APSTAR by APT Satellite

亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

2019 ANNUAL RESULTS ANNOUNCEMENT

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 2019.

RESULTS

Revenue

In 2019, the Group's revenue amounted to HK$1,062,565,000 (2018: HK$1,237,712,000), representing a decrease of 14.2% amounting to HK$175,147,000 as compared to 2018.

Profit before taxation

In 2019, the Group's profit before taxation amounted to HK$436,093,000 (2018: HK$619,628,000), representing a decrease of 29.6% amounting to HK$183,535,000 as compared to 2018.

Profit attributable to equity shareholders

In 2019, the Group's profit attributable to equity shareholders amounted to HK$362,326,000 (2018: HK$507,007,000), representing a decrease of 28.5% amounting to HK$144,681,000 as compared to 2018. Basic earnings per share and diluted earnings per share were HK38.93 cents (2018: HK54.47 cents).

* *For identification purpose only*

DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK4.50 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 HK15.00 cents per ordinary share for the financial year ended 31 December 2019 (2018: HK11.50 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 Friday, 22 May 2020. The final dividend will be paid on or about Friday, 19 June 2020 to shareholders whose names appear on the register of members at the close of business on Monday, 8 June 2020.

BUSINESS REVIEW

In-Orbit Satellites

During the year, 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, APSTAR-9 and APSTAR-6 (inclined mode) 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, positioned at 138 degree East Longitude in geostationary orbit, is equipped with 63 transponders (include C, Ku and Ka band), with footprints covering the whole Asia Pacific Region. It carries high-throughput ("HTS") capacities covering the Southeast Asia region, and will provide high quality broadband telecommunication services for that region. APSTAR-5C was a satellite jointly built by the Group and Telesat Canada. The Group holds approximately 57% interest in the satellite.

APSTAR-6C Satellite

APSTAR-6C, positioned at 134 degree East Longitude in geostationary orbit, is equipped with 45 transponders (include C, Ku and Ka band), with footprints covering the whole Asia Pacific Region. APSTAR-6 satellite which is replaced by APSTAR-6C is now operating in an inclined orbit and providing services for Pacific region.

APSTAR-7 Satellite

APSTAR-7, positioned at 76.5 degree East Longitude in geostationary orbit, is equipped with 56 transponders (include C and Ku band) with footprints covering the Asia Pacific region, Middle East, Africa and part of Europe.

APSTAR-9 Satellite

APSTAR-9 positioned at 142 degree East Longitude in geostationary orbit, is equipped with 46 transponders (include C and Ku band) with footprints covering the whole Asia Pacific Region.

Future Satellites

APSTAR-6D Satellite

APT Mobile SatCom Limited ("APT Mobile"), an associate of the Group in Mainland China, has been developing APSTAR-6D, a HTS satellite. APSTAR-6D is the first HTS satellite optimized for satellite broadband mobility services in the Asia Pacific region. It will provide unique and advanced services for the rapid-growing satellite broadband mobility market in the regional and China markets, and further enhance the Group's competitiveness in that area. APSTAR-6D is expected to be launched in 2020.

Ground Gateway Station Facilities

In line with its HTS satellite development strategy, the Group has invested in ground gateway stations and network facilities in the Asia-Pacific region. As gateway station is a key facility connecting HTS satellites and terrestrial networks, it carries out the transmission and processing of customer traffic in HTS system. The Group has selected the strategic locations for gateway stations which can maximize the satisfaction of local demand and serve as the network hub for international traffic. In addition, the gateway station facilities will greatly enhance the Group's service capabilities in both satellite and terrestrial network in the Asia-Pacific region, and will be conducive to maintaining the Group's competitive advantages.

The gateway station facilities, equipped with sophisticated equipment and connected to optical fiber network, can support the Group's HTS satellites, including the in-orbit APSTAR-5C and the upcoming APSTAR-6D. It will be capable of providing gateway services for other satellite systems in the future.

At present, the Group has acquired full services capability of two gateway stations in Indonesia, four more gateway stations in Hong Kong, Malaysia and Australia are expected to be put into service this year. In addition to supporting the satellites of the Group, these gateway facilities will provide other users with network and hosting services.

TRANSPONDER LEASE SERVICES

In 2019, satellite transponder market conditions in the global and Asia Pacific region continued to be on the downturn. The demand growth for satellite broadcasting and satellite telecommunication business had been sluggish while the situation of oversupply worsened and satellite transponder bandwidth lease price recorded a significant decline. Owing to changes in the market environment, in particular, there are two countries that have their own satellites commenced operation after launched and certain customers switched to their own domestic satellites, which led to the decline in the Group's transponder lease business to a certain extent.

To cope with the difficult market conditions, the Group has been actively exploring new markets and businesses. The Group has also continued to enrich its service contents and varieties and intensified its market development efforts while providing high quality services to the customers. It has made remarkable progress in the Mainland China market, the HTS satellite market in Southeast Asia, and maritime business, etc. and maintained the stability of the overall volume of its transponder leasing business.

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 design and project management, which enable the Group to provide satellite technical and project management consulting services to other satellite operators. Currently, the Group is providing satellite project management and consultancy services to APT Mobile and another satellite operator in the Asia Pacific Region, covering satellite design, technical support, project implementation, insurance procurement, satellite in-orbit testing and acceptance, and gateway system design etc.

BUSINESS PROSPECTS

In 2020, the global and Asia Pacific Region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The global coronavirus outbreak will also bring challenges and difficulties to the market development. The Group is expected to face increased market competition pressure for its transponder lease business. With the in-depth development of APSTAR-5C's HTS resources business, and the launch and subsequent operation of APSTAR-6D, while expanding its traditional satellite resources leasing business through APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime shipborne and airborne on a larger scale. Meanwhile, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

FINANCIAL REVIEW

As at 31 December 2019, the Group's financial position remains sound. The table below sets out the financial performance for the years ended 31 December 2019 and 31 December 2018:

Financial Highlights

	2019 ***HK$'000***	2018 *HK$'000*	Changes
Revenue	**1,062,565**	1,237,712	–14.2%
Gross profit	**536,115**	736,102	–27.2%
Profit before taxation	**436,093**	619,628	–29.6%
Profit attributable to equity shareholders	**362,326**	507,007	–28.5%
Basic earnings per share *(HK cents)*	**38.93**	54.47	–28.5%
EBITDA *(Note 1)*	**872,185**	1,032,428	–15.5%
EBITDA Margin *(%)*	**82.1%**	83.4%	–1.3 percentage points

	At 31 December		
	2019	2018	
	HK$'000	*HK$'000*	Changes
Total cash and bank balance	**898,681**	686,848	+30.8%
Total assets	**7,083,839**	7,154,466	–1.0%
Total liabilities	**1,230,605**	1,506,979	–18.3%
Net assets per share *(HK$)*	**6.29**	6.07	+3.6%
Gearing ratio *(%)*	**17.4%**	21.1%	–3.7 percentage points
Liquidity ratio	**4.44 times**	2.26 times	+2.18 times

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

Revenue

	2019	2018	
	HK$'000	*HK$'000*	Changes
Income from provision of satellite transponder capacity	**1,002,090**	1,196,170	–16.2%
Income from provision of satellite-based broadcasting and telecommunications services	**8,992**	15,399	–41.6%
Other satellite-related service income	**51,483**	26,143	+96.9%
Total	**1,062,565**	1,237,712	–14.2%

For the year ended 31 December 2019, the Group's revenue amounted to HK$1,062,565,000 (2018: HK$1,237,712,000), representing 14.2% decrease as compared with 2018, mainly due to non-renewal of contract by a main customer as a result of its own business re-alignment. The profit attributable to shareholders decreased by 28.5% to HK$362,326,000.

Other net income

	2019 *HK$'000*	2018 *HK$'000*	Changes
Interest income on bank deposits and other interest income	**11,238**	26,410	–57.4%
Foreign currencies exchange loss	**(542)**	(9,361)	–94.2%
Rental income in respect of properties less direct outgoing expenses	**1,521**	1,457	+4.4%
Insurance compensation	**34,465**	128,700	–73.2%
Income incidental to construction of a communication satellite	**–**	15,555	–100%
Other service income	**12,173**	2,505	+385.9%
Other income	**1,288**	495	+160.2%
Total	**60,143**	165,761	–63.7%

Total other net income for the year ended 31 December 2019 decreased to HK$60,143,000. The decrease was mainly because during the year ended 31 December 2018 the Group has recognised insurance compensation of US$16,500,000 (equivalent to HK$128,700,000) for a partly defunct satellite under its insurance policy. The Group has completed the insurance loss claim process with relevant satellite insurers, and a further insurance compensation of US$4,411,000 (equivalent to HK$34,405,000) was recognised during the year ended 31 December 2019.

Finance costs

Finance costs HK$8,986,000 was recognised for the year ended 31 December 2019 (2018: HK$10,562,000). The decrease was primarily due to the secured bank borrowings was fully repaid during the year.

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

Based on the market price as at 31 December 2019, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$4,250,000, with fair value loss of HK$4,958,000 recognised in profit or loss. The details of financial assets measured at fair value through profit or loss of the Group are set out in note 14 of this announcement.

Income tax

Income tax expenses for the year ended 31 December 2019 decreased to HK$73,767,000, as compared to HK$112,621,000 in 2018. 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 8 of this announcement.

EBITDA

As a result of the decrease in revenue, EBITDA for the year ended 31 December 2019 decreased to HK$872,185,000, with the margin decreased from 83.4% to 82.1%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2019, the Group's capital expenditure incurred for property, plant and equipment was HK$22,081,000 (2018: HK$1,502,456,000). The capital expenditure was mainly for the addition of equipments (2018: payment for the construction of APSTAR 6C, leasehold improvement and equipment). The above capital expenditures were financed by internally-generated funds, cash flows from operating activities and borrowings from banks.

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. During the year, the Group has fully repaid US$54,782,000 (equivalent to HK$427,300,000) against the 2016 Facility and the Term Loan Facility has expired thereupon.

In addition, 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$12,000,000 (equivalent to HK$93,600,000). There was no outstanding balance of the revolving bank facility at 31 December 2019 (2018: $Nil).

During the year, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with China Construction Bank (Asia) Corporation Limited in respect of a revolving loan facility up to HK$100,000,000. There was no outstanding balance of the revolving bank facility at 31 December 2019 (2018: $Nil).

There is no outstanding borrowings (net of unamortised finance cost) at 31 December 2019 (2018: approximately HK$425,438,000). The Group recorded a decrease of approximately HK$425,438,000 in total borrowings during the year ended 31 December 2019, which was due to full settlement of the 2016 Facility.

As at 31 December 2019, the Group's total liabilities were HK$1,230,605,000, a decrease of HK$276,374,000 as compared to 31 December 2018, mainly due to full repayment of bank loan under the 2016 Facility. The gearing ratio (total liabilities/total assets) has decreased to 17.4%, representing a 3.7 percentage points decrease as compared to 31 December 2018.

For the year ended 31 December 2019, the Group recorded a net cash outflow of HK$317,845,000 (2018: inflow of HK$137,575,000) which included net cash inflow of HK$864,418,000 generated from operating activities. This was offset by net cash outflow of HK$579,651,000 used in investing activities and HK$598,789,000 used in financing activities.

As at 31 December 2019, the Group has approximately HK$898,681,000 of cash and bank balances, 73.9% of which were denominated in United States Dollar, 24.4% in Renminbi and 1.7% in Hong Kong Dollar and other currencies which comprising HK$350,983,000 cash and cash equivalents, HK$547,330,000 bank deposits with original maturity beyond 3 months and HK$368,000 pledged bank deposits. Together with the bank loan facilities available to the Group and cash inflow to be generated from operations, the Group could cope with the needs to invest in future satellites and new projects for further business development.

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 remained stable against the Hong Kong Dollar during the year ended 31 December 2019.

Charges on group assets

At 31 December 2019, pledged bank deposits of HK$368,000 (2018: HK$12,262,000) related to certain commercial arrangements made during the year.

At 31 December 2019, 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 HK$3,142,000 (2018: HK$3,258,000).

Capital commitments

As at 31 December 2019, the Group had outstanding capital commitments which mainly related to investment in an associate, HK$Nil (2018: HK$194,667,000) of which were authorised but not contracted for, and HK$321,061,000 (2018: HK$269,064,000) of which was contracted for.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 18 of this announcement.

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 9 of this announcement.

FINANCIAL HIGHLIGHTS

Consolidated statement of profit or loss

for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 *(Note)* $'000
Revenue	4	**1,062,565**	1,237,712
Cost of services		**(526,450)**	(501,610)
Gross profit		**536,115**	736,102
Other net income	6	**60,143**	165,761
Valuation loss on investment properties		**(547)**	(527)
Impairment loss in respect of property, plant and equipment		**–**	(150,000)
Administrative expenses		**(133,381)**	(123,078)
Profit from operations		**462,330**	628,258
Fair value changes on financial instrument measured at fair value through profit or loss	14	**(4,958)**	1,841
Finance costs	7(a)	**(8,986)**	(10,562)
Loss on disposal of a joint venture		**–**	(78)
Share of (loss)/profit of an associate		**(12,293)**	169
Profit before taxation	7	**436,093**	619,628
Income tax	8	**(73,767)**	(112,621)
Profit for the year and attributable to equity shareholders of the Company		**362,326**	507,007
Earnings per share			
Basic and diluted	10	**38.93 cents**	54.47 cents

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	2019	2018
		(Note)
	$'000	*$'000*
Profit for the year	**362,326**	507,007
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	**(7,650)**	(24,382)
Other comprehensive income for the year	**(7,650)**	(24,382)
Total comprehensive income for the year	**354,676**	482,625

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Consolidated statement of financial position

at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	**2019**	2018
			(Note)
		$'000	*$'000*
Non-current assets			
Property, plant and equipment	11	**5,154,784**	5,393,820
Investment properties		**10,826**	11,373
Intangible assets	12	**304,112**	133,585
Interest in an associate		**404,311**	437,028
Club membership		**380**	380
Prepayments		**105,882**	–
Prepaid expenses	13	**–**	170,527
Deferred tax assets		**920**	877
		5,981,215	6,147,590
Current assets			
Financial assets measured at fair value through profit or loss	14	**4,250**	9,207
Trade receivables, net	15	**173,134**	159,758
Deposits, prepayments and other receivables		**26,559**	151,063
Pledged bank deposits		**368**	12,262
Bank deposits with original maturity beyond 3 months		**547,330**	5,758
Cash and cash equivalents		**350,983**	668,828
		1,102,624	1,006,876
Current liabilities			
Payables and accrued charges	16	**83,151**	96,547
Rentals received in advance		**64,158**	57,034
Dividend payable		**–**	540
Secured bank borrowings due within one year		**–**	261,330
Lease liabilities		**22,775**	–
Current taxation		**78,253**	29,604
		248,337	445,055
Net current assets		**854,287**	561,821
Total assets less current liabilities carried forward		**6,835,502**	6,709,411

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Consolidated statement of financial position

at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	**2019**	2018
			(Note)
	Note	***$'000***	*$'000*
Total assets less current liabilities brought forward		**6,835,502**	6,709,411
Non-current liabilities			
Secured bank borrowings due after one year		**–**	164,108
Deposits received		**53,771**	73,606
Deferred income		**85,796**	84,441
Lease liabilities		**160,946**	–
Deferred tax liabilities		**681,755**	739,769
		982,268	1,061,924
Net assets		**5,853,234**	5,647,487
Capital and reserves			
Share capital	17	**93,081**	93,081
Share premium		**1,235,362**	1,235,362
Contributed surplus		**511,000**	511,000
Revaluation reserve		**4,017**	4,017
Exchange reserve		**(12,210)**	(4,560)
Other reserves		**442**	442
Accumulated profits		**4,021,542**	3,808,145
Total equity		**5,853,234**	5,647,487

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Consolidated statement of changes in equity

for the year ended 31 December 2019

(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 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 9(ii))*	–	–	–	–	–	–	(97,735)	(97,735)
Dividend declared in respect of the current year *(note 9(i))*	–	–	–	–	–	–	(37,232)	(37,232)
Balance at 31 December 2018 *(Note)*	93,081	1,235,362	511,000	4,017	(4,560)	442	3,808,145	5,647,487
Balance at 1 January 2019	**93,081**	**1,235,362**	**511,000**	**4,017**	**(4,560)**	**442**	**3,808,145**	**5,647,487**
Changes in equity for 2019:								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**362,326**	**362,326**
Other comprehensive income	**–**	**–**	**–**	**–**	**(7,650)**	**–**	**–**	**(7,650)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(7,650)**	**–**	**362,326**	**354,676**
Dividend approved in respect of the previous year *(note 9(ii))*	**–**	**–**	**–**	**–**	**–**	**–**	**(107,043)**	**(107,043)**
Dividend declared in respect of the current year *(note 9(i))*	**–**	**–**	**–**	**–**	**–**	**–**	**(41,886)**	**(41,886)**
Balance at 31 December 2019	**93,081**	**1,235,362**	**511,000**	**4,017**	**(12,210)**	**442**	**4,021,542**	**5,853,234**

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(Expressed in Hong Kong dollars)

Notes:

1 GENERAL INFORMATION

APT Satellite Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The address of its principal place of business is 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are maintenance, operation and provision of satellite transponder and related services and satellite-based broadcasting and telecommunications services and other services.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, but are extracted from those consolidated financial statements.

The consolidated 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, the consolidated financial statements also comply with HKFRSs. The consolidated 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 (the "Listing Rules").

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent new HKFRS and amendments to HKFRSs, consequently issued by the HKICPA, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

Except for IFRS/HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS/HKFRS 16, *Leases*

IFRS/HKFRS 16 replaces IAS/HKAS 17, Leases, and the related interpretations, IFRIC/HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS/HKAS 17 which remain substantially unchanged.

IFRS/HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

The Group has applied IFRS/HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS/HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS/HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS/HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS/HKAS 17 continue to be accounted for as leases under IFRS/HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executor contracts.

(ii) Lessee accounting and transitional impact

IFRS/HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS/HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS/HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and intangible assets as disclosed in notes 11 and 12.

At the date of transition to IFRS/HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.77%.

To ease the transition of IFRS/HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS/HKFRS 16.

(i) the Group elected not to apply the requirements of IFRS/HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends with 12 months from the date of initial application of IFRS/HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS/HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	$'000
Operating lease commitments at 31 December 2018:	
– Land and buildings	**1,490**
– Satellite transponders capacity	**32,810**
	34,300
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(8,072)**
Less: total future interest expenses	**(1,686)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	**24,542**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS/HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS/HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS/HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *$'000*	Capitalisation of operating lease contracts *$'000*	**Carrying amount at 1 January 2019** ***$'000***
Property, plant and equipment	5,393,820	24,758	**5,418,578**
Intangible assets *(Note)*	133,585	179,263	**312,848**
Prepaid expenses *(Note)*	170,527	(170,527)	**–**
Deposits, prepayments and other receivables *(Note)*	151,063	(8,952)	**142,111**
Lease liabilities (current)	–	(6,597)	**(6,597)**
Lease liabilities (non-current)	–	(17,945)	**(17,945)**

Note: For the advance payment of transponder lease contract and licence fee for the right to use certain designated transmission frequencies in prepaid expenses, the Group is not required to make any adjustments at the date of initial application of IFRS/HKFRS 16, other than changing the captions for the balances.

4 REVENUE

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

	2019	2018
	$'000	*$'000*
Revenue from sources other than contracts with customers within the scope of IFRS/HKFRS 15		
Income from provision of satellite transponder capacity	**1,002,090**	1,196,170
Income from provision of satellite-based broadcasting and telecommunications services	**8,992**	15,399
Other satellite-related service income	**51,483**	26,143
	1,062,565	1,237,712

5 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 2019 and 2018 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 one customer with whom transactions has exceeded 10% of the Group's revenue (2018: two customers). For the year ended 31 December 2019, revenue of approximately $178,587,000 (2018: $278,937,000) were derived from this customer 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 2019 were $96,848,000, $396,993,000, $409,343,000 and $159,381,000 respectively (2018: $116,637,000, $353,040,000, $583,175,000 and $184,860,000 respectively).

6 OTHER NET INCOME

Other net income primarily includes the following:

	2019	2018
	$'000	*$'000*
Interest income on bank deposits	**10,658**	21,658
Other interest income	**580**	4,752
Foreign currencies exchange loss	**(542)**	(9,361)
Rental income in respect of properties less direct outgoing expenses of $92,000 (2018: $95,000)	**1,521**	1,457
Insurance compensation	**34,465**	128,700
Income incidental to construction of a communication satellite	**–**	15,555
Other service income	**12,173**	2,505
Other income	**1,288**	495
	60,143	165,761

7 PROFIT BEFORE TAXATION

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

	2019	2018
		(Note)
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**2,169**	38,785
Interest on lease liabilities	**3,560**	–
Other borrowing costs	**3,257**	1,993
	8,986	40,778
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	**–**	(30,216)
	8,986	10,562

* No borrowing costs have been capitalised for the year (2018: borrowing costs have been capitalised at rates ranging from 2.49% to 3.77% per annum)

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

		2019	2018
		$'000	*$'000*
(b)	**Other items**		
	Auditors' remuneration		
	– audit and related services	**1,415**	1,182
	– tax services	**155**	158
	– other services	**14**	14
	Depreciation		
	– Properties, plant and equipment	**401,413**	419,297
	– Right-of-use assets	**58,455**	–
	Amortisation	**8,736**	–
	Loss on disposal of property, plant and equipment	**847**	107
	Operating lease charges: minimum lease payments		
	– land and buildings and equipment	**246**	608
	– satellite transponder capacity	**22,492**	47,490
	Impairment loss on trade and other receivables recognised/(reversed)	**4,988**	(1,726)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019	2018
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**111,580**	36,699
Current tax – Outside Hong Kong		
Provision for the year	**23,750**	23,182
Over-provision in respect of prior years	**(3,506)**	(115)
	20,244	23,067
Deferred taxation – Hong Kong	**(58,057)**	52,855
Actual tax expense	**73,767**	112,621

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

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2018: 16.5%) of the estimated temporary differences for the year.

9 DIVIDENDS

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

	2019	2018
	$'000	*$'000*
Interim dividend declared and paid of 4.50 cents (2018: 4.00 cents) per ordinary share	**41,886**	37,232
Final dividend proposed after the end of the reporting period of 15.00 cents (2018: 11.50 cents) per ordinary share	**139,621**	107,043
	181,507	144,275

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.

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

	2019	2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 11.50 cents (2018: 10.50 cents) per ordinary share	**107,043**	97,735

10 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 $362,326,000 (2018: $507,007,000) and the 930,831,000 ordinary shares (2018: 930,831,000 ordinary shares) in issue during the year.

(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 2019 and 2018.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied IFRS/HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS/HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 3.

During the year ended 31 December 2019, the Group entered into a number of lease agreements for use of satellite transponder capacities and teleport services, and therefore recognised the additions to right-of-use assets of $176,084,000.

(b) Impairment loss

During the year ended 31 December 2018, a communication satellite of the Group suffered 50% power loss and the Group conducted an impairment assessment of that communication satellite and recognised an impairment loss of $150,000,000, representing 50% of its then net book value. There was no impairment loss recognised in respect of property, plant and equipment in 2019.

(c) Additions and transfer of construction in progress

The cost of renovation works amounting to $55,025,000 was transferred from construction in progress to leasehold improvement during the year ended 31 December 2019 upon completion of the renovation.

12 INTANGIBLE ASSETS

	Notes	**2019**	2018
		$'000	*$'000*
Orbital slot	(i)	**133,585**	133,585
Leased intangible assets – orbital slots	(ii)	**170,527**	–
		304,112	133,585

(i) Intangible asset with indefinite useful life

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 and not subject to amortisation.

No impairment of the intangible asset was recorded as at 31 December 2019 and 2018.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projection based on budget and business plan approved by management for the year ending 31 December 2020. Cash flows beyond 2019 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 the cash flow projection is 11.29% (2018: 10.51%).

(ii) Leased intangible assets – orbital slots

As discussed in note 3, the Group has initially applied IFRS/HKFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to prepaid expenses for operating leases under IAS/HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 3.

The amortisation charge for the year of $8,736,000 (2018: $Nil) is included in "cost of services" in the consolidated statement of profit or loss.

13 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.

	2019	2018
	$'000	*$'000*
Non-current prepaid expenses balance at 1 January *(Note)*	**–**	1,030,819
Movements during the year:		
– additions	**–**	128,893
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	**–**	(8,736)
– capitalised under communication satellites	**–**	(980,449)
Non-current prepaid expenses at 31 December	**–**	170,527

Note: Upon the adoption by IFRS/HKFRS 16, prepaid expenses were reclassified to "Intangible assets" (see note 3).

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 in 2018.

14 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2019, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of $4,250,000 (2018: $9,207,000), based on the market price at the end of the reporting period, with fair value loss of $4,958,000 (2018: gain of $1,841,000) recognised in profit or loss.

15 TRADE RECEIVABLES, NET

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:

	2019	2018
	$'000	*$'000*
Within 30 days	**40,419**	39,276
31 – 60 days	**20,313**	31,954
61 – 90 days	**16,051**	21,440
91 – 120 days	**14,838**	16,413
Over 120 days	**81,513**	50,675
	173,134	159,758

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

16 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:

	2019	2018
	$'000	*$'000*
Accounts payables due within 3 months	**5,243**	18,155
Accrued expenses	**77,908**	78,392
	83,151	96,547

17 SHARE CAPITAL

Authorised and issued share capital

	2019		2018	
	No. of shares		No. of shares	
	('000)	***$'000***	*('000)*	*$'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 and 31 December	**930,809**	**93,081**	930,809	93,081

18 CONTINGENT LIABILITIES

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 $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. During the year, the Group has fully repaid US$54,782,000 (equivalent to $427,300,000) against the 2016 Facility and the Term Loan Facility has expired thereupon.

In addition, 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$12,000,000 (equivalent to $93,600,000). There was no outstanding balance of the revolving bank facility at 31 December 2019 (2018: $Nil).

APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with China Construction Bank (Asia) Corporation Limited in respect of a revolving loan facility up to $100,000,000. There was no outstanding balance of the revolving bank facility at 31 December 2019 (2018: $Nil).

All facilities are subject to the fulfilment 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 2019, the Group has complied with all of the above covenants.

The Company has given bank guarantee in respect of the banking facilities granted to APT HK. The extent of such banking facilities utilised by APT HK at 31 December 2019 amounted to $Nil (2018: $427,230,000).

19 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of $139,621,000. Further details are disclosed in note 9 of this announcement.

CORPORATE GOVERNANCE

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

HUMAN RESOURCES

As at 31 December 2019, the Group had 111 employees. The Group continues to provide on job training to employees and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting held on Monday, 16 March 2020, the Group's Audit and Risk Management Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited financial report for the year ended 31 December 2019. The Audit and Risk Management Committee has also reviewed the result and statement of the Board in relation to effectiveness of the internal control system and the independence of the Company's auditors.

The Audit and Risk Management Committee comprises four independent non-executive directors including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 2019, the Company has met the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, 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 given that would help the Company in maintaining its consistency of making business decisions; and

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting of the Company to be held on Friday, 22 May 2020, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020.

The register of members of the Company will be closed from Tuesday, 9 June 2020 to Wednesday, 10 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

ANNUAL REPORT PUBLICATION

The Company's 2019 Annual Report for the year ended 31 December 2019 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

In 2019, the Group continued to maintain stable operations and a healthy financial position. 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, 23 March 2020

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

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 of Yin Yen-liang)*

Independent Non-Executive Directors:
Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo