*
Lim Toon
Yin Yen-liang
Fu Zhiheng
Lim Kian Soon
Ba Risi
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

COMPANY SECRETARY

Lau Tsui Ling Shirley

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lau Tsui Ling Shirley

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE

Lui King Man *(Chairman)*
Lam Sek Kong
Cui Liguo
Meng Xingguo

MEMBERS OF NOMINATION COMMITTEE

Lam Sek Kong *(Chairman)*
Qi Liang
Lui King Man
Cui Liguo
Meng Xingguo

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man *(Chairman)*
Qi Liang
Lam Sek Kong
Cui Liguo
Meng Xingguo

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISORS

Sit, Fung, Kwong & Shum, Solicitors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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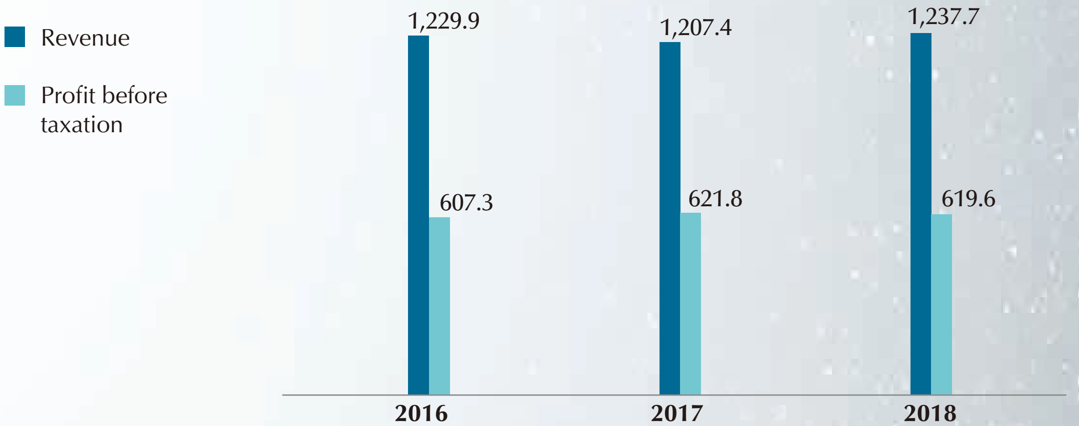
STOCK CODE

1045

FINANCIAL HIGHLIGHTS

REVENUE & PROFIT BEFORE TAXATION

(HK$ Million)



EBITDA MARGIN

(Percentage)

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

RESULTS

Revenue

In 2018, the Group's revenue amounted to HK$1,237,712,000 (2017: HK$1,207,440,000), representing an increase of 2.5% amounting to HK$30,272,000 as compared to 2017.

Profit before taxation

In 2018, the Group's profit before taxation amounted to HK$619,628,000 (2017: HK$621,792,000), representing a decrease of 0.3% amounting to HK$2,164,000 as compared to 2017.

Profit attributable to equity shareholders

In 2018, the Group's profit attributable to equity shareholders amounted to HK$507,007,000 (2017: HK$504,557,000), representing an increase of 0.5% amounting to HK$2,450,000 as compared to 2017. Basic earnings per share and diluted earnings per share were HK54.47 cents (2017: HK54.20 cents).

DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK4.00 cents per ordinary share. According to the policy for continuous increase of the investment return of shareholders, the Board has resolved to declare a final dividend in cash of HK11.50 cents per ordinary share for the financial year ended 31 December 2018 (2017: HK10.50 cents per ordinary share).

The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the "Annual General Meeting") which will be held on Thursday, 23 May 2019. The final dividend will be paid on or about Friday, 21 June 2019 to shareholders whose names appear on the register of members at the close of business on Thursday, 6 June 2019.

BUSINESS REVIEW

In-Orbit Satellites

During the year, except for APSTAR-6, 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.

The Group's in-orbit satellites, namely, APSTAR-5C, APSTAR-6C, 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-5C Satellite

APSTAR-5C was successfully launched on 10 September 2018 on board of Space X Falcon 9 launch vehicle. APSTAR-5C is based on the Space System Loral FS-1300 platform, it is equipped with 28 C-band, 35 Ku-band/Ka-band transponders (including conventional and high-throughput ("HTS") payload), providing high power transponder services to customers across the Asia-Pacific region for video broadcasting and distribution, Direct-To-Home ("DTH") service, VSAT, maritime and broadband telecommunication services. APSTAR-5C carries seven wideband beams and one regional HTS beam. Not only can the Group taken up its existing services for APSTAR-5, it can expand to broader service areas with more powerful performance, especially its new HTS capacity for Southeast Asia, and will satisfy the growing market demand in higher quality telecommunication services.

APSTAR-5C has replaced APSTAR-5 and commenced commercial operation on 1 December 2018. APSTAR-5 is currently operating in an inclined orbit.

APSTAR-5C is a satellite jointly built by the Group and a subsidiary of Telesat Canada, and it is also known as Telstar-18V. The Group holds approximately 57% interest in the satellite.

APSTAR-6C Satellite

APSTAR-6C was successfully launched on 4 May 2018 on board of Long March 3B/E launch vehicle. APSTAR-6C is a high-power geostationary communication satellite based on the China Academy of Space Technology DFH-4 series platform carrying 26 C-band transponders, 19 Ku band/Ka-band transponders, which provide high power transponder services to customers across the Asia-Pacific region, for video broadcasting and distribution, VSAT, DTH, cellular backhaul, and in-flight and mobility broadband applications. APSTAR-6C has replaced APSTAR-6 and commenced commercial operation on 1 July 2018.

APSTAR-6 suffered partial power loss due to anomaly of south solar array on 27 May 2018. Since the services were taken up by APSTAR-6C satellite in a timely manner, the partial failure of APSTAR-6 did not impose real impact on the operation of the Group. For the loss caused by this failure, the Group has notified the insurer and the claim procedures are nearly completed. At present, APSTAR-6 operates in an inclined orbit.

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 Satellite

APSTAR-6D Satellite

APT Mobile SatCom Limited ("APT Mobile"), an associate which was initiated and formed by the Group in Mainland China, has been developing APSTAR-6D, a HTS satellite which is aimed to provide services for the rapid-growing satellite broadband mobility services across Asia Pacific region and the Mainland China. APSTAR-6D is scheduled to be delivered on ground at the end of 2019.

TRANSPONDER LEASE SERVICES

In 2018, the transponder market conditions in the global and Asia Pacific region was continuously downturn. The business growth for satellite broadcasting and satellite telecommunication had been weak and the market environment on oversupply of satellite transponder and the decline in the transponder lease price remained unchanged. To cope with the severe fierce market competition, the Group has actively explored new markets and new businesses and continued to enrich the service contents and varieties while providing high quality services to the customers. The Group has attained excellent performance on the increases in both revenue and profit after taxation and the utilization rate has continued to be at relatively high level.

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, 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.

SATELLITE PROJECT CONSULTING SERVICES

The Group has rich experiences in satellite procurement and project management, which enable the Group to provide the satellite technical and project management consulting services to other satellite operators. Apart from the satellite project management service provided to APT Mobile, the Group has entered into a satellite project management and consultancy service agreement with a satellite operator in Asia Pacific Region during the year. In pursuance of the agreement, the Group will provide to the customer professional consultancy services in respect of the satellite construction, launching, and in-orbit test.

BUSINESS PROSPECTS

Looking into 2019, the global and Asia Pacific Region satellite transponder market is continuing under the condition of oversupply and fierce competition. The Group's satellites, APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9, as the premium satellite resources, will continue to face the fierce competition pressure in the transponder leasing business. Therefore, the Group will try its best effort to maintain the stable growth of the current business and further strengthen the marketing effort for exploring new businesses and new markets, so as to support the sustainable and stable development of the Group.

CORPORATE GOVERNANCE

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

NOTE OF APPRECIATION

In 2018, the Group continued to achieve the growth of revenue and profit. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to the directors and all our staff for their valuable contribution to the development of the Group.

By Order of the Board
APT Satellite Holdings Limited
Li Zhongbao
Chairman

Hong Kong, 19 March 2019

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Corporate strategies & positioning

The Group endeavours to become one of the leading regional satellite operators in the Asia Pacific region. It commenced its operation in 1992 and currently operates in-orbit satellites, namely, APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 in geostationary orbital slots at 138, 134, 76.5 and 142 degree East covering regions in Asia, Europe, Africa, and Australia, approximately 75% of the world's population with its reliable and high-standard quality transponder, broadcasting, telecommunication and data-centre services.

Financial performance

Despite the fact that the Group has encountered fierce market competition due to oversupply situation in transponder market and significant price pressure, the Group has maintained its profitability in the year 2018. The Group's revenue in 2018 amounted to HK$1,237,712,000 (2017: HK$1,207,440,000), representing an increase of 2.5% amounting to HK$30,272,000 as compared to 2017. The Group's profit attributable to equity shareholders amounted to HK$507,007,000 in 2018 (2017: HK$504,557,000). Basic earnings per share and diluted earnings per share were both HK54.47 cents in 2018 (2017: HK54.20 cents).

Newly launched satellites

The replacement satellites of existing APSTAR-6 and APSTAR-5, namely APSTAR-6C and APSTAR-5C, were successfully launched in May and September 2018, respectively. The commercial operation of these two satellites will help to ensure the sustainability and continuity of the Group's business and income growth in the coming years.

APSTAR-5C Satellite

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APSTAR-5C is a satellite jointly built by the Group and a subsidiary of Telesat Canada, and it is also known as Telstar-18V. The Group holds approximately 57% interest in the satellite.

BUSINESS REVIEW (Continued)

Newly launched satellites (Continued)

APSTAR-6C Satellite

APSTAR-6C was successfully launched on 4 May 2018 on board of Long March 3B/E launch vehicle. APSTAR-6C is a high-power geostationary communication satellite based on the China Academy of Space Technology DFH-4 series platform carrying 26 C-band transponders, 19 Ku-band/Ka-band transponders, which provide high power transponder services to customers across the Asia-Pacific region, for video broadcasting and distribution, VSAT, DTH, cellular backhaul, and in-flight and mobility broadband applications. APSTAR-6C has replaced APSTAR-6 and commenced commercial operation on 1 July 2018.

APSTAR-6 suffered partial power loss due to anomaly of south solar array on 27 May 2018. Since the services were taken up by APSTAR-6C satellite in a timely manner, the partial failure of APSTAR-6 did not impose real impact on the operation of the Group. For the loss caused by this failure, the Group has notified the insurer and the claim procedures are nearly completed. At present, APSTAR-6 operates in an inclined orbit.

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APSTAR-6D Satellite

APT Mobile SatCom Limited ("APT Mobile"), an associate which was initiated and formed by the Group in Mainland China, has been developing APSTAR-6D, a HTS satellite which is aimed to provide services for the rapid-growing satellite broadband mobility services across Asia Pacific region and the Mainland China. APSTAR-6D is scheduled to be delivered on ground at the end of 2019.

Rental received and liquidity

Despite the fact that the Group is in the progress of developing the APSTAR-6D and invests in an associate company concurrently, with total capital commitment in aggregate of US$59,453,000 (equivalent to HK$463,731,000), the financial position and cash flow situation of the Group over the coming years will remain to be sound owing to the facts that (a) the Group had approximately HK$686,848,000 of cash and bank balances as at 31 December 2018; (b) the Group has operating cash inflow arising from the transponder lease services during the year ended 31 December 2018; (c) the Group has available unutilised bank loan facilities approximately US$170,218,000 (equivalent to HK$1,327,700,000); and (d) the Group has been at a fairly low gearing position which allows it to raise external borrowings in the future, when necessary.

Principal risks and uncertainties

The Group, being one of the leading regional satellite operators in the Asia Pacific region operating several in-orbit satellites, may encounter various types of risks at different levels and in various forms. It is the responsibility of the Board of Directors of the Company to control and manage the risks and uncertainties to be encountered by the Group. Through the effective risk management, risks are managed with appropriate mitigation measures in place to minimise the exposure.

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

In year of 2018, the principal risks and uncertainties identified and faced by the Group are discussed below:

1. *Project Development and Technical Risks*

   (a) Satellite Launch Risks

   APSTAR-6D is scheduled to be delivered on ground at the end of 2019. A number of factors such as construction schedule and quality, the performance of the launch vehicle used, the delay or failure of the launch of the replacement satellite, the technology which the replacement satellite has adopted, and the operational life of the replacement satellite will affect the implementation of the replacement project and the Group's performance of operation and/or financial condition.

   In line with the industry practice, the launch risk of the new satellite will be covered by its respective launch insurance policy, which will be taken out in due course such that the total project cost including the insurance premium of the new satellite project will be fully covered by launch insurance. In the unlikely event of any launch failure, the loss or damages of the satellite will be recovered by the insurance indemnity under the insurance policy.

   (b) Satellite In-orbit Failure Risks

   The Group will in line with the industry practice, take out in-orbit insurance policies to cover the risks of operational failure of the Group's in-orbit satellites. The insurance will cover the net book values of the in-orbit satellites and seek to reduce exclusions from claims coverage. In the unlikely event of failure or loses of in-orbit satellite, the Group will be able to recover such loses or damages by the insurance indemnity under the respective insurance policies.

   APSTAR-6 suffered partial power loss due to anomaly of south solar array on 27 May 2018. For the loss caused by this failure, the Group has notified the insurer and the claim procedures are nearly completed.

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

2. *Market Risks*

   Major market risks will stem from:

   (i) oversupply situation of transponders due to advancement of satellite telecommunication technology and newly launched satellites from other satellite operators;

   (ii) price pressure as a result of fierce market competition subsequent to oversupply situation of transponders and other mature and high cost effective technology in the market;

   (iii) default of contracts due to the collapses of certain businesses caused by gradual economic downturn in certain economies and sectors and the impact on the sales of C-band transponders that account for a significant proportion of satellite transponder capacity; and

   (iv) business risks attributable to the fact of being relying on a few key customers or markets.

   The Group has successfully implemented the replacement satellites projects, and shall provide the market with advanced technology and better performance of satellite resource, so as to enhance the competitive edge and to satisfy the diverse market demand for satellite applications, strengthen sales resource allocation and strive to expand the market and customer base while balancing the possible lost share of some markets, and to achieve the diversification and reduction of market risks.

3. *Financial Risks*

   Major financial risks will stem from the following situations (Details of the Group's financial risk management are set out in note 30 to the financial statements of the annual report):

   (i) Most of the payments under the Group's transponder utilisation agreements are denominated in US Dollars. Part of the revenue from the Mainland China market is denominated in Renminbi. The fluctuation of Renminbi exchange rate against Hong Kong dollars may adversely affect the Group's operating results. On the other hand, the Group's risk exposure due to fluctuation of the United States Dollar exchange rate against Hong Kong dollars is insignificant as the Hong Kong Dollar is pegged to the United States Dollar.

   Despite the revenue from the Mainland China market being denominated in RMB, the Group considers that the Group's risk exposure due to fluctuation of exchange rates is not significant. The Group reviews the Group's risk exposure due to fluctuation of exchange rates regularly and recognises hedging as one of the measures to mitigate the currency risk.

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

3. *Financial Risks (Continued)*

   (ii) As of 31 December 2018, the Group's outstanding bank loans consisted of variable interest rate loans only. The Group noted the imminent gradual increase of interest rate from low interest level in the past. The Group will assess the effectiveness of hedging instruments continuously and regularly. The Group will continue to monitor the situation and appropriately reduce liabilities while maintaining a reasonable liquidity.

   (iii) The change of tax regime in the countries from which the revenue is derived. To reduce the tax risk, the Group has sought advice from tax consultants for review and assessment of the global tax impact.

   (iv) The liquidity risk as a result of the commitment of capital investment on the developments of the APSTAR-6D, which may increase cash flow pressure to a certain extent.

   (v) Possible adverse effect to net income by impairments of the value of property, plant and equipment (including the satellites) and intangible assets. If any part of the property, plant and equipment and intangible assets are deemed to be impaired in whole or in part, the Group could be required to reduce or write-off such assets, which could have a material adverse effect on our financial condition.

   As mentioned in earlier paragraphs, the financial position and cash flow situation of the Group over the coming years will remain sound. In view of the existing internal resources of the Group as well as the cash inflow from the transponder lease service and the external borrowings in the future, the Group can comfortably cope with any long-term or short-term financial and cash-flow commitment without difficulties.

4. *Regulatory and Compliance Risks*

   The regulatory and conformance risks may stem from the change of the statutes, rules, codes or regulatory regime in Hong Kong or overseas where the Group's services are performed.

   The Group will apply for the necessary licences and permits for all satellites in a timely manner for their respective operations and commit to comply with all relevant laws and regulations.

   The Group has reviewed the changes and updates of those relevant laws, regulations and standards including the Listing Rules, the Hong Kong Companies Ordinance (Cap. 622), the Securities and Futures Ordinance (Cap. 571), the Competition Ordinance (Cap. 619), Companies Act 1981 of Bermuda (as amended) and the International/Hong Kong Financial Reporting Standards which may have significant effect on the Group's financial reporting, compliance and operation. The Group has not encountered any significant risk on regulatory compliance during the period.

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

5. *Litigation Risks*

   The summons and compliant filed by Fashion Television LLC against a direct wholly owned subsidiary of the Group in respect of an action for contributory trademark infringement and vicarious trademark infringement in the Supreme Court of the State of New York, County of New York was removed to a federal court, the United States District Court, Southern District of New York (the "Court") on 18 July 2017. During the year, the Court dismissed the case on the ground of lack of applicable jurisdication and closed the case. For the details of the judgement, please refer to the announcement disclosed on 13 September 2018. Except for above legal proceedings, there was no other litigation or claim of material significance known to the Group to be pending or threatened by or against the Company or any member of the Group during the year.

6. *Financial Reporting Risks*

   During the year, the Group has maintained effective internal control systems and independent internal audit function. The Group has maintained the Whistle-blower Protection Policy. The Group has not received any concern or report through the whistle-blowing system.

The Board and the Audit and Risk Management Committee have reviewed the above risks identified and are of the view that they will not cause imminent and material adverse effect or impact to the financial and normal operation of the Group, and that these risks are under control.

BUSINESS REVIEW (Continued)

Key financial performance

	2018 HK$'000	2017 HK$'000	Changes
Revenue	**1,237,712**	1,207,440	+2.5%
Gross profit	**736,102**	740,361	-0.6%
Profit before taxation	**619,628**	621,792	-0.3%
Profit attributable to equity shareholders	**507,007**	504,557	+0.5%
Basic earnings per share (HK cents)	**54.47**	54.20	+0.5%
EBITDA *(note 1)*	**1,032,428**	1,018,976	+1.3%
EBITDA Margin (%)	**83.4%**	84.4%	-1.0 percentage points

	At 31 December		
	2018 HK$'000	2017 HK$'000	Changes
Total cash and bank balance	**686,848**	967,117	-29.0%
Total assets	**7,154,466**	7,325,765	-2.3%
Total liabilities	**1,506,979**	2,025,085	-25.6%
Net assets per share (HK$)	**6.07**	5.69	+6.7%
Gearing ratio (%)	**21.1%**	27.6%	-6.5 percentage points
Liquidity ratio	**2.26 times**	3.55 times	-1.29 times

Note 1: EBITDA is defined as profit from operations before other net income, valuation (loss)/gain on investment properties, impairment loss in respect of property, plant and equipment, loss on disposal of property, plant and equipment, depreciation and amortisation.

Revenue

	2018 HK$'000	2017 HK$'000	Changes
Income from provision of satellite transponder capacity	**1,196,170**	1,172,439	+2.0%
Income from provision of satellite-based broadcasting and telecommunications services	**15,399**	25,711	-40.1%
Other satellite-related service income	**26,143**	9,290	+181.4%
Total	**1,237,712**	1,207,440	+2.5%

BUSINESS REVIEW (Continued)

Revenue (Continued)

For the year ended 31 December 2018, the Group's revenue amounted to HK$1,237,712,000 (2017: HK$1,207,440,000), representing 2.5% increase as compared with 2017. The growth in revenue was mainly due to the service income from provision of technical support and project management services to an associate. The profit attributable to shareholders increased by 0.5% to HK$507,007,000.

Other Net Income

	2018 HK$'000	2017 HK$'000	Changes
Interest income on bank deposits and other interest income	**26,410**	12,143	+117.5%
Foreign currencies exchange (loss)/gain	**(9,361)**	3,427	-373.2%
Rental income in respect of properties less direct outgoing expenses	**1,457**	1,325	+10.0%
Insurance compensation	**128,700**	–	–
Income incidental to construction of a communication satellite	**15,555**	–	–
Other service income	**2,505**	1,189	+110.7%
Other income	**495**	596	-16.9%
Total	**165,761**	18,680	+787.4%

Total other net income for the year ended 31 December 2018 increased to HK$165,761,000. The increase was mainly because during the year the Group has recognised an insurance compensation of US$16,500,000 (equivalent to HK$128,700,000) for an impaired satellite under its insurance policy, actual amount of compensation subject to confirmation with insurers. The estimated insurance compensation was recognised in other receivables.

Finance costs

Finance costs HK$10,562,000 was recognised for the year ended 31 December 2018 (2017: Nil). The increase was primarily due to the finance costs for payments in respect of APSTAR-5C and APSTAR-6C after commercial operation were no longer capitalised.

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

Based on the market price as at 31 December 2018, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$9,207,000, with fair value gain of HK$1,841,000 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 16 of this report.

BUSINESS REVIEW (Continued)

Income tax

Income tax expenses for the year ended 31 December 2018 decreased to HK$112,621,000, as compared to HK$117,235,000 in 2017. The decrease was mainly due to the decrease in provision for deferred taxation for the current year. The details of income tax of the Group are set out in note 5 of this report.

EBITDA

As a result of the increase in revenue, EBITDA for the year ended 31 December 2018 increased to HK$1,032,428,000, with the margin decreased from 84.4% to 83.4%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2018, the Group's capital expenditure incurred for property, plant and equipment was HK$1,502,456,000 (2017: HK$466,278,000). 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 Satellite Company Limited ("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 loan 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 insurance claim proceeds relating to APSTAR-6C. During the year, the Group has drawn down US$92,398,000 (equivalent to HK$720,704,000) and repaid US$145,218,000 (equivalent to HK$1,132,700,000) against the 2016 Facility. The outstanding principal balances of the Term Loan Facility and the revolving loan facility were US$24,782,000 (equivalent to HK$193,300,000) (2017: US$107,602,000 (equivalent to HK$839,296,000)) and US$30,000,000 (equivalent to HK$234,000,000) (2017: Nil) respectively at 31 December 2018. 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 and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

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). On 29 August 2017, the revolving loan facility has been increased to US$25,000,000 (equivalent to HK$195,000,000). During the year, the Group has drawn down US$15,000,000 (equivalent to HK$117,000,000) and repaid US$25,000,000 (equivalent to HK$195,000,000) against the facility. There was no outstanding balance of the revolving loan at 31 December 2018 (2017: US$10,000,000 (equivalent to HK$78,000,000)). The facility is repayable within one year from the date of drawdown of the facility On 7 January 2019, the revolving loan facility has been decreased to US$12,000,000 (equivalent to HK$93,600,000).

As at 31 December 2018, the total borrowings (net of unamortised finance cost) amounted to approximately HK$425,438,000 (2017: approximately HK$913,463,000). The Group recorded a decrease of approximately HK$488,025,000 in the total borrowings during the year ended 31 December 2018, which were due to the decrease of borrowing amount after the repayment of part of the 2016 Facility.

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	261,330,000
Repayable after one year but within five years	164,108,000
	425,438,000

As at 31 December 2018, the Group's total liabilities were HK$1,506,979,000, a decrease of HK$518,106,000 as compared to 31 December 2017, mainly due to the increase of repayment of bank loan with regards to the Term Loan Facility. The gearing ratio (total liabilities/total assets) has decreased to 21.1%, representing a 6.5 percentage points decrease as compared to 31 December 2017.

For the year ended 31 December 2018, the Group recorded a net cash inflow of HK$137,575,000 (2017: HK$277,700,000) which included net cash inflow of HK$872,632,000 generated from operating activities. This was offset by net cash outflow of HK$70,095,000 used in investing activities and HK$662,894,000 used in financing activities.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

As at 31 December 2018, the Group has approximately HK$686,848,000 of cash and bank balances, 43.7% of which were denominated in United States Dollar, 50.3% in Renminbi and 6.0% in Hong Kong Dollar and other currencies which comprising HK$668,828,000 cash and cash equivalents, HK$5,758,000 bank deposits with original maturity beyond 3 months and HK$12,262,000 pledged bank deposits. Together with cash inflow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the future 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 depreciated against the Hong Kong Dollar during the year ended 31 December 2018.

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 year.

Charges on group assets

At 31 December 2018, pledged bank deposits of HK$12,262,000 (2017: Nil) are related to certain commercial arrangements made during the year.

At 31 December 2018, 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$3,258,000 (2017: HK$3,375,000).

Capital commitments

As at 31 December 2018, the Group has outstanding capital commitments mainly related to investment in an associate which is not provided for in the Group's financial statements. Among which HK$194,667,000 (2017: HK$194,667,000) commitments were authorised but not contracted for and HK$269,064,000 (2017: HK$912,969,000) was contracted for.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 31 of this report.

Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 40 of this report.

Compliance Confirmation

The Board of Directors confirms that throughout the year 2018, the Group has conformed in all material respects with all the requirements under relevant statutes, rules, standards, codes, licenses in respect of its operation, financial reporting, or disclosures in Hong Kong or other applicable jurisdictions.

Environmental Protection and Stakeholders' Rights

The Group recognizes the enlightened shareholders' approach and respects: (i) the importance of environmental protection; (ii) the lawful rights of stakeholders, broadly to be categorized as employees, customers, suppliers, members of communities, and (iii) corporate social responsibilities of the Group as a member of the society. A specific report on these issues is covered in the Environmental, Social and Governance Report of this Annual Report.

CORPORATE GOVERNANCE REPORT

Pursuant to Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the board of directors (the "Board") of APT Satellite Holdings Limited (the "Company") presents this Corporate Governance Report for the accounting period covered by this annual report.

CORPORATE GOVERNANCE PRACTICES

The Board remains committed in maintaining high standard of corporate governance in the Company and its subsidiaries (collectively the "Group").

Throughout the year ended 31 December 2018, albeit few exceptions as explained below, the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

To comply with the Code Provision and some Best Practices and to ensure the standard of corporate governance, the Board has maintained the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee having respective Terms of Reference.

At the management level, in order to further strengthen the management and control of risks and compliance matters, the Company has also established the Internal Control, Audit and Risk Management Committee and an internal audit team, which report directly to the Audit and Risk Management Committee on its findings and recommendations.

Furthermore, in order to promote honest and ethical business conduct throughout the Group, the Board has also adopted a series of codes and measures, including the Code of Ethical Business Conduct for the directors and officers of the Company; the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules; the Code of Ethics for all employees; the Complaint Handling Procedure and the Whistleblower Protection Policy.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2018, the Company has complied with the Code Provisions save for the following Code Provisions:

A4.1 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;

A4.2 the Chairman of the Board and the President are not subject to retirement by rotation such that it would help the Company in maintaining its consistency of making business decisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules. The Board has also adopted the newly amended Model Code which came into effect in 2009.

Having made specific enquiries of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its Code of Conduct regarding directors' securities transactions throughout the accounting period covered by this annual report of the Company.

For details of the Directors' interests in shares of the Company, please refer to the section headed "Directors' and Chief Executive's Interests in Shares" in the "Directors' Report" of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for determining the overall strategy; reviewing and approving the work plan of the Group; and overseeing the corporate governance of the Group. The management of the Company is responsible for proposing and implementing the work plan of the Group, executing the day-to-day operation of the Group and undertaking any further responsibilities as delegated by the Board from time to time.

The Board comprises two Executive Directors, six Non-executive Directors and four Independent Non-executive Directors ("INEDs"). Biographical information, including the relationships, if any, among members of the Board, is set out in the section headed "Directors' and Senior Management's Profiles and Changes" of this annual report.

In respect of the Listing Rules requirements regarding sufficient number of INEDs and at least one INED with appropriate qualifications, the Company has met these requirements. The Company has received from each of the INEDs an annual confirmation as regards their independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Board having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

BOARD OF DIRECTORS (Continued)

Composition of the Board (Continued)

The Board held five board meetings and one general meeting in 2018 and the following table shows the individual attendance of each director during their term of office in 2018:

Name of the Director	Number of board meetings entitled to attend during the director's term of office in 2018	Number of meeting(s) attended#	Number of general meeting entitled to attend during the director's term of office in 2018	Number of meeting(s) attended#
Executive Directors:				
Cheng Guangren *(President)*	5	5	1	1
Qi Liang *(Vice President)*	5	5	1	1
Non-executive Directors:				
Li Zhongbao *(Chairman)**	5	5	1	1
Yuan Jie *(Chairman)**	2	2	0	0
Lim Toon	5	5	1	0
Yin Yen-liang	5	0	1	0
Ba Risi	3	3	1	1
Fu Zhiheng	5	5	1	0
Lim Kian Soon	5	4	1	0
Tseng Ta-mon *(alternate Director to Yin Yen-liang)*	5	4	1	0
Independent Non-executive Directors:				
Lui King Man	5	5	1	1
Lam Sek Kong	5	5	1	1
Cui Liguo	5	5	1	1
Meng Xingguo	5	5	1	1

Note:

\# Including meetings attended by the director via telephone conferences.

* Mr. Yuan Jie resigned as the Chairman and a Non-executive Director of the Board at 1 April 2018 and Mr. Li Zhongbao is re-designated as the Chairman at 1 April 2018.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

Mr. Li Zhongbao is the Chairman and a Non-executive Director of the Board, while Mr. Cheng Guangren is the President of the Company and is an Executive Director of the Board.

The roles of the Chairman and the President are segregated. The Chairman's main role is to lead the Board in discharging its powers and duties, while the President's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group.

Appointment, Retirement and Re-election of Directors

Non-executive Directors of the Company are not appointed for a specific term but shall retire from office by rotation once every three years (as referred to the Bye-Law 87 of the Company which provides that at each annual general meeting one-third of the Directors of the Company shall retire from office by rotation).

To maintain the consistency of making business decisions of the Company, the Chairman and the Executive Director and President shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87(1) of the Company.

All the appointment and re-appointment of Directors of the Board are subject to review by the Company's Nomination Committee, while all the Directors' remuneration is subject to review by the Company's Remuneration Committee.

The Board adopted the Board Diversity Policy on 26 August 2013, pursuant to which the Group recognises the benefits of having a diverse Board and views increasing diversity at the Board level as an essential element in maintaining the Group's competitive advantage.

The Board believes that these policies, checks and balances mechanism, among other things, are well in place ensuring good corporate governance of the Company. The Board as a whole will continue to oversee every aspect of the Company's corporate governance and endeavours maintain high standard corporate governance throughout the Group.

Directors' Training

Upon appointment to the Board, the Directors will receive training in respect of the directors' duty and a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's business by senior executives. The package includes, among others, a copy of "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong. The Group also provides briefings and other training to develop and refresh Directors' knowledge and skills, the Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practice. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS (Continued)

Directors' Training (Continued)

During the year ended 31 December 2018, participation of Directors in continued professional development are as follow:

	Topics of Training	
	Upon Appointment	Directors' Ethics & Corporate Governance
Cheng Guangren		✓
Qi Liang		✓
Li Zhongbao		✓
Lim Toon		✓
Yin Yen-liang		✓
Ba Risi	✓	✓
Fu Zhiheng		✓
Lim Kian Soon		✓
Tseng Ta-mon *(alternate director to Yin Yen-liang)*		✓
Lui King Man		✓
Lam Sek Kong		✓
Cui Liguo		✓
Meng Xingguo		✓

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee comprises five members, including four Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo, and one Executive Director, Mr. Qi Liang.

The Remuneration Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference and it is mainly responsible for making recommendations to the Board on policy for all remuneration of Directors and senior management taking into account of certain determining factors, including the Company's operation objective and development plan; the managerial organisation structure; the financial budget of the Company; the performance and expectation of the relevant person; and the supply and demand situation of the human resources market.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request from the Company's Investor Relations.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee held one meeting in 2018 and the following table shows the individual attendance of each member during their term of office in 2018:

Name of the member of the Remuneration Committee	Number of committee meeting entitled to attend during the member's term of office in 2018	Number of meeting(s) attended
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	1	1
Lam Sek Kong	1	1
Cui Liguo	1	1
Meng Xingguo	1	1
Executive Director:		
Qi Liang	1	1

The works performed by the Remuneration Committee in 2018 are summarised as follows:

– reviewed the standard of directors' fees payable to Directors in 2018;

– reviewed the results of incentive scheme of the management for 2017;

– reviewed the adjustment of the remuneration of senior management; and

– reviewed the continuing execution of the incentive scheme.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee comprises five members, including four Independent Non-executive Directors of the Company, namely Dr. Lam Sek Kong (Chairman), Dr. Lui King Man, Mr. Cui Liguo and Dr. Meng Xingguo and one Executive Director, Mr. Qi Liang.

The Nomination Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure, process and criteria. On receiving nomination notice for candidate of director, the Nomination Committee will review and approve assessment of the candidate before giving recommendation to the Board. The criteria of assessment include the qualification and experience of the candidate; the development need of the Company; the expected candidate's contribution to the Company's performance; the mutual expectations between the candidate and the Company; compliance with relevant rules and requirements; and the candidate's capability of making independent decision in the Board.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request from the Company's Investor Relations.

The Nomination Committee held one meeting in 2018 and the following table shows the individual attendance of each member during their term of office in 2018:

Name of the member of the Nomination Committee	Number of committee meeting entitled to attend during the member's term of office in 2018	Number of meeting(s) attended
Independent Non-executive Directors:		
Lam Sek Kong *(Chairman)*	1	1
Lui King Man	1	1
Cui Liguo	1	1
Meng Xingguo	1	1
Executive Director:		
Qi Liang	1	1

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The works performed by the Nomination Committee in 2018 are summarised as follows:

– reviewed the re-election of directors in accordance with the Bye-Laws of the Company;

– reviewed the independence of the INEDs; and

– made recommendation to the Board on matters relating to the appointment of Mr. Li Zhongbao as Chairman to replace Mr. Yuan Jie; Mr. Ba Risi as Non-executive Director of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises four Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

The Audit and Risk Management Committee is established by the Board and shall be accountable to the Board. Its members shall be appointed by the Board from amongst the Non-executive Directors of the Company who are independent from the management of the Company and are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgement. Its duties are clearly set out in its written Terms of Reference. For details, please refer to its Terms of Reference, which is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance", and is also available on request from the Company's Investor Relations.

The Audit and Risk Management Committee held two meetings in 2018 and the following table shows the individual attendance of each member in 2018:

Name of the member of the Audit and Risk Management Committee	Number of committee meetings entitled to attend during the member's term of office in 2018	Number of meeting(s) attended
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Meng Xingguo	2	2

BOARD COMMITTEES (Continued)

Audit and Risk Management Committee (Continued)

The works performed by the Audit and Risk Management Committee in 2018 are summarised as follows:

– made recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services;

– reviewed the independence and objectivity of external auditors and the effectiveness of the audit process through discussion with the external auditors as to the nature and scope of the audit and reporting obligation;

– monitored integrity of and reviewed significant financial reporting judgements of the half-year and annual financial statements of the Company;

– reviewed the continuing connected transactions;

– reviewed the Company's statement on financial controls, internal control system and risk management systems;

– reviewed the Company's Enterprise Risk Management Policy; and

– reviewed the internal audit team's work progress and findings.

AUDITORS' REMUNERATION

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditors to the Group during 2018:

	HK$
Audit of the Group's financial statements including interim review	1,182,424
Review of the Group's continuing connected transactions	13,800
Tax services	157,997
Total	1,354,221

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code (the "CG Code").

During the year ended 31 December 2018, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct and Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND INTERNAL CONTROL

Financial Reporting

The management reports to the Board the Group's financial situations on a regular basis, and this reporting regime extends to the annual and interim results announcement of the Company, thereby enabling the Board from time to time to have a continued, balanced, clear and understandable assessment of the Group's situations for determining strategy and fulfilling relevant compliance requirements.

The Board acknowledges that it is the Board's responsibility for preparing the financial statements of the Company. As at 31 December 2018, the Directors of the Board were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Company's Auditor

The auditor's independence has been reviewed by the Audit and Risk Management Committee periodically. In each committee meeting, committee members can discuss with the auditor, in the absence of management such matters relating to any issues arising from the audit and any other matters the auditor may wish to raise. For the responsibilities of the Company's Auditor in respect of auditing the Company's financial statements, please refer to the section headed "Independent Auditor's Report" of this annual report.

Internal Controls and Risk Management

The Board acknowledges it's responsibility to ensure the Company maintains sound and effective internal controls and risk management, whereby safeguarding its shareholders' investment and the Company's assets. The risk management system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

Internal Controls and Risk Management (Continued)

To facilitate and support the Board and the Audit and Risk Management Committee in discharging their duties, the Internal Control and Risk Management Committee ("ICRMC") has been established and delegated to design, implement and monitor the Group's internal control and risk management systems. ICRMC comprises the executive directors, the senior management members of the Group, the Company Secretary and the head of Risk Department. Furthermore, the Internal Audit Team carries out independent reviews of any operation processes and controls, their key findings and recommendations for improvement are regularly reported to the Audit and Risk Management Committee. The external auditors also report on any control issues identified in the course of their audit or review work to the Audit and Risk Management Committee.

The Group has established and maintained its effective internal control systems in accordance with Section C.2 of the Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and based on the framework as proposed by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Board oversees the Group's risk management and internal control systems on an ongoing basis ensuring that a review of the effectiveness of the Group's internal control and risk management systems to be conducted periodically (at least once annually) and reports to shareholders in its Corporate Governance Report. The review(s) was conducted with reference to the COSO Framework covering, among others, the following aspects of the Group's operation:

(1) all material controls, including financial, operational and compliance controls;

(2) the changes on the risk environment, the nature and extent of significant risks and the Group's ability to respond to such changes;

(3) the scope and quality of the Group's ongoing monitoring of risks and of the internal control systems;

(4) the work of its internal audit function and other applicable assurance;

(5) the reporting channels of internal control, internal audit and risk management function within the Group;

(6) any significant failings or weakness which have been identified during the period and the extent of which they have caused corporate governance concerns or material impact on the Group's financial performance; and

(7) the effectiveness of the Group's processes for financial reporting and regulatory compliances.

ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

Internal Controls and Risk Management (Continued)

In 2018, the annual review of the effectiveness of the system of internal control and risk management of the Group was conducted by the ICRMC. The review covers all material controls, including financial, operational and compliance controls and risk management functions. During the risk assessment process, each business unit was required to perform an assessment. Risks were prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. With the assessment from each business unit, ICRMC identified the significant risks facing the Group and the risk control action plan. In addition, the Internal Audit Team has performed to test and evaluate whether the selected internal controls and risk management systems were effective. The results of the ICRMC's review and the internal audit have been reviewed by the Company's Audit and Risk Management Committee and reported to the Board of Directors of the Company.

There was no significant incidence of control failures in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2018. The management, the ICRMC and the Internal Audit Team will continue to monitor and review regularly the effectiveness of the internal control and risk management system of the Company and from time to time take action whenever there is any weakness in the financial reporting process, and perform periodical review on various corporate governance and internal control policies and related procedures, including but not limited to: corporate governance code, whistleblower protection, employee trainings, director trainings, shareholders' rights or investors relations, etc.

The Board is of the view that the internal control and risk management system of the Group has remained effective in 2018.

Key risk exposure of the Group are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 21 of this Annual Report.

Inside Information

The Group is fully aware of the obligation in dissemination and disclosure of inside information in accordance with the relevant laws and regulations. The Group formulated an inside information policy and published on the Group's website, so as to ensure an equal, timely and effective disclosure of inside information to the public in accordance with the applicable laws and regulations.

Whistleblower Protection

A whistleblower protection policy and Complaints Handling Procedure have been established and published on the Group's website in accordance with C.3.7 and C.3.8 of Appendix 14 of the Listing Rules to deal with employees' complaints or concerns on any suspected fraudulent, dishonest business conduct and any acts relating to violation of applicable laws and regulations as stipulated in the Group's Code of Ethical Business Conduct. The Group will keep the whistleblowers' personal information strictly confidential to protect his/her rights and carefully verify and investigate issues reported.

ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

Company Secretary

The Company Secretary is an employee of the Group and has confirmed that she has taken no less than 15 hours of the relevant professional training for the year ended 31 December 2018 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these channels. In addition, shareholders can contact Tricor Tengis Limited, the Hong Kong Branch Share Registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Pursuant to the Code Provisions, the chairman of the Board should attend the annual general meeting ("AGM") and arrange for the respective chairman of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee (as appropriate) or in the absence of the chairman of such committees, other member of the committee to be available to answer questions at the AGM. The chairman of the independent board committee (if applicable) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders, in addition to the compliance with Bye-Law 59(1), at least 20 clear business days before the meeting, as in the case of AGM, or at least 10 clear business days, in the case of all other special general meetings, in complying with the requirement of Listing Rules. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

According to Bye-law 58 of the Bye-laws of the Company, the Board may whenever it thinks fit call special general meetings, and members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Constitutional Documents

In 2018, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board of the Company has established and maintained respective policies in environmental protection, social responsibility and corporate governance so that the Group maintains environmental protection practices and good social responsibility for the Group's long-term success and sustainability.

In human resources, as illustrated in the table "Key Human Resources Parameters" set forth in the Environmental, Social and Governance Report of this Annual Report, the Group has a fairly diversified recruitment profile in its employees such that the talented and appropriate people can join the Group to fuel its development and success. This is attributable to the Open Employment Policy of the Group. During the period, the Group continued to encourage necessary training and induction programmes to those employees who needed for their job enrichment and development. The Group has also strictly complied with the relevant laws and regulation in respect of the employments in Hong Kong or other jurisdictions.

In environmental protection practices, the Group has achieved significant improvement in a number of areas, including air emissions, greenhouse gas emission, energy consumption intensity and water consumption intensity. The Group has also maintained effectively the control on those areas including the production of hazardous wastes or non-hazardous wastes, as well as the emission of electromagnetic radiation from the Group's Earth Station so that the neighbourhood remains normal environmentally.

During the year, the Group has taken appropriate initiatives of efficient consumption of electricity and water. Gradual improvements have been noted and it is expected more progresses will be achieved in the coming years.

By order of the Board
Li Zhongbao
Chairman

Hong Kong, 19 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is highly concerned about environmental protection, social responsibility and corporate governance. The Corporate Governance Report is separately set out in this Annual Report. This report provides the relevant efforts and work in environmental, social and sustainability parameters which are integrated in the strategic development and operation of the Group. The Board of Directors of the Group has overall responsibility for the Group's Environmental, Social and Governance strategy and reporting. It is the Group's policy to achieve a long-term successful and sustainable development and growth through enlightened shareholder approach and respect the legitimate interests of relevant stakeholders.

1. Human Resources

Employment

Policy

The Group values the employees as one of the important key-success factors for its long-term development. The Group adopts an Open Employment Policy based on which we recruit the most suitable and capable staff for their posts regardless of gender, race, nationality and religion.

Compliance

95% of the employees employed by the Group are located in Hong Kong. The Group strictly complies with the requirements of the employment legislations in Hong Kong such as the Employment Ordinance (Cap. 57), the Occupational Safety and Health Ordinance (Cap. 509), the Employee's Compensation Ordinance (Cap. 282) and the Minimum Wage Ordinance (Cap. 608), to provide comprehensive protection and benefits to the employees, and does not contravene the relevant rules and regulations.

Key Human Resources Parameters are tabulated below:

		2018		2017	
		Number of People	**(%)**	Number of People	(%)
1	**Employees breakdown by nationality/region**				
	HK (HKSAR)	**97**	**86.6%**	96	86.5%
	PRC (Mainland)	**6**	**5.3%**	6	5.4%
	United Kingdom	**2**	**1.8%**	2	1.8%
	Malaysia	**1**	**0.9%**	1	0.9%
	Indonesia	**2**	**1.8%**	2	1.8%
	Philippine	**1**	**0.9%**	1	0.9%
	India	**2**	**1.8%**	2	1.8%
	Pakistan	**1**	**0.9%**	1	0.9%
	Sub-total	**112**	**100%**	111	100%

1. Human Resources (Continued)

Employment (Continued)

Compliance (Continued)
Key Human Resources Parameters are tabulated below: (Continued)

		2018		2017	
		Number of People	**(%)**	Number of People	(%)
2	**Employees breakdown by gender**				
	Man	**78**	**69.6%**	78	70.3%
	Woman	**34**	**30.4%**	33	29.7%
	Sub-total	**112**	**100%**	111	100%
3	**Employment Contract**				
	Permanent	**112**	**100%**	110	99.1%
	Temporary	**0**	**0%**	1	0.9%
	Sub-total	**112**	**100%**	111	100%
4	**Age distribution of employees**				
	18-29	**15**	**13.4%**	16	14.4%
	30-39	**38**	**33.9%**	41	37%
	40-49	**44**	**39.3%**	38	34.2%
	50 & above	**15**	**13.4%**	16	14.4%
	Sub-total	**112**	**100%**	111	100%

Health and Safety (B2)

Policy
The Group's policy is to create a health and safe working environment to all employees. The Group believes that a health and safe working environment is critically important for the long-term development of the employment team and is one of the important success factors for the future and sustainable business growth of the Group.

Compliance
The Group conforms to the compliance requirements as stipulated in the Cap. 509 Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong as well as other relevant rules and regulations in other applicable jurisdictions. To enhance the Group's care to the employees and to encourage employees' awareness on healthiness, the Group provides annual body check-up benefit and organises different recreation activities for participation by employees. In 2018, the Group jointly organized a sport day with our business partner to strengthen employee's awareness on healthiness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

1. Human Resources (Continued)

Development and Training (B3)

Policy
The Group emphasizes the internal and external training needs of employees. The Group arranges annual training programs to provide various types of internal and external trainings and to enhance the competency, knowledge and the professional qualification of employees necessary for their work. In 2018, there were in total of 164 person-time of employees who participated in 36 external trainings and 5 internal trainings throughout the year.

In addition, in order to ensure that the employees understand the new satellite projects and to enhance their professional knowledge in satellite manufacture and satellite controlling and monitoring system, the Group arranged technical employees to participate in satellite-related training programs in the Mainland China, so as to contribute our effort on nurturing local talents in the satellite industry.

Labour Standards (B4)

Policy
The Group prohibits employment of child, forced or compulsory labour. All employees have the right to resign in accordance with the employment contracts. In 2018, the employee turnover rate of the Group was 5.4%.

Compliance
The Group observes all relevant rules and regulations in relation to employment including Employment Ordinance (Cap. 57) in Hong Kong and other applicable jurisdictions. The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong.

Supply Chain Management (B5)

Policy
The Group upholds anti-corruption and prohibits unethical business conduct activities. The Group follows fair procurement policy as well as complies with all relevant rules and regulation. The Group implements effective internal control and risk management system and whistleblower-protection policy in order to ensure the effectiveness and efficiency of the operation, avoid any corruptive practice and achieve compliance. All the Group's employees are encouraged to report business irregularities and establish clear whistleblowing channel and protection policies for whistleblowers who raise concerns or complaints without the fear of being retaliated or ill-treated.

Compliance
The Group regularly provides induction and trainings to all employees for the compliance requirement under the Prevention of Bribery Ordinance (Cap. 201). The procurement is incorporated in the effective internal control and risk management system and subject to the inspection of internal audit. In the event of any connected transaction with connected parties, the Group will pay particular attentions as to compliance and approval by independent shareholders pursuant to the terms under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. Human Resources (Continued)

Product Responsibility (B6)

Policy

Owing to the fact that the Group's business nature is primarily involved in the development and provision of satellite transponder services, telecommunication services and broadcasting services, the Group's business does not really involve product deliveries but confines to service provisions.

Compliance

The Group observes all compliance requirements as stipulated under the applicable licences including the Space Station Carrier Licence, Outer Space Ordinance Licence, Unified Carrier Licence, Non-domestic Television Programme Service Licence in Hong Kong and all relevant compliance as required by the applicable jurisdictions for those regions targeted by the Group's services. The Group also uphold and respect all legitimate or qualifed intellectual property rights of the right owners as registered or created.

Anti-Corruption (B7)

Policy

The Group upholds anti-corruption and prohibits unethical business conduct activities and implements effective internal control system, risk management system and whistleblower protection policy and complaint handling procedure to enable employees to report fraud and corruption. The Group implements effective internal control and risk management system and encourage employees to report suspicious business irregularities and establish clear whistleblowing channel and protection policies for whistleblowers who raise concerns or complaints without the fear of being retaliated or ill-treated.

Compliance

The Group provides induction programme and regular trainings whenever appropriate to all directors and employees when they join the Group. All of them are provided with the necessary information which includes, among them, the staff manuals and relevant information kits, informing them about the Group's policies on anti-corruption combating any unethical business conducts as well as Code of Ethical Business Conducts (as amended in 2018). All directors and employees are reminded to abide by the relevant laws and regulations including the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong or other relevant rules and regulation in application jurisdiction. The Group has adopted internal control and risk management framework which is in line with the standard of COSO Standard. The Group had started the operation of "Whistleblower-Protection Policy" and "Complaint Handling Procedure" which is in line with the compliance requirements of C.3.7 (Code Provision) and C.3.8 (Recommended Best Practice) of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Any whistleblowing and complaints will be handled by internal auditor who are accountable to and reporting to Audit and Risk Management Committee for independent status. In 2018, there was no whistleblowing event or complaint raised to Audit and Risk Management Committee or internal auditor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

1. Human Resources (Continued)

Community Engagement (B8)

Policy
The Group concerns about the corporate social responsibility and believe that it is a key factor for long-term and sustainable success.

Donation
The Group concerns about and supports social community activities. In 2018, the Group made donation of HK$10,000 to fulfill the social responsibility.

Community Activity
The Group also values the fulfillment of social responsibility, and is actively engaged in social activities by organising the Open Day for China Aerospace Science in which the primary and secondary school students and the community were invited to visit the Group's earth station and satellite operation facilities, and the knowledge of aerospace and satellite were introduced and promoted. In addition, the Group arranged the employees to participate voluntary work for 4 times, such as Volunteer Fun Day conducted by Hong Kong Family Welfare Society; Home Visit the Elderly organized by Free Methodist Church Chuk Yuen IVY Club; Bowling Competition Activity organized by the Hong Kong Chinese Enterprise Association and the SCHSA Territory-wide Flag Day organized by Senior Citizen Home Safety Association.

2. Environmental and Community Indicator

A1: Emissions

The Policy
As a member of the community and the environment, the Group values environmental protection and conforms to the relevant rules and regulations especially the control, avoidance or minimising of the release of hazardous or non-hazardous emissions, waste products and radiation so as to achieve a long-term, harmonious and sustainable growth of the Group.

A1.1 Air emissions

a. Emissions data from gaseous fuel consumption
Owing to the fact that the core business of the Group mainly in the services in relation to satellite transponders, broadcasting, and telecommunication. In no circumstance did the Group consume any units of fuel including Towngas or LPG resulting in the evolving of NO_x or SO_x.

Reference/guidance
"The Clean Air Charter – A Business Guidebook" published by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf

2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles

Under the environmental friendly policy of the Group as mentioned above, the Group only owns and operates limited number of petrol fuel vehicles. The Group will continue to put effort to further minimize such vehicles for environmental protection.

In 2018, the Group has deteriorated in NO_x and PM emissions recording increases of 16.29% and 16.26% respectively. The Group has improved in SO_x emissions recording a decrease of 2.96%, as compared to 2017.

For NO_x

Formula: NO_x emissions (g) = kilometres travelled x Emission Factor

NO_x Emission Factor by vehicle type in 2018

Vehicle type	**Emission Factor** *(g/km)*	**Travelling in** *(km)*	**NO_x emissions** *(g)*	**change** *(%)*
Private cars	**0.0747**	**91,531**	**6,837.37**	**8.48%**
Shuttle bus	**5.6923**	**7,008**	**39,891.64**	**17.74%**
		Total	**46,729.01**	**16.29%**

NO_x Emission Factor by vehicle type in 2017

Vehicle type	Emission Factor *(g/km)*	Travelling in *(km)*	NO_x emissions *(g)*
Private cars	0.0747	84,374.90	6,302.81
Shuttle bus	5.6923	5,952.00	33,880.57
		Total	40,183.38

In 2018, NO_x emission increased by 16.29% as compared to 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. **Environmental and Community Indicator (Continued)**

A1: Emissions (Continued)

The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles (Continued)

For SO_x

Formula: SO_x emissions (g) = units of fuel consumed x Emission Factor

SO_x Emission Factor by fuel type in 2018

Fuel type	**Emission Factor** *(g/L)*	**Units of fuel consumed** *(L)*	**SO_x emission** *(g)*	**Change** *(%)*
Diesel	**0.0161**	**2,644.53**	**42.58**	**33.30%**
Petrol	**0.0147**	**10,613.80**	**156.02**	**-9.66%**
		Total	**198.60**	**-2.96%**

SO_x Emission Factor by fuel type in 2017

Fuel type	Emission Factor *(g/L)*	Units of fuel consumed *(L)*	SO_x emission *(g)*
Diesel	0.0161 g/L	1,984.00	31.94
Petrol	0.0147 g/L	11,749.08	172.71
		Total	204.65

In 2018, SO_x emission slightly decreased by 2.96% as compared to 2017.

2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles (Continued)

For PM

Formula: PM emissions (g) = kilometres travelled x Emission Factor

PM Emission Factor by vehicle type in 2018

Vehicle type	**Emission Factor** *(g/km)*	**Travelling in** *(km)*	**PM emission** *(g)*	**Changes** *(%)*
Private cars	**0.0055**	**91,531**	**503.42**	**8.48%**
Shuttle bus	**0.4093**	**7,008**	**2,868.37**	**17.74%**
		Total	**3,371.79**	**16.26%**

PM Emission Factor by vehicle type in 2017

Vehicle type	Emission Factor *(g/km)*	Travelling in *(km)*	PM emissions *(g)*
Private cars	0.0055	84,374.92	464.06
Shuttle bus	0.4093	5,952	2,436.15
		Total	2,900.21

In 2018, PM emission increased by 16.26% as compared to 2017.

Reference/guidance

The Emission Factors above are based on the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation model (http://www.epd.gov.hk/epd/english/environmentinhk/air/guide_ref/emfac-hk.html)

Appendix 27, The Listing Rules "How to prepare an ESG Report?" Appendix 2: Reporting Guidance on Environmental KPIs, The Stock Exchange of Hong Kong Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

The Policy (Continued)

A1.2 Greenhouse gas emissions

Owing to the nature of the business and operation, the Group did not evolve or emit Greenhouse gas except carbon dioxide. The emission data of Carbon Dioxide is shown below.

Scope	Description	2018 Equivalent CO_2 Emissions (kg CO_2 - eq)	%	2017 Equivalent CO_2 Emissions (kg CO_2 - eq)	%
1	Direct Emission	**36,778**	**1.20**	41,497	1.16
2	Energy Indirect Emission	**2,865,345**	**93.63**	3,423,641	95.71
3	Other Indirect Emissions	**158,291**	**5.17**	112,132	3.13
	Total	**3,060,414**	**100**	3,577,270	100
	Equivalent CO_2 Emissions (kg CO_2 - eq)/ (Million HK$) revenue	**2,472.06**		2,962.79	

In 2018, the Greenhouse Gas Emission decreased by 14.45% as compared to 2017.

Reference/Guidance

The "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong http://www6.cityu.edu.hk/aerc/sme/guideline.asp

2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

The Policy (Continued)

A1.3(a) Total hazardous waste produced

Owing to the nature of the business, the Group did not produce any waste as end products or side products over the period.

Compliance requirements in Hong Kong:

(i) Chemical wastes: Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C of the Laws of Hong Kong);

(ii) Clinical wastes: The Clinical Waste Control Scheme, comprising Section 2 and Schedule 8 of the Waste Disposal Ordinance (Cap.354 of the Laws of Hong Kong),

(iii) the Waste Disposal (Clinical Waste) (General) Regulation (Cap. 354O of the Laws of Hong Kong), and various pieces of additional legislation; and

(iv) Hazardous chemicals: The Hazardous Chemicals Control Ordinance (Cap. 595 of the Laws of Hong Kong).

A1.3(b) Electromagnetic Radiation

(i) The Satellite Control Centre of the Group, via 11 sets of satellite antennae for the Telemetry, Tracking and Control (TT&C), operates APSTAR-5, APSTAR-5C, APSTAR-6, APSTAR-6C, APSTAR-7 and APSTAR-9 satellites. The Group is highly concerned about the radiation emission level of the satellite antennae. The Group conducts radiation emission measurements regularly to monitor the radiation emission level of the antennae so as to ensure that radiation emission level is always lower than the threshold limit as provided under the national standards, including GB8702-88, HJ/T2.1-2011, HJ/T10.3-1996, HJ/T10.2-1996 and GB13615-92 (collectively the "Standards") and such electromagnetic radiation, will not produce any harmful effect.

(ii) According to the report of electromagnetic radiation measurement and assessment, which was released in December 2018 (the "Radiation Report"), (a) according to the calculations in the Radiation Report, the electromagnetic radiation emissions of all the satellite antennae of the Group conform to the theoretical threshold safety requirements as required by the Standards; and (b) according to the actual measurements conducted, as mentioned in the Radiation Report, the highest figures of the maximum and average values in electromagnetic radiation emissions from the satellite antennae at 58 locations (test-points) within sensitive regions are 0.0022 W/m2 and 0.002 W/m2 respectively, which are significantly lower than the threshold value of 0.4 W/m2 as required under the Standards. The Group will ensure that its operation will be safe and environmental friendly to the employees and the neighboring community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

The Policy (Continued)

A1.4 Total non-hazardous waste produced

During the year, non-hazardous waste produced by the Company is limited due to the nature of the business and operation.

A1.5 Measures to mitigate emissions

The Group achieved significant performance in reducing emissions over the year 2017 as compared to the previous year. The improvements can be attributable to the improved procedure in the using of vehicles of the Group.

A1.6 Handling of hazardous and non-hazardous waste.

The business and operation of the Group remains the provision of services in satellite transponder, telecommunications and broadcasting services. The operation of the Group has not evolved hazardous and non-hazardous waste except the electromagnetic radiation which has already been well covered in A1.3 and proven by professional test and report that it is environmentally normal.

A2: Use of Resources

The Policy

As a member of the community and the environment, the Group values environmental protection and follows the principle of minimizing the use of natural resources though continuous effort on improving efficiency which will result in higher profitability and a long-term, harmonious and sustainable growth of the Group.

A2.1 Direct and/or indirect energy consumptions (by electricity)

In 2018, the total annual energy consumption according to bills (or meter readings) = 5,306,195 kWh

Energy consumption intensity EG/U = 4,287.1 kWh/HK$ million (change: -18.36%)

In 2017, the total annual energy consumption according to bills (or meter readings) = 6,340,075 kWh

Energy consumption intensity EG/U = 5,251.0 kWh/HK$ million

Where

EG = Total energy consumed (kWh)

U = Revenue (HK$ million)

2. Environmental and Community Indicator (Continued)

A2: Use of Resources (Continued)

The Policy (Continued)

In 2018, the Group has significantly reduced the energy consumption (mainly electricity), which is the prime energy sources for the support of the Group's operation, by 16.31%. The energy consumption intensity was also reduced 18.36% as compared to the year 2017.

Note: In 2018, the total consumption of diesel of the Group is 481 litres representing a decrease of 67.93% as compared to 2017.

A2.2 Water consumption

In 2018, the total water consumption according to bills (or meter readings) = 1,891 m^3

Water consumption intensity = W/U = 1.53 m^3/HK$ million (change: -18.62%)

In 2017, the total water consumption according to bills (or meter readings) = 2,275 m^3

Water consumption intensity = W/U = 1.88 m^3/HK$ million

Where

W = Annual water consumption (m^3)

U = Revenue (HK$ million)

In 2018, the water consumption has decreased 16.88%. The water consumption intensity was reduced 18.62% as compared to the year 2017.

The decreases in energy consumption and water consumption were attributable to the renovation processes of substantial parts of the Satellite Earth Station and office area for the environmentally friendly improvements in 2017, which include, among others,

(i) The increase using of day-light;

(ii) Automatic switch off of office lighting;

(iii) Higher efficiency of air-conditioning; and

(iv) Improving printing process to reduce printing and save paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. Environmental and Community Indicator (Continued)

A2: Use of Resources(Continued)

The Policy (Continued)

A2.3 Description of energy use efficiency initiatives and results achieved

The operation of the Group's business is very dependent on the reliable and quality electricity supply to the Group's Satellite Earth Station. Therefore, the electricity cost has been an important item of the operation cost of the Group. The Group has strong incentive to improve the efficiency of the use of electricity for the purpose of reducing the operation cost and conforming to the environmental friendly policy of the Group.

During the year, initiatives of efficient use of electricity include:

– Control the room temperature at 25ºC
– Increase use of day-light in the interior design of office and communal areas
– Automatic switching off of un-used lighting at office areas or communal areas
– Reduction of printing.

A2.4 Water efficiency initiatives

The Group has never encountered any difficulty in getting water supply for its use. Water was not required for the support of the Group's operation and business.

The energy consumption and water consumption in 2018 have decreased as a result of renovation projects for environmental improvement, the Group expects that both consumptions will be controlled to low levels in the coming years under the continuous effort in energy and water efficiency initiatives.

Under the Group's environmentally friendly policy and due to the nature of the operation and business, the water consumption of the Group over the period has been kept at minimally low level. Initiatives of water efficiency includes:

– Periodical reminders to all staffs
– Timely maintenance and repairment of water pipes
– Slower water flow from pipes for normal use

A2.5 Total packaging material

The Group does not find any meaningful figures in this aspect due to the nature of its operation and business.

2. Environmental and Community Indicator (Continued)

A3: The Environment and Natural Resources

The Group's business is the launch and operation of satellite at the geostationary orbital slot for the provisions of transponders, telecommunication and broadcasting services. Therefore, the nature of business and operation of the Group does not rely on the excessive consumption of natural resources and suppliers. Nor does it precipitate any significant waste material or hazard to neighbours or environment. The activities, operation and business of Group does not cause any significant impacts on the environment. However, the Group will continue to keep close monitoring three specific concerns as detailed below:

(i) In the event of a launch of satellite, it may cause a distress on the environment throughout the course of its launch trajectory. However, the launch of satellite is regulated with state license or permit and will be well covered with third-party liability insurance for any loss or damages to any third party as a result of the launch process.

(ii) The radiation emission of the satellite antennae erected and operated in the Satellite Earth Station of the Group may be hazardous to neighbor and environment. The Group is highly concerned on this hazard and conducts regular radiation emission measurements so as to monitor the radiation emission level of the antennae. As proven by the measurement results of the latest measurement report issued in October 2017, the surrounding regions of the Satellite Earth Station remain safe and environmentally normal for activities according to the Standards.

(iii) The efficient use of electricity of the Group should be the focal point of the future challenge. The management of the Group will make it as a prioritised item for action, not just for the environmentally friendly policy but also paring down the operation cost to a greater extent for a higher marginal profit value.

Note: This section covers the environmental protection practices of the Group in Hong Kong only

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

EXECUTIVE DIRECTORS

Mr. CHENG Guangren, aged 56, Doctor, has been appointed as the Executive Director and President of the Company since June 2008. Mr. Cheng is also the authorised representative of the Company. He is responsible for the overall operation and management of the Company. Mr. Cheng has been engaging senior management work in the field of satellite operation since 1994. He had been the Director of Board and President of Sino Satellite Communications Company Limited and the Board Chairman of China Direct Broadcast Satellite Company Limited. Mr. Cheng is the Chairman of APT Mobile SatCom Limited. Mr. Cheng is a Director of APT Satellite Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited and APT Telecom Services Limited, which are subsidiaries of the Company. Mr. Cheng is also a Director of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company, and the Non-executive Director of China Satellite Communications Company Limited ("China Satcom"), which is a shareholder of APT International.

Mr. QI Liang, aged 57, has been appointed as Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi is also a member of each of the Nomination Committee and Remuneration Committee of the Company. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the Postgraduate of Monetary and Banking, Finance Department from the Chinese Academy of Social Sciences since 1998 and accredited as Senior Economist. Currently, he is the Deputy Officer of Science Committee for China Satcom. Before joining the Company, he had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited. Mr. Qi is a Director of APT Mobile Satcom Limited. Mr. Qi is also a Director of APT Satellite Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited and APT Telecom Services Limited which are subsidiaries of the Company, and the Chairman of APT Satellite Communications (Shenzhen) Company Limited, a subsidiary of the Company. Mr. Qi is also a Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS

Mr. LI Zhongbao, aged 51, has been appointed as a Non-executive Director of the Company since 29 August 2017 and the Chairman of the Company since 1 April 2018. Mr. Li graduated with university degree in chemical engineering at Chemical Department of University of Tianjin in July 1990. He is a bachelor degree holder and researcher. From July 1990, Mr. Li had worked for the Institution of China Academy of Space Technology consecutively as Deputy Manager, Assistant to Director, Deputy Director, Director and also had been the Senior Vice President and Director of China Spacesat Company Limited (a corporation listed on the Shanghai Stock Exchange in China). Mr. Li has been appointed as a Director and the General Manager of China Satcom since July 2017 and also been appointed as the Chairman of China Satcom since March 2018. Mr. Li has also been appointed as Director of APT Satellite Company Limited, which is a subsidiary of the Company and Director of APT International, the substantial shareholder of the Company.

Mr. LIM Toon, aged 76, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as a Non-Executive Director of the Company in October 1996. Mr. Lim graduated from the University of Canterbury and University of Singapore. He had worked for Singapore Telecommunications Limited ("SingTel") since 1970. In SingTel, he served in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He had been the Chief Operating Officer of SingTel since April 1999 until he retired in February 2006 and served as SingTel's Advisor. Mr. Lim is also a Director of APT Satellite Company Limited, which is a subsidiary of the Company and a Director of APT International, the substantial shareholder of the Company.

Dr. YIN Yen-liang, aged 69, has been appointed as a Non-Executive Director of the Company since January 2003. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the Ph.D. Degree in Business Administration from National Chengchi University in 1987. He had been the President of the Ruentex Group, the holding company of one of the shareholders of APT International, since 1994. Dr. Yin is also a Director of APT Satellite Company Limited, which is a subsidiary of the Company. Dr. Yin is also a Director of APT International, the substantial shareholder of the Company.

Mr. FU Zhiheng, aged 50, was appointed as a Non-Executive Director of the Company with effect from 20 March 2012. Mr. Fu graduated from the Northwestern Polytechnic University, Xian, China, with a Bachelor of Engineering degree in 1991. He then obtained his Master of Business Administration degree from China University of Mining Technology (Beijing) in 2004. Mr. Fu is currently the Executive Vice President of China Great Wall Industry Corporation ("CGWIC") in charge of satellite and launch services business. He has been working with CGWIC since 1993, taking various positions in marketing and program management for international space programs. Before he joined CGWIC, he had worked for China Academy of Launch Vehicle Technology for two years. Mr. Fu is currently a Director of APT Satellite Company Limited, which is a subsidiary of the Company. He is also the Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. LIM Kian Soon, aged 55, graduated with a Bachelor of Computer Engineering from University of Tsukuba, Japan and obtained MBA from University of Leeds, UK. Mr. Lim had worked for Singapore Telecommunications Limited ("Singtel") since 1997, serving in various appointments. Mr. Lim is currently the Head of Carrier Sales & Voice Support, responsible for all domestic and international data sales business to all telecom service providers globally. Mr. Lim is also responsible for supporting the carrier voice team in international accounting and settlement. Mr. Lim assumed this position in April 2017. Prior to this appointment, as Head of Singtel Satellite, he was responsible for the fixed and mobile satellite business and infrastructure in SingTel, as well as ICT and cyber security innovation over satellite for the maritime, broadcast and land mobile segments. Mr. Lim is a Director of APT Satellite Company Limited, which is subsidiary of the Company. Mr. Lim is also a Director of APT International, the substantial shareholder of the Company.

Mr. BA Risi, aged 64, has been appointed as a Non-Executive Director of the Company since 1 April 2018. Mr. Ba graduated with university degree in metal materials at Materials and Fuel Department of National University of Defense Technology in February 1982. From 1982, Mr. Ba had worked for the subsidiaries of China Aerospace Science and Technology Corporation and China Aerospace Science and Technology Corporation consecutively as Deputy Officer, Officer, Deputy Director, Director, General Counsel, Vice Chairman of the Supervisory Board, Chief Engineer and also had been the Vice Chairman of China Institute of Space Law. From March 2018, Mr. Ba has been appointed as a Director of China Satcom. Mr. Ba has also been appointed as a Director of APT Satellite Company Limited, which is a subsidiary of the Company and a Director of APT International, the substantial shareholder of the Company.

Mr. TSENG Ta-mon, aged 61, has been appointed as an Alternate Director to Dr. Yin Yen-liang, a Non-Executive Director of the Company, since September 2004. He had been a Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT International. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, a Director of APT Satellite Company Limited, which is a subsidiary of the Company and APT International, the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI King Man, aged 64, has been appointed as an Independent Non-Executive Director of the Company since August 2004. Dr. Lui is the Chairman of the Audit and Risk Management Committee and the Remuneration Committee of the Company. He is also the member of the Nomination Committee of the Company. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K. M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Institute Of Certified Public Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 29 years of experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organisations.

Dr. LAM Sek Kong, aged 59, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Dr. Lam is a member of the Nomination Committee of the Company and since 1 January 2010 has been the Chairman of the Nomination Committee. Dr. Lam is also a member of each of the Audit and Risk Management Committee and the Remuneration Committee of the Company. Dr. Lam graduated from the University of Hong Kong in 1984. He is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK) and a fellow of the Hong Kong Institute of Arbitrators. Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University. Dr. Lam is currently an independent Non-executive Director of Hengtai Securities Co., Ltd. (a corporation listed on the Stock Exchange (Stock code: 01476)).

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. CUI Liguo, aged 49, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Mr. Cui is also a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991. He founded the Guantao Law Firm in 1994, and is acting as a Founding Partner and the officer of its Management Committee. Mr. Cui has over 25 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as, CNNC International Limited (a corporation listed on the Stock Exchange), and China National Software & Service Co. Ltd. (a corporation listed on the Shanghai Securities Exchange in China), Essence Securities Co., Ltd., Health Yuan Pharmaceutical Industry Group Company Limited (a corporation listed on the Shanghai Securities Exchange in China), Beijing Life Insurance Co., Ltd. He is also a member of the Finance & Securities Committee of All China Lawyers Association; and the legal counselor in the internal control group of securities issuing of Guodu Securities Co., Ltd. and Bohai Securities Co., Ltd..

Dr. MENG Xingguo, aged 64, has been appointed as an Independent Non-Executive Director and a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company with effect from 5 July 2012. Dr. Meng graduated from the Renmin University of China with a Bachelor of Economics degree in 1982. He then obtained his Master of Finance degree from the Graduate Institute of The People's Bank of China in 1985. He also graduated from the School of Business of Temple University in 1994, with doctorate degree in Business Management. Dr. Meng had worked consecutively in the Reinsurance department of the headquarters of The People's Insurance Company (Group) of China Limited, branch and the headquarters of The People's Bank of China since 1985. He has also been the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. (currently known as the "Allianz China Life Insurance Company Limited") and senior vice president of Sun Life Everbright Life Insurance Company Limited. Since joining Central Huijin Investment Limited in 2006, Dr. Meng had served as the director of the insurance division in the department of non-banking financial institutions, and was appointed as a Director of China Reinsurance Group Co., Ltd. and a Non-executive Director of New China Life Insurance Company Limited (a corporation concurrently listed on the Stock Exchange (Stock Code: 01336) and the Shanghai Securities Exchange (Stock Code: 601336)). Dr. Meng is currently the Chairman of Generali Insurance Agency Co. Ltd..

SENIOR MANAGEMENT

Mr. HUANG Baozhong, aged 56, Master's Postgraduate, has been the Executive Vice President of the Company since August 2010, being responsible for Sales, Marketing and Legal Affairs of the company. Mr. Huang graduated from Harbin Institute of Technology and has been engaging in satellite and other space related activities since 1987. Before joining the Company, he was the Vice President of China Satcom.

Mr. CHEN Xun, aged 48, Executive Vice President, Mr. Chen is responsible for technical operations and engineering of the Company, he has over 25 years' experience in satellite and telecommunications industry. Mr. Chen jointed the Company in year 2000. He holds a Bachelor's degree in computer and telecommunications from Chongqing Institute of Post & Telecommunications and a MBA degree from the University of South Australia. Before joining the Company, he worked for China Telecommunications Broadcast Satellite Corporation. Mr. Chen is a Director of APT Mobile Satcom Limited.

Mr. QI Kezhi, aged 57, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for risk management of the Company. Mr. Qi graduated from the Tsinghua University, Beijing and Postgraduate Academy of Public Administration Speyer, Germany. Mr. Qi joined the Company in November 1999 and has been the Deputy Director and Director of International Business Department.

Mr. ZHANG Shilin, aged 51, is appointed as the Vice President of the Company in April 2013. Mr. Zhang is responsible for capacity management and technical support of the Company. Mr. Zhang graduated from Beijing Institute of Posts and Telecommunications with a Master Degree in Electromagnetic Field Theory and Microwave Technology. Mr. Zhang joined the Company in October 2010 and has served as Director of Marketing Department. Mr. Zhang has over 20 years' experience in satellite communication.

Mr. HU Yajun, aged 53, has been appointed as the Vice President since April 2018. Mr. Hu is responsible for China Business and Shareholders Relationship Management of the Company. Mr. Hu graduated from the National University of Defense Technology with a Master Degree in Communication and Electronics System. Mr. Hu joined the Company in December 2010 and served as the General Manager of various departments of the Company include Television and Telecom Services Department, Corporate Affairs Department, Information Technology Engineering Department and China Affairs Office.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change and update in Directors' biographical details are as follows:

– Mr. Li Zhongbao was re-designated as the Chairman of the Company with effect from 1 April 2018.

– Mr. Ba Risi was appointed as Non-executive Director of the Company with effect from 1 April 2018.

– Mr. Cui was appointed as independent director of the board of Beijing Life Insurance Co. Ltd. with effect from 23 March 2018.

Save as the changes disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

The board of directors ("Directors") of the Company is pleased to present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services. Discussion and analysis of these activities pursuant to Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) including a discussion of the principal risks and uncertainties which may be faced by the Group and an indication of the forward looking developments in the Group's business are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 21 of this Annual Report forming part of this Directors' Report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2018 and the state of the Group's affairs as at that date are set out in the financial statements on pages 75 to 159.

During the year, the Company has declared and paid an interim dividend in cash of HK4.00 cents per share. The Board has resolved to declare a final dividend in cash of HK11.50 cents per share to shareholders whose names appear on the register of members at the close of business on 6 June 2019.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 160 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 11 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2018 are set out in note 17 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

During the year, no new share of the Company was issued.

There was no purchase, sale or redemption by the Company, or any subsidiaries of the Company's shares during the year.

Details of movement of the share capital are set out in note 28(b) to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 79.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 28(a) to the financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in note 24 to the financial statements.

FIXED CHARGE

Details of the Group's fixed charge are set out in note 21 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$10,000 (2017: HK$20,000).

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

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

Non-executive Directors

Yuan Jie *(resigned on 1 April 2018)*
Li Zhongbao *(re-designated as Chairman of the Company on 1 April 2018)*
Lim Toon
Yin Yen-liang
Ba Risi *(appointed on 1 April 2018)*
Fu Zhiheng
Lim Kian Soon
Tseng Ta-mon *(alternate director to Yin Yen-liang)*

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

In accordance with Bye-law 87 of the Company's Bye-Laws, Mr. Qi Liang, Mr. Lim Toon, Dr. Yin Yen-liang and Dr. Meng Xingguo will retire by rotation at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The remaining Directors of the Company continue in office.

The biographical details of the Directors and changes are set out in the section "Directors' and Senior Management's Profiles and Changes" of this annual report.

DIRECTORS' SERVICE CONTRACT

No service contract was entered into between the Directors and the Company or any of its subsidiaries that is exempt under rule 13.69 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' EMOLUMENTS

The emoluments of the Directors on a named basis are set out in note 6 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation as regards their independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Directors having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2018, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

Name of Director and Chief Executive	Nature of interests	Number of shares held	Numbers of share options
Meng Xingguo	Personal	438,000[(1)]	–

Notes:

(1) Dr. Meng's wife held 438,000 shares of the Company. By virtue of his spouse's interests, Dr. Meng was deemed to be interested in the same parcel of shares held by his wife pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, as at 31 December 2018, none of the Directors or the Chief Executives of the Company had or was interested, or was deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

The Company has not approved any new share option scheme after the lapse of its last share option scheme on 21 May 2012. During the year, no option was granted.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, according to the register of interests in shares and short positions kept by the Company under section 336 of the SFO, the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	*Note*	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	508,950,000	54.68
China Satellite Communications Company Limited	2	495,450,000	53.23
APT Satellite International Company Limited	3	481,950,000	51.78
Temasek Holdings (Private) Limited	4	51,300,000	5.51
Singapore Telecommunications Limited	4	51,300,000	5.51
Singasat Private Limited	4	51,300,000	5.51
International Value Advisers, LLC		65,517,500	7.04

Notes:

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

   (a) CASC holds directly and indirectly in aggregate 99.8% interest of China Satellite Communications Company Limited ("China Satcom"), which in turn holds (i) 42.86% of APT Satellite International Company Limited ("APT International"); and (ii) 100% in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interests) of the Company;

   (b) CASC holds 100% interest directly in China Great Wall Industry Corporation ("CGWIC"), which in turn holds indirectly 14.29% interests in APT International; and

   (c) CASC directly holds 13,500,000 shares (approximately 1.45% interests) of the Company.

2. China Satcom was deemed to be interested in the shares of the Company by virtue of:

   (a) China Satcom holds 42.86% interests in APT International; and

   (b) China Satcom holds 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interests) of the Company.

3. APT International directly holds 481,950,000 shares (approximately 51.78% interests) of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Notes: (Continued)

4. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its interests through its controlled corporation (being Temasek's 54.39% shareholding in Singapore Telecommunications Limited ("Singtel"), which was deemed to be interested in the shares of the Company by virtue of Singtel's 100% shareholding in Singasat Private Limited). Singasat Private Limited holds 28.57% interests in APT International and directly holds 51,300,000 shares (approximately 5.51% interests) of the Company.

Save as disclosed above, as at 31 December 2018, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the date of this report, Messrs. Mr. Cheng Guangren, Mr. Qi Liang, Mr. Li Zhongbao, Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Ba Risi (appointed on 1 April 2018), Mr. Fu Zhiheng, Mr. Lim Kian Soon and Mr. Tseng Ta-mon (alternate director to Dr. Yin Yen-liang), Directors of the Company, are also directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company's issued share capital at 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

In 2018, the aggregate revenue attributable to the Group's five largest customers was 37% (2017: 36%) of the total revenue. In 2018, the largest customer accounted for 12% of the Group's revenue and the largest supplier represented 32% of the Group's total purchases.

One of the five largest customers was China Satellite Communication Company Limited ("China Satcom"). China Satcom is a subsidiary of China Aerospace Science & Technology Corporation, the controlling shareholder of the Company. Mr. Cheng Guangren, Mr. Qi Liang and Mr. Li Zhongbao and Mr. Ba Risi (appointed as Non-executive Director of the Company on 1 April 2018) have interests to the extent that they have been concurrently directors or senior officers of China Satcom.

The aggregate purchase attributable to the Group's five largest suppliers was less than 74% of total purchases (2017: 80%). One of the five largest suppliers was China Satcom.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Company's five largest customers or suppliers.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

According to a facility agreement entered into on 14 June 2016, China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, is required to maintain control of or hold directly or indirectly not less than 30% shareholdings of the Company and remain as the single largest shareholder of the Company. As at 31 December 2018, the amount of the facility subject to such an obligation was HK$839,296,000. The facility will expire on 28 June 2021.

CONNECTED TRANSACTIONS

Certain connected transactions also fall under related party transactions in accordance with the International/Hong Kong Accounting Standards, details are set out in note 35 to the financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

FORMATION OF APT MOBILE SATCOM LIMITED

APT Satellite Communications (Shenzhen) Co. Ltd. ("APT Shenzhen"), a wholly-owned subsidiary of the Company, together with 航天投資控股有限公司 ("China Aerospace Investment Holdings Ltd.") and other investors from China, signed an investors' Agreement dated 23 July 2016 and a Supplemental Agreement dated 12 August 2016 to establish a company namely APT Mobile Satcom Limited ("APT Mobile"). The total registered capital of APT Mobile was RMB2,000 million, of which APT Shenzhen committed to invest RMB600 million (representing 30% of the equity interest in APT Mobile) ("Committed Capital"). At 31 December 2018, APT Shenzhen has paid RMB390,000,000, representing 65% of the Committed Capital. The scope of business of APT Mobile includes construction and operation of satellite communication system, satellite space segment services, satellite fixed and mobile telecommunication services, internet access, integration of networks and systems and technical consultancy services etc. Since APT Mobile is an associate of China Aerospace Science & Technology Corporation ("CASC"), it is therefore a connected party of the Company under the meaning of Chapter 14A of the Listing Rules.

As at 31 December 2018, the shareholders of APT Mobile were APT Shenzhen, 交通運輸通信信息集團有限公司, 中國國有資本風險投資基金股份有限公司, 深圳市昊創投資集團有限公司, 航天投資控股有限公司, 國華軍民融合產業發展基金(有限合伙), 蘇州遠海天璣股權投資合伙企業(有限合伙), 深圳市創新投資集團有限公司, 深圳市衛星通信科技合伙企業(有限合伙). The share equity interest of APT Shenzhen in APT Mobile remains unchanged.

CONNECTED TRANSACTIONS WITH APT MOBILE SATCOM (HK) LIMITED

LOAN AGREEMENT

On 11 September 2017, APT HK and APT Shenzhen (wholly-owned subsidiaries of the Company) entered into a loan agreement (the "Loan Agreement") in respect of the provision of an unsecured loan in the principal amount of HK$345,462,000 to APT Mobile SatCom (HK) Limited (a connected party of the Company).

As of 31 December 2018, APT Shenzhen has in aggregate contributed RMB390 million, representing 65% of the Committed Capital. APT Shenzhen is obligated to contribute the remaining RMB210 million (remaining 35% of the Committed Capital) when the outstanding registered capital is called up by APT Mobile which will likely take place in the coming 12 months to 24 months. APT HK has reserved this fund for the forthcoming calling up of the contribution in the registered capital in APT Mobile. By entering into the Loan Agreement, the Group can make use of this opportunity to better utilise the fund resources and achieve better interests income by securing a relatively high interest rate arrangement during this waiting period. The repayment of the Loan is hedged by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APT Mobile. The Loan Agreement was approved by shareholders of the Company in a special general meeting held on 23 October 2017 pursuant to Chapter 14A of the Listing Rules.

As of 31 December 2018, APT Mobile SatCom (HK) Limited has repaid in full the HK$120,000,000 loan in cash under this Loan Agreement.

MASTER AGREEMENT AND CONSULTANCY AGREEMENT

On 1 November 2016, APT Mobile entered into a contract (the "Satellite Project") in respect of the manufacturing, delivery and launching of the APSTAR-6D Satellite (the "Satellite"). On 11 September 2017, APT HK entered into the master agreement (which contemplated the entering into of the consultancy agreement) (collectively the "Master Agreement") in respect of provision of project management and technical consultancy services to APT Mobile.

By entering into the consultancy agreement, APT HK or its designated subsidiary can provide professional consultancy services in respect of development, launching and operation of the Satellite to APT Mobile. The consultancy services of APT HK can facilitate the smooth and successful development and launch of the Satellite into designated orbit until the completion of In-Orbit Delivery. The success of the Satellite will be very important for the business development and investment for both the Group and APT Mobile.

A total sum of the consultancy agreement is US$11,855,000 (equivalent to approximately HK$92,469,000), being the total service fees payable by APT Mobile to APT HK by installments pursuant to the milestone of the Satellite Project. The Master Agreement was approved by shareholders of the Company in a special general meeting held on 23 October 2017 pursuant to Chapter 14A of the Listing Rules.

MASTER AGREEMENT AND CONSULTANCY AGREEMENT (Continued)

As of 31 December 2018, APT Mobile has paid to APT HK in aggregate US$3,086,000 (equivalent to approximately HK$24,071,000) as an advanced service fees under this Consultancy Agreement.

CONTINUING CONNECTED TRANSACTIONS

On 11 September 2017, the Company entered into the Transponder Service Master Agreement ("Existing Master Agreement") with China Satcom of validity until 31 December 2020 thereby subject to the terms and conditions of the Existing Master Agreement, the Group and China Satcom, on an ongoing basis, provide to each other (including their respective associates) services (the "Continuing Connected Transactions") that (a) in the Mainland China market, the Group shall provide its satellite transponder capacity on a preferential basis to China Satcom (the "Service in Mainland China"); and that (b) in the market outside Mainland China, either the Group or China Satcom shall provide on a preferential basis its own satellite transponder capacity and satellite telecommunication value-added services and other related professional service to the other party (the "Service Outside Mainland China"). Since China Satcom is a subsidiary of CASC, and CASC and its associates hold approximately 57.14% interest of APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.78% of the issued share capital of the Company. China Satcom is therefore a connected party of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

As approved by the independent shareholders of the Company on 14 November 2017, the maximum annual aggregate value (the "Caps") in respect of the Service in the Mainland China and the Service Outside the Mainland China for the year ended 31 December 2018 are as follows:

(a)	the Caps in respect of the provision of the Service in the Mainland China by the Group to China Satcom	HK$345,000,000
(b)	the Caps in respect of the provision of the Service Outside the Mainland China by the Group to China Satcom	HK$30,000,000
(c)	the Caps in respect of the provision of the Service Outside the Mainland China by China Satcom to the Group	HK$220,000,000

The Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that:

(i) the Continuing Connected Transactions have been entered into under the usual and ordinary course of business of the Group;

(ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and

(iii) the Continuing Connected Transactions have been entered into in accordance with the Existing Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Directors have received a letter from the auditors of the Company, KPMG, which was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" both issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which has been provided by the Company to the Stock Exchange in accordance with Listing Rules 14A.56 where confirming the Continuing Connected Transactions:

(i) have been approved by the Board of Directors;

(ii) were in all material respects, in accordance with the pricing policies of the Group;

(iii) were in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and

(iv) have not exceeded the respective Caps set out above for the year ended 31 December 2018.

The Company has provided a copy of the said letter to the Stock Exchange.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" contained in this annual report.

DIRECTORS' REPORT

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

BUSINESS REVIEW

The Business Review of the Group is set out in the "Management Discussion and Analysis (Business Review)" on pages 10 to 21 of this annual report. The details of the relationships with the Group's stakeholders are set out in the "Environmental, Social and Governance Report" on pages 36 to 49 of this annual report. These discussions form part of this Directors' Report.

By order of the Board
Li Zhongbao
Chairman

Hong Kong, 19 March 2019

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report to the shareholders of APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of APT Satellite Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 75 to 159, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Annual impairment assessment of the intangible asset with indefinite useful life

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 94 to 95.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's intangible asset with indefinite useful life ("the IA"), representing the right to use an orbital slot, amounted to HK$133.6 million as at 31 December 2018. The orbital slot was solely occupied by a satellite of the Group. As the IA generates cash inflows together with this satellite, the Group performs annual impairment assessment of the IA and the satellite together, by comparing the aggregate carrying value of the IA and the satellite against their aggregate recoverable amount, based on the discounted cashflow forecast prepared by Group management to determine the amount of impairment loss to be recognised, if any. We identified the potential impairment of IA as a key audit matter because the impairment assessment conducted by Group management is complex and contain certain judgemental assumptions, particularly the discount rate and revenue growth rate.	Our audit procedures to assess potential impairment of the IA included the following: • evaluating the appropriateness of the Group's identification of the cash generating unit comprising the IA and the satellite solely using the IA; • with the assistance of our internal valuation specialists, assessing the methodology used in the cashflow forecast prepared by Group management and whether the discount rate adopted in the cashflow forecast is within the normal range used by other market participants; • comparing the revenue growth rate adopted in the cashflow forecast with past growth rates achieved by the Group as well as with those of comparable companies and other available external market data, taking into account recent developments in the commercial satellite industry and the Group's future operating plans; • comparing the revenue included in the cashflow forecast prepared by Group management in the prior year with the current year actual performance of the Group to assess accuracy of the prior year's cashflow forecast, and making enquiries of Group management as to the reasons for any significant variations identified; and • obtaining from Group management sensitivity analyses of both discount rate and revenue growth rate as adopted in the cashflow forecast prepared by the Group and assessing the impact of changes in these key assumptions to the conclusion reached in the impairment assessment and whether there was any indicator of management bias.

KEY AUDIT MATTERS (Continued)

Recoverability of trade receivables

Refer to notes 20 and 30(a) to the consolidated financial statements and the accounting policies on pages 89 to 93.

The Key Audit Matter

At 31 December 2018, the Group's trade receivables amounted to HK$159.8 million, after netting off loss allowance of HK$28.1 million.

The Group's customers operate in a number of geographical locations, all of them having different credit profiles. The timing of trade receivable settlement can be influenced by geographical norms and the economic environment in which the customers operate.

The Group's loss allowances are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of the trade receivables and credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date, all of which involve a significant degree of management judgement.

The Group's loss allowances include a specific element based on individual receivables and a collective element based on historical experience adjusted for geographical norms.

We identified the recoverability of trade receivables as a key audit matter because of the significance of trade receivables to the consolidated financial statements and because the assessment of the recoverability of trade receivables and recognition of loss allowances are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess recoverability of trade receivables included the following:

- understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade receivables, which included credit control procedures and estimate of expected credit losses under the Group's policy;
- assessing, on a sample basis, whether items in the trade receivables report were classified within the appropriate geographical location and appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales contracts and sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions in different geographical locations and forward-looking information;
- assessing the Group's recorded loss allowances by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms extended to the relevant trade receivables; and
- evaluating the assumptions and estimates made by management in calculating the loss allowances by examining the utilisation or release of previously recorded allowances during the current year and write-offs of trade receivables not previously provided for, on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 *(Note)* $'000
Revenue	3 & 10	**1,237,712**	1,207,440
Cost of services		**(501,610)**	(467,079)
Gross profit		**736,102**	740,361
Other net income	4(a)	**165,761**	18,680
Valuation (loss)/gain on investment properties	12	**(527)**	1,214
Impairment loss in respect of property, plant and equipment	11(a)	**(150,000)**	–
Administrative expenses		**(123,078)**	(121,985)
Profit from operations		**628,258**	638,270
Fair value changes on financial instrument measured at fair value through profit or loss	16	**1,841**	(16,573)
Finance costs	4(b)	**(10,562)**	–
Loss on disposal of a joint venture	14	**(78)**	–
Share of profit of an associate		**169**	95
Profit before taxation	4	**619,628**	621,792
Income tax	5(a)	**(112,621)**	(117,235)
Profit for the year and attributable to equity shareholders of the Company		**507,007**	504,557
Earnings per share	9		
Basic and diluted		**54.47 cents**	54.20 cents

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	2018 $'000	2017 *(Note)* $'000
Profit for the year	**507,007**	504,557
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	**(24,382)**	26,786
Other comprehensive income for the year	**(24,382)**	26,786
Total comprehensive income for the year	**482,625**	531,343

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Non-current assets			
Property, plant and equipment	11(a)	**5,393,820**	4,460,788
Investment properties	12	**11,373**	11,900
Intangible asset	13	**133,585**	133,585
Interest in a joint venture	14	**–**	490
Interest in an associate	15	**437,028**	360,351
Club membership		**380**	380
Prepaid expenses	18	**170,527**	1,030,819
Deferred tax assets	27(b)	**877**	259
		6,147,590	5,998,572
Current assets			
Financial assets measured at fair value through profit or loss	16	**9,207**	7,366
Loan receivables	19	**–**	120,000
Trade receivables, net	20	**159,758**	203,832
Deposits, prepayments and other receivables		**151,063**	28,878
Pledged bank deposits	21	**12,262**	–
Bank deposits with original maturity beyond 3 months		**5,758**	435,864
Cash and cash equivalents	22(a)	**668,828**	531,253
		1,006,876	1,327,193
Current liabilities			
Payables and accrued charges	23	**96,547**	83,342
Rentals received in advance		**57,034**	103,274
Dividend payable		**540**	–
Secured bank borrowings due within one year	24	**261,330**	111,572
Current taxation	27(a)	**29,604**	75,904
		445,055	374,092
Net current assets		**561,821**	953,101
Total assets less current liabilities carried forward		**6,709,411**	6,951,673

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Total assets less current liabilities brought forward		**6,709,411**	6,951,673
Non-current liabilities			
Secured bank borrowings due after one year	24	**164,108**	801,891
Deposits received	25	**73,606**	75,203
Deferred income	26	**84,441**	87,603
Deferred tax liabilities	27(b)	**739,769**	686,296
		1,061,924	1,650,993
Net assets		**5,647,487**	5,300,680
Capital and reserves			
Share capital	28	**93,081**	93,081
Share premium	29(i)	**1,235,362**	1,235,362
Contributed surplus	29(ii)	**511,000**	511,000
Revaluation reserve	29(iii)	**4,017**	4,017
Exchange reserve	29(iv)	**(4,560)**	19,822
Other reserves	29(v)	**442**	442
Accumulated profits		**3,808,145**	3,436,956
Total equity		**5,647,487**	5,300,680

Approved and authorised for issue by the Board of Directors on 19 March 2019

Cheng Guangren
Director

Qi Liang
Director

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018 (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 2017	93,101	1,236,081	511,000	4,017	(6,964)	442	3,011,517	4,849,194
Changes in equity for 2017:								
Profit for the year	–	–	–	–	–	–	504,557	504,557
Other comprehensive income	–	–	–	–	26,786	–	–	26,786
Total comprehensive income	–	–	–	–	26,786	–	504,557	531,343
Dividend approved in respect of the previous year *(note 8(ii))*	–	–	–	–	–	–	(46,540)	(46,540)
Dividend declared in respect of the current year *(note 8(i))*	–	–	–	–	–	–	(32,578)	(32,578)
Purchase of own shares *(note 28(c))*	(20)	(719)	–	–	–	–	–	(739)
Balance at 31 December 2017 *(Note)*	93,081	1,235,362	511,000	4,017	19,822	442	3,436,956	5,300,680
Balance at 31 December 2017 *(Note)*	**93,081**	**1,235,362**	**511,000**	**4,017**	**19,822**	**442**	**3,436,956**	**5,300,680**
Impact on initial application of IFRS/HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**(851)**	**(851)**
Balance at 1 January 2018	**93,081**	**1,235,362**	**511,000**	**4,017**	**19,822**	**442**	**3,436,105**	**5,299,829**
Changes in equity for 2018:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**507,007**	**507,007**
Other comprehensive income	**–**	**–**	**–**	**–**	**(24,382)**	**–**	**–**	**(24,382)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(24,382)**	**–**	**507,007**	**482,625**
Dividend approved in respect of the previous year *(note 8(ii))*	**–**	**–**	**–**	**–**	**–**	**–**	**(97,735)**	**(97,735)**
Dividend declared in respect of the current year *(note 8(i))*	**–**	**–**	**–**	**–**	**–**	**–**	**(37,232)**	**(37,232)**
Balance at 31 December 2018	**93,081**	**1,235,362**	**511,000**	**4,017**	**(4,560)**	**442**	**3,808,145**	**5,647,487**

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 *(Note)* $'000
Operating activities			
Cash generated from operations	22(b)	**978,698**	673,149
Hong Kong profits tax paid		**(77,220)**	–
Overseas tax paid		**(28,846)**	(13,535)
Net cash generated from operating activities		**872,632**	659,614
Investing activities			
Payment for the purchase of property, plant and equipment		**(533,687)**	(455,678)
Proceeds from disposal of property, plant and equipment		**–**	148
Proceeds from disposal of a joint venture		**412**	–
Payment for investment in an associate		**(102,459)**	(167,485)
Interest received		**27,795**	11,222
(Increase)/decrease in pledged bank deposits		**(12,262)**	39
Decrease in bank deposits with original maturity beyond 3 months		**430,106**	113,526
Decrease/(increase) in loan receivables		**120,000**	(120,000)
Net cash used in investing activities		**(70,095)**	(618,228)
Financing activities			
Interest paid	22(c)	**(38,471)**	(15,284)
Proceeds from bank borrowings	22(c)	**837,704**	407,940
Repayment of bank borrowings	22(c)	**(1,327,700)**	(78,000)
Payment for repurchase of shares	28(c)	**–**	(739)
Dividends paid to equity shareholders of the Company		**(134,427)**	(79,118)
Net cash (used in)/generated from financing activities		**(662,894)**	234,799

	Note	2018 $'000	2017 (Note) $'000
Net increase in cash and cash equivalents		**139,643**	276,185
Cash and cash equivalents at 1 January	22(a)	**531,253**	253,553
Effect of foreign exchange rates changes		**(2,068)**	1,515
Cash and cash equivalents at 31 December	22(a)	**668,828**	531,253

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 82 to 159 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through profit or loss (see note 1(e)) and investment properties (see note 1(f)) are stated at fair value, as explained in the accounting policies set out below.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of IFRSs and HKFRSs that have effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in an associate and joint venture are stated at cost less impairment losses (see note 1(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Any attributable transaction costs are recognised directly in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(r).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(r)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Where other land and buildings are reclassified to investment properties, the cumulative increase in fair value of investment properties at the date of reclassification is included in the revaluation reserve, and will be transferred to accumulated profits upon the retirement and disposal of the relevant properties.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)):

– land classified as being held under finance leases and buildings thereon (see note 1(h)); and

– other items of plant and equipment.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

– Leasehold improvements	Over the lease term
– Furniture and equipment, motor vehicles, and computer equipment	5 years
– Data centre equipment	5 to 15 years
– Communication satellite equipment (earthbound)	5 to 15 years
– Communication satellites (in-orbit)	13.5 to 20.7 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residual values, over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(iii) Operating lease charges

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECLs") to the financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity beyond 3 months, trade receivables, other receivables and loan receivables).

Financial assets measured at fair value, including equity securities measured at fair value through profit or loss ("FVPL"), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL. Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment includes:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss was determined and recognised as follows:

– For investments in an associate and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss was measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss was reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

– For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material. This assessment was made collectively where financial assets carried at amortised cost shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses were written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade receivables, whose recovery was considered doubtful but not remote. In this case, the impairment losses for doubtful debts were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against trade debtors directly and any amounts held in the allowance account relating to that debt were reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible asset; and

– investments in subsidiaries, an associate and a joint venture in the Company's statement of financial position.

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

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS/HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and (ii)).

(j) Intangible asset

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

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit loss (see note 1(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(i).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

Certain employees of the Group participate in retirement plans managed by the respective local governments of the municipalities in the Mainland China in which the Group operates. The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to profit or loss incurred. In addition to the local governmental defined contribution retirement plans, the Group also participate in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group are required to make contributions to the retirement plans at fixed rates of the relevant employees' salary costs or in accordance with the terms of the plans. The Group's contributions to these plans are charged to profit or loss when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment benefits of termination benefits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the assets, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further detail of the Group's revenue and other income recognition policies are as follows:

(i) Transponder utilisation income and related services

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

(ii) Service income

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases

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

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong Dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong Dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(t) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

Of these, the following developments are relevant to the Group's financial statements:

(a) IFRS/HKFRS 9, *Financial instruments*

(b) IFRS/HKFRS 15, *Revenue from contracts with customers*

(c) IFRIC/HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS/HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS/HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS/HKFRS 9, *Financial instruments*

IFRS/HKFRS 9 replaces IAS/HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS/HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS/HKAS 39.

The following table summarises the impact of transition to IFRS/HKFRS 9 on accumulated profits and reserves at 1 January 2018.

	$'000
Accumulated profits	
Recognition of additional expected credit losses on:	
– trade receivables, net of tax	(851)
Net decrease in accumulated profits at 1 January 2018	(851)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS/HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at FVPL. These supersede IAS/HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS/HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS/HKFRS 9, see respective accounting policy notes in notes 1 (e), (i)(i), (k) and (n).

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS/HKFRS 9, *Financial instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

The Group has not elected the designation option to irrevocably designate the equity investment designated as financial asset at FVPL under IAS/HKAS 39 as financial asset at FVOCI (non-recycling) on transition to IFRS/HKFRS 9. The measurement categories for the Group's financial assets remain the same. The classification for all financial assets as at 1 January 2018 have not been impacted by the initial application of IFRS/HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS/HKFRS 9.

(ii) Credit losses

IFRS/HKFRS 9 replaces the "incurred loss" model in IAS/HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS/HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity beyond 3 months, trade receivables, other receivables and loan receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 1(i)(i).

The following table reconciles the closing loss allowance determined in accordance with IAS/HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS/HKFRS 9 as at 1 January 2018.

	$'000
Loss allowance as at 31 December 2017 under IAS/HKAS 39	31,479
Additional credit loss recognised at 1 January 2018 on:	
– trade receivables	851
Loss allowance at 1 January 2018 under IFRS/HKFRS 9	32,330

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS/HKFRS 9, *Financial instruments* (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS/HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to the comparative period has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS/HKFRS 9 are recognised in accumulated profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS/HKAS 39 and thus may not be comparable with the current period.

– Assessments on determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS/HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) IFRS/HKFRS 15, *Revenue from contracts with customers*

IFRS/HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS/HKFRS 15 replaces IAS/HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS/HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The adoption of IFRS/HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(c) IFRIC/HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) IFRIC/HK(IFRIC) 22, *Foreign currency transactions and advance consideration* (Continued)

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC/HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

3 REVENUE

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

Disaggregation of revenue from contracts with customers by service line is as follows:

	2018 **$'000**	2017 $'000
Revenue from sources other than contracts with customers within the scope of IFRS/HKFRS 15		
Income from provision of satellite transponder capacity	**1,196,170**	1,172,439
Income from provision of satellite-based broadcasting and telecommunications services	**15,399**	25,711
Other satellite-related service income	**26,143**	9,290
	1,237,712	1,207,440

4 PROFIT BEFORE TAXATION

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

		2018 $'000	2017 $'000
(a)	**Other net income**		
	Interest income on bank deposits	**21,658**	11,651
	Other interest income	**4,752**	492
	Foreign currencies exchange (loss)/gain	**(9,361)**	3,427
	Rental income in respect of properties less direct outgoing expenses of $95,000 (2017: $56,000)	**1,457**	1,325
	Insurance compensation	**128,700**	–
	Income incidental to construction of a communication satellite	**15,555**	–
	Other service income	**2,505**	1,189
	Other income	**495**	596
		165,761	18,680

		2018 $'000	2017 $'000
(b)	**Finance costs**		
	Interest on bank borrowings	**38,785**	15,284
	Other borrowing costs	**1,993**	930
		40,778	16,214
	Less: borrowing costs capitalised into prepaid expenses and construction in progress*	**(30,216)**	(16,214)
		10,562	–

* The borrowing costs have been capitalised at a rate of 2.49% – 3.77% per annum (2017: 1.75% – 2.88% per annum)

4 PROFIT BEFORE TAXATION (Continued)

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

	2018	2017
	$'000	$'000
(c) Staff costs (including directors' emoluments)		
Retirement scheme contributions	**3,254**	3,082
Salaries, wages and other benefits	**78,446**	72,620
	81,700	75,702

	2018	2017
		(Note)
	$'000	$'000
(d) Other items		
Auditors' remuneration		
– audit and related services	**1,182**	1,134
– tax services	**158**	134
– other services	**14**	14
Depreciation	**419,297**	399,783
Loss on disposal of property, plant and equipment	**107**	817
Operating lease charges: minimum lease payments		
– land and buildings and equipment	**608**	591
– satellite transponder capacity	**47,490**	28,548
Impairment loss on trade and other receivables (reversed)/recognised	**(1,726)**	6,416

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 $'000	2017 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**36,699**	26,834
Over-provision in respect of prior year	**–**	(17,826)
	36,699	9,008
Current tax – Outside Hong Kong		
Provision for the year	**23,182**	19,083
Over-provision in respect of prior years	**(115)**	(272)
	23,067	18,811
Deferred taxation – Hong Kong	**52,855**	89,416
Actual tax expense	**112,621**	117,235

Taxation is charged at the applicable current rates of taxation ruling in the relevant jurisdictions.

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

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

Over-provision in respect of prior years 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 year.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2017: 16.5%) of the estimated temporary differences for the year.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

	2018 **$'000**	2017 $'000
Profit before taxation	**619,628**	621,792
Notional tax on profit before taxation, calculated at the rates applicable to assessable profits in the jurisdictions concerned	**102,161**	102,160
Over-provision in respect of prior years	**(115)**	(18,098)
Withholding taxes outside Hong Kong	**23,184**	19,016
Tax effect of non-deductible expenses	**20,699**	3,938
Tax effect of non-taxable income	**(32,567)**	(6,228)
Tax effect of unused tax losses not recognised	**(634)**	630
Tax effect of unrecognised temporary differences now recognised	**(107)**	15,817
Actual tax expense	**112,621**	117,235

(c) There is no tax effect relating to the components of the other comprehensive income for the year (2017: Nil).

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2018 Total $'000
Executive directors					
Cheng Guangren *(note (f))*	100	2,669	2,331	432	5,532
Qi Liang *(note (g))*	100	1,921	1,690	313	4,024
Non-executive directors					
Lim Toon	100	–	–	–	100
Lim Kian Soon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Li Zhongbao *(note (c))*	–	–	–	–	–
Fu Zhiheng *(note (d))*	–	–	–	–	–
Ba Risi	75	–	–	–	75
Tseng Ta-mon *(note (e))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,375	4,590	4,021	745	10,731

6 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2017 Total $'000
Executive directors					
Cheng Guangren *(note (f))*	50	2,643	2,203	432	5,328
Qi Liang *(note (g))*	50	1,894	1,662	313	3,919
Non-executive directors					
Yuan Jie *(note (a))*	–	–	–	–	–
Lim Toon	100	–	–	–	100
Lim Kian Soon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Zhuo Chao *(note (b))*	–	–	–	–	–
Li Zhongbao *(note (c))*	–	–	–	–	–
Fu Zhiheng *(note (d))*	–	–	–	–	–
Tseng Ta-mon *(note (e))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,200	4,537	3,865	745	10,347

Notes:

(a) Mr. Yuan Jie, a non-executive director, has waived his director's fees for 2017.

(b) Mr. Zhuo Chao, a non-executive director, has waived his director's fees for 2017.

(c) Mr. Li Zhongbao, a non-executive director, has waived his director's fees for 2017 and 2018.

(d) Mr. Fu Zhiheng, a non-executive director, has waived his director's fees for 2017 and 2018.

(e) Mr. Tseng Ta-mon is an alternate director. Alternate directors are not entitled to receive any director's fees.

6 DIRECTORS' EMOLUMENTS (Continued)

Notes: (Continued)

(f) The performance related bonuses paid to Mr. Cheng Guangren, an executive director, included the bonuses for the year with the amount of $1,000,000 (2017: $1,000,000) and bonuses paid for previous assessed service years with the amount of $1,331,000 (2017: $1,203,000).

(g) The performance related bonuses paid to Mr. Qi Liang, an executive director, included the bonuses for the year with the amount of $725,000 (2017: $725,000) and bonuses paid for previous assessed service years with the amount of $965,000 (2017: $937,000).

(h) In addition to the amounts disclosed above, the executive directors and key management are entitled to performance related bonuses of $7,359,000 (2017: 5,758,000). The allocation of the said bonuses to the executive directors and key management has yet to be determined.

7 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, there are two directors (2017: two) whose emolument is disclosed in note 6. The aggregate of emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 $'000	2017 $'000
Salaries and other emoluments	**6,594**	5,409
Performance related bonuses	**5,440**	3,184
Retirement scheme benefits contributions	**598**	495
	12,632	9,088

7 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments of the three (2017: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2018	2017
$1,000,001 to $1,500,000	**–**	–
$1,500,001 to $2,000,000	**–**	–
$2,000,001 to $2,500,000	**–**	–
$2,500,001 to $3,000,000	**–**	1
$3,000,001 to $3,500,000	**–**	2
$3,500,001 to $4,000,000	**1**	–
$4,000,001 to $4,500,000	**1**	–
$4,500,001 to $5,000,000	**–**	–
$5,000,001 to $5,500,000	**1**	–
	3	3

8 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018 **$'000**	2017 $'000
Interim dividend declared and paid of 4.00 cents (2017: 3.50 cents) per ordinary share	**37,232**	32,578
Final dividend proposed after the end of the reporting period of 11.50 cents (2017: 10.50 cents) per ordinary share	**107,043**	97,735
	144,275	130,313

As the final dividend is proposed after the end of the reporting period, such dividend has not been recognised as a liability at the end of the reporting period.

8 DIVIDENDS (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 **$'000**	2017 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 10.50 cents (2017: 5.00 cents) per ordinary share	**97,735**	46,540

9 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 $507,007,000 (2017: $504,557,000) and the weighted average of 930,831,000 ordinary shares (2017: 930,831,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2018 **'000**	2017 '000
Issued ordinary shares at 1 January	**930,831**	931,009
Effect of shares repurchased *(note 28(c))*	**–**	(178)
Weighted average number of ordinary shares at 31 December	**930,831**	930,831

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2018 and 2017.

10 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 following the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2018 and 2017 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Whilst the Group's customer base is diversified, it includes two customers with whom transactions have each exceeded 10% of the Group's revenue (2017: two customers). For the year ended 31 December 2018, revenue of approximately $278,937,000 (2017: $266,728,000) were derived from these customers and attributable to the provision of satellite transponder capacity and related services.

Geographical segments

The Group's operating assets consist primarily of its satellites which are put into services for transmission to multiple locations, 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. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the geographical revenue information is presented at regional level. 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 year ended 31 December 2018 were $116,637,000, $353,040,000, $583,175,000 and $184,860,000 respectively (2017: $121,873,000, $312,253,000, $578,286,000 and $195,028,000 respectively).

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication satellites $'000	Data centre equipment $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2017	117,107	21,763	53,267	105,056	6,401,441	18,414	546,406	7,263,454
Additions	–	3,405	3,066	11,702	–	–	448,105	466,278
Disposals	–	(4,572)	(5,851)	(5,622)	–	–	–	(16,045)
Exchange adjustments	–	122	63	–	–	–	–	185
At 31 December 2017	117,107	20,718	50,545	111,136	6,401,441	18,414	994,511	7,713,872
At 1 January 2018	117,107	20,718	50,545	111,136	6,401,441	18,414	994,511	7,713,872
Additions	–	2,003	642	14,967	980,449	7	504,388	1,502,456
Disposals	–	(208)	(66)	(81)	–	–	–	(355)
Transfer	–	–	–	–	1,444,442	–	(1,444,442)	–
Exchange adjustments	–	(91)	(118)	–	–	–	–	(209)
At 31 December 2018	117,107	22,422	51,003	126,022	8,826,332	18,421	54,457	9,215,764
Accumulated depreciation and impairment:								
At 1 January 2017	45,072	12,725	49,362	79,179	2,663,758	18,121	–	2,868,217
Charge for the year	2,393	1,408	1,987	9,936	384,008	51	–	399,783
Written back on disposal	–	(3,988)	(5,825)	(5,267)	–	–	–	(15,080)
Exchange adjustments	–	118	46	–	–	–	–	164
At 31 December 2017	47,465	10,263	45,570	83,848	3,047,766	18,172	–	3,253,084
At 1 January 2018	47,465	10,263	45,570	83,848	3,047,766	18,172	–	3,253,084
Charge for the year	2,393	1,231	1,802	11,491	402,328	52	–	419,297
Written back on disposal	–	(122)	(62)	(64)	–	–	–	(248)
Impairment loss *(note (i))*	–	–	–	–	150,000	–	–	150,000
Exchange adjustments	–	(87)	(102)	–	–	–	–	(189)
At 31 December 2018	49,858	11,285	47,208	95,275	3,600,094	18,224	–	3,821,944
Net book value:								
At 31 December 2018	**67,249**	**11,137**	**3,795**	**30,747**	**5,226,238**	**197**	**54,457**	**5,393,820**
At 31 December 2017	69,642	10,455	4,975	27,288	3,353,675	242	994,511	4,460,788

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

Note:

During the year ended 31 December 2018, a communication satellite of the Group suffered 50% power loss due to anomaly of south solar array. The Group conducted an impairment assessment of the communication satellite and determined that the recoverable amount of the communication satellite is estimated to be less than its carrying amount. Based on the results of the impairment assessment, an impairment loss of $150,000,000 in respect of communication satellites, representing 50% of the then net book value, was recognised in "impairment loss recognised in respect of property, plant and equipment". The recoverable amount of the communication satellite is supported by value-in-use calculations based on cash flow projections with reference to budget and business plan approved by management. The discount rate used for cash flow projection is 10.51%. There was no impairment loss recognised in respect of property, plant and equipment in 2017.

(b) The analysis of net book value of land and buildings carried at cost held by the Group is as follows:

	Land and buildings	
	2018	2017
	$'000	$'000
Medium-term leases in Hong Kong	**67,249**	69,642

(c) Additions of communication satellites for the year

Additions of communication satellites for the year ended 31 December 2018 primarily related to the lifetime lease of communication satellite, APSTAR-5C, of $980,449,000 (2017: Nil). As announced by the Company on 24 December 2015, APT HK, a wholly-owned subsidiary of the Company, entered into a satellite transponder agreement on 23 December 2015 with a third party for the lifetime leasing of 36.204 transponders on APSTAR-5C. APSTAR-5C is the replacement satellite for APSTAR-5. The in-orbit tests of APSTAR-5C was completed during the year and APT HK commenced to lease the satellite transponders during the year. The prepaid expenses for APSTAR-5C amounting to $980,449,000 were capitalised as communication satellites accordingly. (Note 18)

(d) Assets under finance leases

As at 31 December 2018, the net book value of communication satellites held under finance leases in connection with APSTAR-5C and APSTAR-5 amounted to $976,675,000 (2017: Nil) and Nil (2017: $52,759,000) respectively.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Additions and transfer of construction in progress

Additions of construction in progress for the year ended 31 December 2018 primarily related to the progress payments in respect of communication satellite, APSTAR-6C, of $498,172,000 (2017: $437,620,000). As announced by the Company on 18 October 2015, APT HK, a wholly-owned subsidiary of the Company, entered into a satellite procurement contract on 17 October 2015 with a fellow subsidiary of the Company for manufacturing of APSTAR-6C. APSTAR-6C was successfully launched to the designated orbit on 4 May 2018 on board of Long March 3B/E launch vehicle of China Great Wall Industry Corporation, a fellow subsidiary of the Company. The cost of APSTAR-6C amounting to $1,444,442,000 was transferred to communication satellites accordingly.

12 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2018 at $11,373,000 (2017: $11,900,000) 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 loss of $527,000 (2017: gain of $1,214,000) has been recognised in the profit or loss during the year.

The investment properties, which are situated in Mainland China under medium term leases, are rented out under operating leases and the rental income earned from the investment properties during the year was $861,000 (2017: $806,000).

13 INTANGIBLE ASSET

The carrying amount of an acquired intangible asset not subject to amortisation is as follows:

	2018 **$'000**	2017 $'000
Orbital slot	**133,585**	133,585

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.

No impairment of the intangible asset was recorded as at 31 December 2018 and 2017.

13 INTANGIBLE ASSET (Continued)

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projections based on budget and business plan approved by management for the year ending 31 December 2019. Cash flows beyond 2018 are derived based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at a growth rate generally expected for the industry and achievable by the Group. The discount rate used for cash flow projection is 10.51% (2017: 10.27%).

14 INTEREST IN A JOINT VENTURE

	2018 **$'000**	2017 $'000
Unlisted shares, at cost	**–**	490

During 2013, the Group established with a third party and contributed a sum of $490,000 to a joint venture called Beijing Tong Ren Tang Mass Media (Hong Kong) Co. Limited, in exchange for 49% equity interest in the joint venture. The joint venture was dissolved on 24 December 2018 with loss on disposal of a joint venture of $78,000 (2017: Nil) recognised in the profit or loss during the year.

15 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 31 December 2018, APT Mobile was engaged in a project for the manufacturing, delivery and launching of the APSTAR-6D Satellite and the capital contribution made by the Group amounted to RMB390 million (equivalent to $447 million) (31 December 2017: RMB300 million (equivalent to $345 million)). The above associate is accounted for using the equity method in the consolidated financial statements.

15 INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of APT Mobile, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 $'000	2017 $'000
Gross amounts of the associate's		
Current assets	**143,717**	185,085
Non-current assets	**1,410,369**	1,154,984
Current liabilities	**(43,959)**	(138,900)
Non-current liabilities	**(97,558)**	–
Equity	**1,412,569**	1,201,169
Revenue	**28,174**	8,214
Profit from continuing operations	**564**	317
Other comprehensive income	**(62,388)**	120,485
Total comprehensive income	**(61,824)**	120,802
Reconciled to the Group's interest in an associate		
Gross amount of net assets of the associate	**1,412,569**	1,201,169
Group's effective interest	**30%**	30%
Group's share of net assets of the associate	**423,771**	360,351
Adjustment in relation to the Group's share of capital contribution to the associate outstanding from another investor	**20,492**	–
Adjustment in relation to the Group's share of unrealised gain for the assets contributed by the Group and others	**(7,235)**	–
Carrying amount in the consolidated financial statements	**437,028**	360,351

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2018, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of $9,207,000 (2017: $7,366,000), based on the market price at the end of the reporting period, with fair value gain of $1,841,000 (2017: loss of $16,573,000) recognised in profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment/ operation*	Particulars of issued and paid up capital	Group's effective interest	held by the Company	held by a subsidiary	Principal activities
APT Satellite Company Limited ("APT HK")	Hong Kong	Ordinary Class "A" $100; Non-voting Deferred Class "B" $542,500,000	100%	100%	–	Provision of satellite transponder capacity
APT Satellite TV Development Limited	Hong Kong	$2	100%	100%	–	Provision of satellite television programme services
APT Datamatrix Limited	Hong Kong	$2	100%	–	100%	Provision of data centre services
APT Telecom Services Limited	Hong Kong	$2	100%	–	100%	Provision of telecommunication services
Ying Fai Realty (China) Limited	Hong Kong/ PRC	$20	100%	–	100%	Property holding
亞太衛星通信(深圳)有限公司	Wholly-owned foreign enterprises, PRC	Registered capital $613,000,000	100%	–	100%	Provision of satellite transponder capacity
Middle East Ventures Limited	British Virgin Islands	US$1	100%	100%	–	Investment holding
Middle East Satellite FZE	Ras Al Khaimah Free Trade Zone, United Arab Emirates	AED300,000	100%	–	100%	Management and project management consultancy

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

18 PREPAID EXPENSES

Prepaid expenses primarily represent the advance payment 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 under current assets.

	2018 $'000	2017 $'000
Non-current prepaid expenses balance at 1 January	**1,030,819**	768,897
Movements during the year:		
– additions	**128,893**	271,585
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	**(8,736)**	(9,663)
– capitalised to communication satellites *(Note 11(c))*	**(980,449)**	–
Non-current prepaid expenses at 31 December	**170,527**	1,030,819

Included in the prepaid expenses as at 31 December 2017 are the prepaid lease payment and borrowing costs in respect of the lifetime leasing of 36.204 transponders on APSTAR-5C of US$109,174,000 (equivalent to $851,557,000). Additional prepaid expenses of US$16,525,000 (equivalent to $128,895,000) (2017: US$34,819,000 (equivalent to $271,588,000)) was made in respect of APSTAR-5C. APSTAR-5C was successfully launched to the designated orbit on 10 September 2018. The total cost of APSTAR-5C amounting to $980,449,000 was capitalised as communication satellites accordingly. (Note 11(c))

19 LOAN RECEIVABLES

On 11 September 2017, APT HK entered into a loan agreement in respect of the provision of an unsecured loan in the principal amount up to $345,462,000 to a subsidiary of APT Mobile. The loan is interest-bearing at 4.75% per annum (benchmarked to the interest rate of 1-year to 5-year loan as announced by the People's Bank of China on the loan agreement date). The loan is repayable in cash or by way of set-off against the equivalent amount of the capital contribution payable by the Group to APT Mobile (see note 15) at the Group's discretion.

As at 31 December 2018, all principal of loan receivables has been fully repaid by the subsidiary of APT Mobile in cash (2017: principal amount of $120,000,000 has been drawn by the subsidiary of APT Mobile).

20 TRADE RECEIVABLES, NET

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Due from third parties	114,484	131,371	132,222
Due from fellow subsidiaries	42,754	68,685	68,685
Due from holding company of a shareholder of the Company	2,520	2,925	2,925
	159,758	202,981	203,832

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

Upon the adoption of IFRS/HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognised additional ECLs on trade receivables (see note 2(a)).

Ageing analysis

The Group normally allows a credit period of 30 days from the date of revenue recognition to its trade customers. The following is an ageing analysis of trade receivables (net of loss allowance), based on the date of revenue recognition, at the end of the reporting period:

	2018 $'000	2017 $'000
Within 30 days	39,276	57,707
31 – 60 days	31,954	31,280
61 – 90 days	21,440	23,366
91 – 120 days	16,413	30,474
Over 120 days	50,675	61,005
	159,758	203,832

21 PLEDGES OF ASSETS

At 31 December 2018, pledged bank deposits of $12,262,000 (31 December 2017: Nil) are related to certain commercial arrangements made during the year.

At 31 December 2018, a letter of guarantee issued by a bank to a subsidiary of the Company was secured by the Group's land and buildings with a net book value of approximately $3,258,000 (2017: $3,375,000).

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 **$'000**	2017 $'000
Deposits with banks and other financial institutions with maturity less than 3 months	**199,773**	320,329
Cash at bank and on hand	**469,055**	210,924
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**668,828**	531,253

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

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

	2018 $'000	2017 $'000
Profit before taxation	**619,628**	621,792
Adjustment for:		
– Depreciation	**419,297**	399,783
– Loss on disposal of property, plant and equipment	**107**	817
– Loss on disposal of a joint venture	**78**	–
– Valuation loss/(gain) on investment properties	**527**	(1,214)
– Fair value changes on financial assets measured at fair value through profit or loss	**(1,841)**	16,573
– Interest income	**(26,410)**	(12,142)
– Finance costs	**10,562**	–
– Impairment loss for property, plant and equipment	**150,000**	–
– Impairment loss for trade and other receivables (reversed)/recognised	**(1,726)**	6,416
– Share of profit of an associate	**(169)**	(95)
Operating profit before changes in working capital:	**1,170,053**	1,031,930
– Decrease/(increase) in trade receivables, net	**44,949**	(83,077)
– Increase in prepaid expenses	**(107,127)**	(254,490)
– (Increase)/decrease in deposits, prepayments and other receivables	**(93,838)**	3,351
– Increase/(decrease) in payables and accrued charges	**15,660**	(23,035)
– (Decrease)/increase in rentals received in advance	**(46,240)**	3,941
– Decrease in deferred income	**(3,162)**	(2,055)
– Decrease in deposits received	**(1,597)**	(3,416)
Cash generated from operations	**978,698**	673,149

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans (Note 24) 2018 $'000	Bank loans (Note 24) 2017 $'000
At 1 January	**913,463**	582,241
Changes from financing cash flows:		
Interest paid	**(38,471)**	(15,284)
Proceeds from bank borrowings	**837,704**	407,940
Repayment of bank borrowings	**(1,327,700)**	(78,000)
Total changes from financing cash flows	**(528,467)**	314,656
Other changes:		
Capitalised borrowing costs *(note 4(b))*	**30,216**	16,214
Loan arrangement fee reclassified as prepayment	**10,226**	352
Total other changes	**40,442**	16,566
At 31 December	**425,438**	913,463

23 PAYABLES AND ACCRUED CHARGES

The ageing analysis of accounts payables and accrued charges as of the end of the reporting period, based on due date, is as follows:

	2018 $'000	2017 $'000
Accounts payables due within 3 months	**18,155**	25,033
Accrued expenses	**78,392**	58,309
	96,547	83,342

24 SECURED BANK BORROWINGS

	2018	2017
	$'000	$'000
Bank loans *(Note 28(d))*	**425,438**	913,463
Less: amount due within one year included under current liabilities	**(261,330)**	(111,572)
	164,108	801,891

Secured bank borrowings (net of unamortised finance cost) are repayable as follows:

	2018	2017
	$'000	$'000
Within one year or on demand	**261,330**	111,572
After one year but within five years	**164,108**	801,891
	425,438	913,463

25 DEPOSITS RECEIVED

The amount represents deposits received in respect of the provision of satellite transponder capacity services, satellite-based broadcasting and telecommunications services and other related services.

26 DEFERRED INCOME

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

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018 $'000	2017 $'000
Provision for Hong Kong Profits Tax for the year	**36,699**	26,834
Provisional Profits Tax paid	**(50,350)**	–
	(13,651)	26,834
Taxation outside Hong Kong payable	**–**	6,235
Balance of provision for taxation outside Hong Kong relating to prior years	**43,255**	42,835
	29,604	75,904

(b) Deferred tax liabilities/(assets) recognised

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Losses $'000	Other temporary differences $'000	Total $'000
Deferred tax arising from:				
At 1 January 2017	598,513	(679)	(1,213)	596,621
Charged/(credited) to profit or loss	89,143	358	(85)	89,416
At 31 December 2017	687,656	(321)	(1,298)	686,037
At 1 January 2018	**687,656**	**(321)**	**(1,298)**	**686,037**
Charged/(credited) to profit or loss	**53,293**	**(312)**	**(126)**	**52,855**
At 31 December 2018	**740,949**	**(633)**	**(1,424)**	**738,892**

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax liabilities/(assets) recognised (Continued)

	2018 $'000	2017 $'000
Represented by:		
Deferred tax assets	**(877)**	(259)
Deferred tax liabilities	**739,769**	686,296
	738,892	686,037

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $86,339,000 (2017: $90,258,000) and other deductible temporary differences of $5,484,000 (2017: $6,132,000) as the utilisation of these temporary differences is considered to be less than probable. The tax losses do not expire under current tax legislation.

28 SHARE CAPITAL

(a) Movements in components of equity

At 31 December 2018, the Company's reserves available for distribution amounted to $754,783,000 (2017: $785,535,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

28 SHARE CAPITAL (Continued)

(a) Movements in components of equity (Continued)

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	The Company				
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2017	93,101	1,236,081	584,358	111,255	2,024,795
Changes in equity for 2017:					
Profit and total comprehensive income	–	–	–	169,040	169,040
Dividend approved in respect of the previous year *(note 8(ii))*	–	–	–	(46,540)	(46,540)
Dividend declared in respect of the current year *(note 8(i))*	–	–	–	(32,578)	(32,578)
Purchase of own shares *(note 28(c))*	(20)	(719)	–	–	(739)
Balance at 31 December 2017	93,081	1,235,362	584,358	201,177	2,113,978
Balance at 1 January 2018	**93,081**	**1,235,362**	**584,358**	**201,177**	**2,113,978**
Changes in equity for 2018:					
Profit and total comprehensive income	**–**	**–**	**–**	**104,215**	**104,215**
Dividend approved in respect of the previous year *(note 8(ii))*	**–**	**–**	**–**	**(97,735)**	**(97,735)**
Dividend declared in respect of the current year *(note 8(i))*	**–**	**–**	**–**	**(37,232)**	**(37,232)**
Balance at 31 December 2018	**93,081**	**1,235,362**	**584,358**	**170,425**	**2,083,226**

28 SHARE CAPITAL (Continued)

(b) Authorised and issued share capital

	2018 No. of shares ('000)	2018 $'000	2017 No. of shares ('000)	2017 $'000
Authorised:				
Ordinary shares of $0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January	**930,809**	**93,081**	931,009	93,101
Shares repurchased	**–**	**–**	(200)	(20)
At 31 December	**930,809**	**93,081**	930,809	93,081

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Purchase of own shares

During the year ended 31 December 2017, 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	739

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.

The Company did not repurchase its own ordinary shares on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2018.

28 SHARE CAPITAL (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing borrowings, and trade and other payables) less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity.

During 2018, the Group's strategy, which remain unchanged from 2017, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 30%. Pursuant to this practice, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

28 SHARE CAPITAL (Continued)

(d) Capital management (Continued)

The net debt-to-adjusted capital ratio at 31 December 2018 was as follows:

	2018 $'000	2017 $'000
Current liabilities:		
Payables and accrued charges	**96,547**	83,342
Secured bank borrowings due within one year	**261,330**	111,572
	357,877	194,914
Non-current liabilities:		
Secured bank borrowings due after one year	**164,108**	801,891
Total debt	**521,985**	996,805
Less: Cash and cash equivalents	**(668,828)**	(531,253)
Bank deposits with original maturity beyond 3 months	**(5,758)**	(435,864)
Pledged bank deposits	**(12,262)**	–
Net debt	**(164,863)**	29,688
Total equity	**5,647,487**	5,300,680
Adjusted capital	**5,647,487**	5,300,680
Net debt-to-adjusted capital ratio	**N/A**	0.6%

28 SHARE CAPITAL (Continued)

(d) Capital management (Continued)

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. During the year, the Group has drawn down US$92,398,000 (equivalent to $720,704,000) and repaid US$145,218,000 (equivalent to $1,132,700,000) against the 2016 Facility. At 31 December 2018, the outstanding principal balances of the Term Loan Facility and the revolving loan facility were US$24,782,000 (equivalent to $193,300,000) (2017: US$107,602,000 (equivalent to $839,296,000)) and US$30,000,000 (equivalent to $234,000,000) (2017: Nil) respectively. 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 and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

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 $78,000,000). On 29 August 2017, the revolving loan facility has been increased to US$25,000,000 (equivalent to $195,000,000). During the year, the Group has drawn down US$15,000,000 (equivalent to $117,000,000) and repaid US$25,000,000 (equivalent to $195,000,000) against the facility. There was no outstanding balance of the revolving loan at 31 December 2018 (2017: US$10,000,000 (equivalent to $78,000,000)). The facility is repayable within one year from the date of drawdown of the facility. On 7 January 2019, the revolving loan facility has been decreased to US$12,000,000 (equivalent to $93,600,000).

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 year ended 31 December 2018, the Group has complied with all of the above covenants.

29 RESERVES

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of the Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Group arose as a result of the Group reorganisation in 1996 and represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration thereof.

The contributed surplus of the Company also arose as a result of the Group reorganisation in 1996 and represented the excess of the value of the subsidiaries acquired over the par value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

(iii) Revaluation reserve

Revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted in note 1(f).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted in note 1(s).

(v) Other reserves

Other reserves represent various reserves set aside by certain subsidiaries in accordance with the relevant laws and regulations. These reserves are not available for distribution.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its financial assets measured at fair value through profit or loss.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and the Group's financial assets measured at fair value through profit or loss. The maximum exposure to credit risk is presented by the carrying amount of those financial assets. The Group's credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with good credit rating for which the Group considers to have low credit risk.

Trade receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the region in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 16% (2017: 22%) and 44% (2017: 61%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of revenue recognition. Normally, the Group does not obtain collateral from customers because it usually receives trade deposits which represent a quarter/a month of utilisation fees payable to the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for customers in different geographic region, the loss allowance based on past due status is further distinguished between the Group's different customer bases as follows:

(i) Greater China (which includes Mainland China, Taiwan, Macau and Hong Kong)

(ii) Southeast Asia countries

(iii) Other regions

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables for the Group's different customer bases as at 31 December 2018:

(i) Greater China

	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Assessment on individual basis	100.00%	743	743
Assessment on collective basis			
Current (not past due)	–	26,140	–
Less than 1 month past due	–	7,946	–
1 to 3 months past due	–	9,875	–
More than 3 months past due	–	8,120	–
Total		52,824	743

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

(ii) Southeast Asia countries

	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Assessment on individual basis	100.00%	15,639	15,639
Assessment on collective basis			
Current (not past due)	0.09%	5,815	5
Less than 1 month past due	0.18%	34,511	63
1 to 3 months past due	0.56%	21,783	122
More than 3 months past due	3.59%	15,532	557
Total		93,280	16,386

(iii) Other regions

	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Assessment on individual basis	100.00%	7,836	7,836
Assessment on collective basis			
Current (not past due)	0.68%	2,513	17
Less than 1 month past due	2.97%	8,517	253
1 to 3 months past due	4.16%	11,238	467
More than 3 months past due	20.88%	11,693	2,441
Total		41,797	11,014

These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Comparative information under IAS/HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(i)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of $31,479,000 were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 $'000
Neither past due nor impaired	62,335
Less than 1 month past due	56,388
1 to 3 months past due	38,522
More than 3 months past due	46,587
At 31 December	203,832

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 $'000	2017 $'000
Balance at 31 December under IAS/HKAS 39	**31,479**	26,117
Impact on initial application of IFRS/HKFRS 9 *(note 1(c)(i))*	**851**	–
Balance at 1 January	**32,330**	26,117
Amounts written off during the year	**(2,461)**	(1,054)
Impairment losses (reversed)/recognised during the year	**(1,726)**	6,416
Balance at 31 December	**28,143**	31,479

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during 2018:

– decrease in balance past due over three months resulted in a decrease in loss allowance of $1,726,000; and

– a write-off of trade receivables with a gross carrying amount of $2,461,000 resulted in a decrease in loss allowance of $2,461,000.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are equity investments in liquid securities quoted on a recognised stock exchange with insignificant credit risk.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, which is subject to approval by the parent company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	96,547	(96,547)	(96,547)	–	–	–
Secured bank borrowings	425,438	(447,352)	(275,773)	(171,579)	–	–
	521,985	(543,899)	(372,320)	(171,579)	–	–

	2017					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	83,342	(83,342)	(83,342)	–	–	–
Secured bank borrowings	913,463	(992,918)	(133,390)	(69,776)	(789,752)	–
	996,805	(1,076,260)	(216,732)	(69,776)	(789,752)	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2018, the Group's outstanding bank loans consisted of variable interest rate loans only. During the year ended 31 December 2018, the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks. Upward fluctuations in interest rates increase the borrowing cost of outstanding loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

(i) Interest rate profile

During the year, secured bank borrowing had an effective interest rate of 3.3% (2017: 2.37%) per annum.

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit after taxation and total equity by $2,265,000 (2017: $9,173,000). The impact on the Group's profit after taxation (and accumulated profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

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

(d) Currency risk

The Group's presentation currency is the Hong Kong Dollar. The Group's revenue, premiums for satellite insurance coverage and debt service and substantially all capital expenditures were denominated in United States Dollars or Renminbi. The Group's remaining expenses were primarily denominated in Hong Kong Dollars.

Given the fact that the exchange rate of United States Dollars and Hong Kong Dollars are currently pegged, management does not expect that there will be any significant currency risk associated with financial statement items denominated in United States Dollars.

The Group has not hedged the foreign currency exposure in relation to financial statement items denominated in Renminbi.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies (expressed in Hong Kong Dollars)	
	2018	2017
	Renminbi	Renminbi
	'000	'000
Trade receivables, net	**37,119**	59,421
Deposits, prepayments and other receivables	**2,742**	1,960
Bank balance with original maturity beyond 3 months	**–**	–
Cash and cash equivalents	**345,142**	39,544
Payables and accrued charges	**(15,598)**	(1,159)
Overall net exposure	**369,405**	99,766

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after taxation (and accumulated profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2018		2017	
	Increase/ decrease in foreign exchange rates	**Effect on profit after taxation and accumulated profits**	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and accumulated profits
	%	**$'000**	%	$'000
Renminbi	**+/-5**	**+/-15,423**	+/-5	+/-4,988

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group entities' profit after taxation measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from financial assets measured at fair value through profit and loss as disclosed in note 16. As at 31 December 2018, it is estimated that an increase/decrease of 50% (2017: 50%) in the share price of the issuer of the listed investments, with all other variables held constant, would have increased/decreased the Group's profit after taxation for the year (and accumulated profits) by $4,604,000 (2017: $3,683,000), as a result of changes in fair value of the financial assets measured at fair value through profit and loss.

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (and accumulated profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair values

IFRS/HKFRS 13, *Fair value measurement*, categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	2018			2017		
	Level 1	**Level 2**	**Level 3***	Level 1	Level 2	Level 3*
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Investment properties *(note 12)*	**–**	**–**	**11,373**	–	–	11,900
Financial assets measured at fair value through profit or loss *(note 16)*	**9,207**	**–**	**–**	7,366	–	–

During the years ended 31 December 2017 and 2018, there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2017 and 2018.

* Details required under IFRS/HKFRS 13 in respect of investment properties' Level 3 valuations are not particularly disclosed as the value of investment properties is not considered significant to the Group.

31 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 24). The extent of such banking facilities utilised by APT HK at 31 December 2018 amounted to $427,230,000 (2017: $917,296,000).

Assets pledged to secure bank borrowings and facilities are disclosed in notes 21 and 28(d).

32 COMMITMENTS

At 31 December 2018, the Group had the following outstanding capital commitments not provided for in the consolidated financial statements:

	2018 **$'000**	2017 $'000
Contracted for	**269,064**	912,969
Authorised but not contracted for	**194,667**	194,667
	463,731	1,107,636

33 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(i) *Land and buildings:*

	2018 **$'000**	2017 $'000
Within one year	**431**	224
After one year but within five years	**1,059**	63
	1,490	287

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for a period of one to three years and rentals are fixed for the whole lease term. None of the leases includes contingent rentals.

33 LEASING ARRANGEMENTS (Continued)

The Group as lessee (Continued)

(ii) Satellite transponder capacity:

	2018 **$'000**	2017 $'000
Within one year	**16,348**	3,257
After one year but within five years	**16,462**	5,856
	32,810	9,113

Operating lease payments represent rentals payable by the Group for the leasing of satellite transponders for a period of one to three years and rentals are fixed for the whole lease term. None of the leases includes contingent rentals.

The Group as lessor

Property rental income earned during the year was $1,552,000 (2017: $1,381,000). At the end of the reporting period, certain properties with an aggregate carrying value of $16,010,000 (2017: $16,537,000) were held for rental purposes and the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $983,000 (2017: $961,000). Depreciation charged for the year in respect of these properties was $160,000 (2017: $160,000).

34 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Under the scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000 and thereafter contributions are voluntary. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

As stipulated by the regulations of Mainland China, the subsidiaries in Mainland China participate in basic defined contribution pension plans organised by the respective municipal governments under which they are governed. Employees in Mainland China are entitled to retirement benefits equal to a fixed proportion of their salaries at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate on the salaries, bonuses and certain allowances of employees.

34 RETIREMENT BENEFITS SCHEMES (Continued)

Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group is required to make contributions to the retirement plans at fixed rate of the employees' salary cost or in accordance with the terms of the plan.

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Except for those disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

	2018 **$'000**	2017 $'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))**	**198,762**	174,092
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**31,601**	42,938
Income from a subsidiary of an associate of the Company for loan provided *(note (ii))*	**4,669**	190
Income from a subsidiary of an associate of the Company for training services *(note (iii))*	**1,628**	–
Income from an associate of the Company for technical support and project management services *(note (iv))*	**16,847**	–
Management fees paid to a fellow subsidiary *(note (v))*	**(681)**	(336)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (vi))**	**(40,328)**	(28,648)

* These transactions also constitute connected transactions under the Main Board Listing Rules, details of which are set out in the paragraph headed "Connected transactions" in the Directors' Report of the annual report for the year ended 31 December 2018.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Except for those disclosed elsewhere in these financial statements, at the end of the reporting period, the Group had the following amounts included in the consolidated statement of financial position in respect of amounts owed by and to related parties:

	Payables and accrued charges		Rentals in advance and deferred income	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
An associate	**–**	–	**–**	24,071
Fellow subsidiaries	**15,292**	44	**18,237**	31,438
Holding company of a shareholder of the Company *(note (i))*	**–**	23	**–**	3,852

Notes:

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

(ii) Interest income from a subsidiary of an associate for loan borrowed during the year.

(iii) Proceeds from a subsidiary of an associate of the Company for training services provided during the year.

(iv) Proceeds from an associate for technical support and project management services provided during the year.

(v) Management fees were paid to a fellow subsidiary for services received during the year.

(vi) Transponder capacity services cost was paid to a fellow subsidiary of the Company for services received during the year.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2018 $'000	2017 $'000
Short-term employee benefits	**15,301**	12,523
Performance related bonuses	**11,074**	13,611
Retirement scheme contributions	**1,565**	1,366
	27,940	27,500

Total remuneration is included in "staff costs" (see note 4(c)).

Emoluments of the senior management of the Group fell within the following bands:

	Number of individuals 2018	Number of individuals 2017
$1,000,001 to $1,500,000	**–**	–
$1,500,001 to $2,000,000	**1**	–
$2,000,001 to $2,500,000	**–**	1
$2,500,001 to $3,000,000	**1**	1
$3,000,001 to $3,500,000	**–**	2
$3,500,001 to $4,000,000	**1**	1
$4,000,001 to $4,500,000	**2**	–
$4,500,001 to $5,000,000	**–**	–
$5,000,001 to $5,500,000	**1**	1
$5,500,001 to $6,000,000	**1**	–
	7	6

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 $'000	2017 $'000
Non-current assets			
Investments in subsidiaries	17	**615,857**	615,857
Current assets			
Amounts due from subsidiaries		**1,479,759**	1,504,767
Other receivables and prepayments		**219**	397
Cash and cash equivalents		**859**	816
		1,480,837	1,505,980
Current liabilities			
Payables and accrued charges		**12,928**	7,859
Dividend payable		**540**	–
		13,468	7,859
Net current assets		**1,467,369**	1,498,121
Net assets		**2,083,226**	2,113,978
Capital and reserves			
Share capital	28	**93,081**	93,081
Share premium	29(i)	**1,235,362**	1,235,362
Contributed surplus	29(ii)	**584,358**	584,358
Accumulated profits		**170,425**	201,177
Total equity		**2,083,226**	2,113,978

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2018 to be APT Satellite International Company Limited which is incorporated in the British Virgin Islands, and China Aerospace Science and Technology Corporation which is a state-owned corporation established in the PRC, respectively. Both entities do not produce financial statements available for public use.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

The financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the end of the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

Notes 12, 16 and 30 contain information about the assumptions and their risk factors relating to the fair value of assets.

(b) Accounting judgement in applying the Group's accounting policies

The following are some of the judgement areas in the application of the Group's accounting policies that currently affect the Group's financial condition and results of operations.

(i) Impairment of intangible asset

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

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(ii) Trade receivables and other receivables

The management of the Group estimates the loss allowance required for the potential credit loss of trade receivables and other receivables at the end of each reporting period based on the ageing of its customer accounts and its historical write-off experience, net of recoveries. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group provides loss allowance on its trade receivables and other receivables by taking into account the ageing of the trade receivables and credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date. Any changes in these factors may have a material impact on the calculation of the loss allowance. For the year ended 31 December 2018, the Group has reversed impairment loss on trade receivables and other receivables amounting to $1,726,000 (2017: recognised impairment loss on trade receivables and other receivables amounting to $6,416,000) in the profit or loss.

The Group periodically reviews the carrying amounts of each individual trade receivable to determine whether there is any indication that the trade receivable and the loss allowance needs to be written off. If the Group becomes aware of a situation where a customer is not able to meet its financial obligations due to the cessation of business, bankruptcy or debt re-structuring is completed, or the process of litigation or adjudication is completed, or incapability of debt repayment which is supported by objective evidence, the Group will consider writing off the debt.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(iii) Impairment of property, plant and equipment

The Group periodically reviews internal or external resources to identify indications that the assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In assessing the recoverable amount of these assets, the Group is required to make assumptions regarding estimated future cash flows and other factors to determine the net realisable value. If these estimates or their related assumptions change in the future, the Group may be required to adjust the impairment charges previously recorded. The dynamic economic environment in which the Group operates and the judgement relating to the utilisation rate of the assets, price and amount of operating costs to estimate future cash flows impact the outcome of the recoverable amounts. If these estimates or their related assumptions change in the future, the Group may be required to record impairment loss for these assets not previously recorded.

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

For the year ended 31 December 2018, the Group has recognised impairment loss on property, plant and equipment amounting to $150,000,000 (2017: Nil) in the profit or loss.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(iv) Depreciation

Depreciation of communication satellites is provided for on the straight-line method over the estimated useful life of the satellite, which is determined by engineering assessment performed at the in-services date and re-evaluated regularly. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used, and the skills over which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites also have a finite number of years in operation, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts. Accordingly, the estimated useful lives of the Group's satellites are reviewed based on latest engineering data. If a significant change in the estimated useful lives of the satellites is identified, the Group accounts for the effects of such change as depreciation expenses on a prospective basis.

(v) Contingencies and provisions

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

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

To estimate the expenditure that the Group is likely to bear in order to settle an obligation, the management of the Group takes into consideration all of the available information at the date of issue of its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS/HKFRS 16, *Leases*	1 January 2019
IFRIC/HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs/HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS/HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS/HKFRS 16 which may have an impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS/HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS/HKFRS 16, *Leases*

As disclosed in note 1(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2018 (Continued)

IFRS/HKFRS 16, *Leases* (Continued)

IFRS/HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS/HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS/HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for land and buildings and satellite transponder capacity which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS/HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS/HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS/HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 33, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $1,490,000 and $32,810,000 for land and buildings and satellite transponder capacity respectively, $1,059,000 and $16,462,000 of which are payable between 1 and 5 years after the reporting date respectively.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2018 (Continued)

IFRS/HKFRS 16, *Leases* (Continued)

The Group expects that the transition adjustments to be made upon the initial adoption of IFRS/HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

40 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of $107,043,000. Further details are disclosed in note 8.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Years ended 31 December				
	2014 $'000	2015 $'000	2016 $'000	2017 $'000	**2018** **$'000**
Revenue	1,247,518	1,194,411	1,229,933	1,207,440	**1,237,712**
Cost of services	(467,690)	(465,898)	(492,588)	(467,079)	**(501,610)**
Gross profit	779,828	728,513	737,345	740,361	**736,102**
Other net income	27,681	68,910	14,203	18,680	**165,761**
Valuation gain/(loss) on investment properties	391	(238)	(531)	1,214	**(527)**
Impairment loss in respect of property, plant and equipment	–	(12,219)	–	–	**(150,000)**
Impairment loss in respect of club membership	–	(5,157)	–	–	**–**
Administrative expenses	(118,377)	(131,949)	(118,732)	(121,985)	**(123,078)**
Profit from operations	689,523	647,860	632,285	638,270	**628,258**
Fair value changes on financial instrument measured at fair value through profit or loss	(45,595)	(3,686)	(15,723)	(16,573)	**1,841**
Finance costs	(25,139)	(18,039)	(9,283)	–	**(10,562)**
Loss on disposal of a joint venture	–	–	–	–	**(78)**
Share of profit of an associate	–	–	24	95	**169**
Profit before taxation	618,789	626,135	607,303	621,792	**619,628**
Income tax	(110,744)	(112,304)	(113,695)	(117,235)	**(112,621)**
Profit for the year and attributable to equity shareholders of the Company	508,045	513,831	493,608	504,557	**507,007**

ASSETS AND LIABILITIES

	At 31 December				
	2014 $'000	2015 $'000	2016 $'000	2017 $'000	**2018** **$'000**
Total assets	6,564,257	6,141,254	6,463,035	7,325,765	**7,154,466**
Total liabilities	(2,554,755)	(1,690,889)	(1,613,841)	(2,025,085)	**(1,506,979)**
Net assets	4,009,502	4,450,365	4,849,194	5,300,680	**5,647,487**