# APT SATELLITE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*
**(Stock code: 1045)**

# 2012 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 financial results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

## RESULTS

### Turnover

In 2012, the Group's turnover continued to grow tremendously, with annual turnover amounted to HK$900,611,000 (2011: HK$758,317,000), representing an increase of 18.8% amounting to HK$142,294,000 as compared to 2011. The increase of turnover is mainly due to the successful launch of APSTAR 7 for the replacement of APSTAR 2R of the Group.

### Profit before taxation

In 2012, the Group's profit before taxation amounted to HK$384,419,000 (2011: HK$360,341,000), representing an increase of 6.7% amounting to HK$24,078,000 as compared to 2011.

### Profit attributable to equity shareholders

In 2012, the Group's profit attributable to equity shareholders amounted to HK$354,435,000 (2011: HK$280,923,000), representing an increase of 26.2% amounting HK$73,512,000 as compared to 2011. Basic earnings per share and dilute earnings per share were HK57.00 cents (2011: HK45.18 cents).

## DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK2.00 cents per share. Given the Group has achieved significant increase in profit during the year of 2012, the Board has resolved to declare a final dividend in cash of HK4.00 cents per share for the financial year ended 31 December 2012 (2011: HK2.50 cents). The final dividend is conditional, upon the passing of the relevant resolution at the forthcoming annual general meeting which will be held on 23 May 2013. The final dividend will be paid on or about Wednesday, 26 June 2013 to shareholders whose names appear on the register of members at the close of business on Friday, 14 June 2013.

## BUSINESS REVIEW

### In-Orbit Satellites

During 2012, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) system and earth station have been operating under normal condition, providing quality and reliable service to our customers.

*APSTAR 7*

APSTAR 7 was successfully launched to the designated orbit on 31 March 2012 on board of Long March 3B/E launch vehicle of China Great Wall Industry Corporation ("CGWIC"). APSTAR 7 is the replacement satellite of APSTAR 2R, which retired in 2012. APSTAR 7, currently positioned at 76.5 East degree geostationary orbital slot, is a Spacebus 4000 C2 Platform high power geostationary communication satellite with 28 C-band and 28 Ku-band transponders. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7. The Ku-band transponders of APSTAR 7 are built with China Beam, Middle East and North Africa Beam, African Beam, and Steerable Beam, so as to further expand the satellite capacity and coverage of the Group to the above said regions. The Group has successfully maintained and migrated the existing customers of APSTAR 2R to APSTAR 7. In addition, the Group has also signed new service agreements with customers for APSTAR 7 during the year. As of 31 December 2012, its utilisation was 74.6%.

*APSTAR 6*

APSTAR 6 contains 38 C-band transponders and 12 Ku-band transponders. As at 31 December 2012, its utilisation was 80.4%.

*APSTAR 5*

The Group owns 20 C-band transponders and 9 Ku-band transponders of the APSTAR 5. As at 31 December 2012, its utilisation was 74.2%.

*APSTAR 2R*

APSTAR 2R, which was replaced by APSTAR 7 in June 2012, was de-orbited into outer space on 6 November 2012 after the completion of its 15 years' commission, in compliance with the relevant licence condition.

*APSTAR 7B (back up satellite for APSTAR 7)*

APSTAR 7B, the backup satellite for APSTAR 7, is built with Spacebus 4000 C2 Platform, a high power geostationary communication satellite with 28 C-band transponders and 23 Ku-band transponders. Subsequent to the successful launch of APSTAR 7 and replacement of APSTAR 2R, the Group has transferred APSTAR 7B to China Satellite Communications Company Limited ("China Satcom") to recoup the capital expenditure made for APSTAR 7B. The assignment of the APSTAR 7B Satellite Project to China Satcom was completed on 26 September 2012. This backup satellite is a very successful arrangement because the Group can save up enormous amount of back-up satellite investment.

### Launch Services for Future Satellite

On 17 August 2012, APT Satellite Company Limited ("APT HK") entered into a launch services contract (the "Launch Services Contract") with CGWIC in respect of the provision of launch services for a future satellite of the Group on a Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre. This transaction is in line with the Company's strategic plan to secure launch service opportunity at reasonable price for its future new satellite or replacement satellite needs. The Group believes that APT HK will benefit from securing the satellite launch service at such price which will further enhance the growth potential and business continuity for long-term development of the Group.

## TRANSPONDER LEASE SERVICES

During year 2012, the Group has maintained high utilisation rates. The Group has maintained its strong market shares as well as increased new customers and sales in the Asia Pacific region, Middle East, and Africa, and renewed long-term transponder service agreements with international renowned TV and media broadcasters. The successful launch of APSTAR 7 and successful migration of APSTAR 2R customers to APSTAR 7 has further enhanced the Group's customer-base and market outreach for future development.

## SATELLITE TV BROADCASTING AND UPLINK SERVICES

The Group's broadcasting services is delivered through its wholly-owned subsidiary, APT Satellite TV Development Limited, which will continue to provide TV broadcasting services under its Non-domestic Television Programme Service Licence. Broadcasting services are very important value-added services for transponder services.

## SATELLITE-BASED TELECOMMUNICATION SERVICES

APT Telecom Services Limited, a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT, facilities management services, satellite telecommunication and satellite television uplink services under the Fixed Carrier Licence of Hong Kong to telecommunication operators, satellite operators in the Region.

## DATA CENTRE SERVICES

APT Datamatrix Limited (formerly known as "APT Satellite Vision Limited"), a wholly owned subsidiary of the Group, provides data centre services in its existing facilities. Data centre service is a newly established telecommunication value-added service for our customers with great business growth potential and synergic effect with satellite services.

The Group believes that value-added services in TV broadcasting services, telecommunication services and data centre services will continue to strengthen the Group's business development and growth.

## BUSINESS PROSPECTS

Looking into 2013, the supply and demand pattern of transponders will continue to achieve sustainable growth in the Asia Pacific region, Middle East and African region. The transponder utilisation rates of the Group's satellites, APSTAR 7, APSTAR 6 and APSTAR 5 will be maintained at a high level and will achieve steady revenue growth. Given the good performance of APSTAR 7 in the market, it can help maintain market share and thereby contribute substantial revenue.

We will continue to achieve growth potential and synergic effect from various value-added services in TV broadcasting services, telecommunication services and data centre services for maximising profit and future business growth.

## FINANCIAL REVIEW

As at 31 December 2012, the Group's financial position remains very strong and we have achieved continuous improvement in our operating result. The table below sets out the financial performance for the years ended 31 December 2012 and 31 December 2011:

| | **2012** | 2011 | Change |
|---|---|---|---|
| *HK$ thousand* | | | |
| **Turnover** | **900,611** | 758,317 | +18.8% |
| **Gross profit** | **528,248** | 396,279 | +33.3% |
| **Profit before taxation** | **384,419** | 360,341 | +6.7% |
| **Profit attributable to shareholders** | **354,435** | 280,923 | +26.2% |
| **Basic earnings per share** ***(HK cents)*** | **57.00** | 45.18 | +26.2% |
| **EBITDA Margin** ***(%)*** | **80.1%** | 80.9% | –0.8% |
| | | | |
| **Total assets** | **5,027,948** | 4,768,445 | +5.4% |
| **Total liabilities** | **1,941,373** | 2,010,364 | –3.4% |
| **Gearing ratio** ***(%)*** | **38.6%** | 42.2% | –3.6% |
| **Liquidity ratio** | **5.14 times** | 1.01 times | +4.13 times |

The turnover of the Group increased by 18.8% from HK$758,317,000 in 2011 to HK$900,611,000 in 2012, representing an increase of HK$142,294,000. The increase was mainly due to the commencement of some new utilisation contracts for APSTAR 7 which commenced business from 1 June 2012. The profit attributable to shareholders increased by 26.2% to HK$354,435,000 due to the following factors:

**Other net income**

Other net income for the year ended 31 December 2012 increased to HK$25,515,000, as compared to other net income of HK$15,652,000 for the previous year. The increase was mainly due to the interest income generated from the Renminbi bank deposit.

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

During 2011, the Group obtained convertible bonds in the principal amount of HK$35,000,000 issued by CNC Holdings Limited. The maturity date of the convertible bonds is 9 December 2014 with annual interest of 5% and conversion price of HK$0.196. Based on a review performed by an independent professional valuer as at 31 December 2012, the fair value of the convertible bonds is remeasured at HK$67,213,000, with a fair value loss of HK$34,211,000 recognised in profit or loss. The movements of investment of convertible bonds of the Group are set out in note 12 to this announcement.

**Income Tax**

Income tax expenses for the year ended 31 December 2012 decreased to HK$29,984,000, as compared to HK$79,418,000 in 2011. The decrease was mainly due to the reversal of certain provision for withholding taxes in respect of prior years. The details of income tax of the Group are set out in note 7 to this announcement.

## SIGNIFICANT INVESTMENT

**Purchase of launch service contract**

On 17 August 2012, the Group has entered into a launch services contract with China Great Wall Industry Corporation in respect of the provision of launch and associated services for a satellite to be designated and supplied by a wholly-owned subsidiary of the Company on Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC, and other launch-related optional services. During the year, the Group has made the one-off payment in the amount of US$58,000,000 (approximately HK$452,400,000). Details of this transaction are set out in the Company's announcement dated 17 August 2012.

## CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group's capital expenditure incurred for fixed assets was HK$701,539,000 for 2012 (2011: HK$1,070,783,000). The capital expenditure was mainly for progress payments of HK$686,150,000 in relation to the construction of APSTAR 7 and APSTAR 7B, and payments of HK$15,389,000 for additions of equipment, including the equipment for data centre services. The above capital expenditures were financed by internally-generated funds, borrowings from banks and a fellow subsidiary.

During 2009, the Group entered into an arrangement of general banking facility (the "2009 Facility") with Bank of China (Hong Kong) Limited. The 2009 Facility, including a term loan facility in the maximum loan amount of US$50,000,000, was applied to finance the working capital requirements of the Group. The 2009 Facility has secured by certain properties of the Group, the assignment of revenue to be generated from service contracts relating to APSTAR 2R and APSTAR 5, APSTAR 2R insurance claim proceeds, and charge over a charged account which holds certain customer deposits and payments received on services to be provided by APSTAR 2R and APSTAR 5. During the year, the Group has repaid all of the outstanding principal balance amounting US$18,000,000 (approximately HK$140,400,000) against the 2009 Facility.

During 2010, the Group entered into a term loan facility (the "2010 Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited. The 2010 Facility, up to a maximum loan amount of US$200,000,000, was applied to finance APSTAR 7 including its construction, launch costs and their related constructions and insurance premium. The 2010 Facility is secured by the assignment of the construction and the termination payments under construction and launching contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7. During the year, the Group has drawn down US$64,800,000 (approximately HK$505,440,000) and repaid US$28,000,000 (approximately HK$218,400,000) against the 2010 Facility. The outstanding principal balance of the 2010 Facility was US$172,000,000 (approximately HK$1,341,600,000) at 31 December 2012.

In addition, during 2010, the Group entered into a loan agreement ("Loan Agreement") with a fellow subsidiary in relation to the provision of a facility for the progress payments under the APSTAR 7B Satellite Procurement Contract. The Loan Agreement is up to Euro100,000,000 or equivalent amount in United States Dollar. During the year, the Group has voluntarily made full repayment of all of the outstanding balance and accrued interest in advance before the loan repayment due date.

As at 31 December 2012, the total borrowings amounted to approximately HK$1,333,568,000 (as at 31 December 2011: approximately HK$1,408,470,000). The Group recorded a decrease of approximately HK$74,902,000 in the total borrowings during the year ended 31 December 2012, which were mainly due to the loan repayment against 2009 Facility, the 2010 Facility and Loan Agreement.

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

| **Year of maturity** | *HK$* |
|---|---|
| Repayable within one year or on demand | – |
| Repayable after one year but within five years | 1,146,588,000 |
| Repayable after five years | 186,980,000 |
| | 1,333,568,000 |

As at 31 December 2012, the Group's total liabilities were HK$1,941,373,000, a decrease of HK$68,991,000 as compared to 31 December 2011, which was mainly due to the early loan repayments as described above. As a result, the gearing ratio (total liabilities/total assets) has decreased to 38.6%, representing a 3.6% decrease as compared to 31 December 2011.

For the year ended 31 December 2012, the Group recorded a net cash outflow of HK$83,529,000 (2011: net cash inflow of HK$118,579,000) which included net cash inflow from operating activities of HK$689,560,000 and HK$2,963,000 increase in cash due to the change in foreign exchange rates. This was offset by the net cash of HK$614,250,000 used in investing activities and net cash outflow of HK$161,802,000 used in financing activities.

The increase in cash inflow from operating activities as compared to last year was due to the increase in receipt of transponder income. The decrease in cash used in investing activities was mainly due to decrease in the progress payment of APSTAR 7 and APSTAR 7B during the year. The was offset by the increase in bank deposits with original maturity beyond 3 months, purchase of launch service contract for future satellite and proceeds from disposal of APSTAR 7B. The increase in net cash used in financing activities was mainly due to the early loan repayments.

As at 31 December 2012, the Group has approximately HK$785,781,000 of cash and bank deposits, 58% of which were denominated in United States Dollar, 41% in Renminbi and 1% in Hong Kong Dollar and other currencies which comprising HK$156,535,000 cash and cash equivalents, HK$572,359,000 bank deposits with original maturity beyond 3 months and HK$56,887,000 pledged bank deposits. Together with cash flow 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 except for satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated by 1.2% against the Hong Kong Dollar during the year ended 31 December 2012. The management does not foresee a material adverse foreign exchange risk to the Group.

The Group had entered into satellite procurement contracts in relation to APSTAR 7 and APSTAR 7B in a contract price of approximately Euro128,500,000 and Euro114,600,000 respectively. In order to meet the satellite progress payment, the Group has entered into the 2010 Facility, where the Group is able to purchase foreign currency forward contract up to maximum of US$150,000,000. Given the volatile exchange rates movements experienced, Euro/USD exchange rate in particular, the Group has entered into forward exchange contracts to hedge against its exposure to potential exchange rate risks. As at 31 December 2012, all forward exchange contracts have been executed. The Group continues to adopt a conservative approach on monitoring foreign exchange exposure.

### Interest rate exposure

In respect of the Group's cash flow exposure to interest rate risk arising primarily from long-term borrowings at floating LIBOR rate, the management's strategy is to use financial instruments to manage its exposure to the floating LIBOR rate. During the year ended 31 December 2011, the Group has entered into a contract which is a swaption to enter into a swap transaction to fix the 3-month LIBOR interest rate at 1.4% p.a. of notional amount of US$65,000,000 for the period from 3 July 2012 to 3 July 2017. The swaption has not been exercised during the effective period until 28 June 2012 due to the market interest rates below the agreed interest rate. The Group continues to adopt a conservative approach on monitoring interest rate exposure.

### Charges on group assets

At 31 December 2012, the pledged bank deposits of HK$56,887,000 (2011: HK$21,007,000) are related to certain commercial arrangements and 2010 Facility which existed at the balance sheet date.

At 31 December 2012, 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$3,957,000 (2011: HK$4,073,000).

**Capital commitments**

As at 31 December 2012, the Group has outstanding capital commitments of HK$14,091,000 (2011: HK$1,178,423,000), which were contracted but not provided for and HK$4,740,000 (2011: HK$244,672,000) which were authorised but not contracted for in the Group's financial statements, mainly in respect of the future purchases of equipment for the data centre services.

**Contingent liabilities**

The details of contingent liabilities of the Group are set out in note 17 of this announcement.

**Post balance sheet event**

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 18 of this result announcement.

## FINANCIAL HIGHLIGHTS

**Consolidated income statement**
for the year ended 31 December 2012
*(Expressed in Hong Kong dollars)*

| | Note | **2012** *$'000* | 2011 *$'000* |
|---|---|---|---|
| **Turnover** | 4 | **900,611** | 758,317 |
| Cost of services | | **(372,363)** | (362,038) |
| **Gross profit** | | **528,248** | 396,279 |
| Other net income | 5 | **25,515** | 15,652 |
| Administrative expenses | | **(114,779)** | (94,643) |
| Impairment loss recognised in respect of property, plant and equipment | 10(c) | **–** | (36,660) |
| Valuation gains on investment property | | **896** | 230 |
| **Profit from operations** | | **439,880** | 280,858 |
| Gain on disposal of available-for-sale financial asset | 12 | **–** | 111,413 |
| Fair value changes on financial instrument designated at fair value through profit or loss | 12 | **(34,211)** | (9,989) |
| Finance costs | 6(a) | **(21,250)** | (21,941) |
| **Profit before taxation** | 6 | **384,419** | 360,341 |
| Income tax | 7 | **(29,984)** | (79,418) |
| **Profit for the year and attributable to equity shareholders of the Company** | | **354,435** | 280,923 |
| **Earnings per share** | 9 | | |
| Basic | | **57.00 cents** | 45.18 cents |
| Diluted | | **57.00 cents** | 45.18 cents |

**Consolidated statement of comprehensive income**
for the year ended 31 December 2012
*(Expressed in Hong Kong dollars)*

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Profit for the year** | **354,435** | 280,923 |
| **Other comprehensive income for the year:** | | |
| Exchange differences on translation of: | | |
| – financial statements of overseas subsidiaries | **217** | 1,622 |
| Cashflow hedge: net movement in hedging reserve | **1,823** | 410 |
| Available-for-sale financial asset: | | |
| – change in fair value recognised during the year | **–** | 111,413 |
| – reclassification adjustment for amounts transferred to profit or loss on disposal | **–** | (111,413) |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **–** | – |
| | **2,040** | 2,032 |
| **Total comprehensive income for the year** | **356,475** | 282,955 |

**Consolidated balance sheet**
at 31 December 2012
*(Expressed in Hong Kong dollars)*

| | Note | **2012** **$'000** | 2011 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **3,453,945** | 4,077,704 |
| Investment property | | **3,791** | 2,895 |
| Intangible asset | 11 | **133,585** | 133,585 |
| Investment in convertible bonds | 12 | **67,213** | 101,424 |
| Club memberships | | **5,537** | 5,537 |
| Prepaid expenses | 13 | **461,854** | 19,170 |
| | | **4,125,925** | 4,340,315 |
| **Current assets** | | | |
| Trade receivables, net | 14 | **96,413** | 53,594 |
| Deposits, prepayments and other receivables | | **19,829** | 17,545 |
| Amount due from immediate holding company | | **–** | 767 |
| Derivative financial instruments | | **–** | 966 |
| Pledged bank deposits | | **56,887** | 21,007 |
| Bank deposits with original maturity beyond 3 months | | **572,359** | 94,187 |
| Cash and cash equivalents | | **156,535** | 240,064 |
| | | **902,023** | 428,130 |
| **Current liabilities** | | | |
| Payables and accrued charges | 15 | **64,955** | 72,205 |
| Rentals received in advance | | **60,741** | 67,456 |
| Amount due to a fellow subsidiary | | **–** | 911 |
| Secured bank borrowings due within one year | | **–** | 180,285 |
| Derivative financial instruments | | **–** | 1,823 |
| Current taxation | | **49,882** | 101,078 |
| | | **175,578** | 423,758 |
| **Net current assets** | | **726,445** | 4,372 |
| **Total assets less current liabilities carried forward** | | **4,852,370** | 4,344,687 |

**Consolidated balance sheet** *(continued)*
at 31 December 2012
*(Expressed in Hong Kong dollars)*

| | Note | **2012** | 2011 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Total assets less current liabilities brought forward** | | **4,852,370** | 4,344,687 |
| **Non-current liabilities** | | | |
| Secured bank borrowings due after one year | | **1,333,568** | 1,001,985 |
| Loan from a fellow subsidiary | 16 | **–** | 226,200 |
| Deposits received | | **84,473** | 57,895 |
| Deferred income | | **115,735** | 139,936 |
| Deferred tax liabilities | | **232,019** | 160,590 |
| | | **1,765,795** | 1,586,606 |
| **Net assets** | | **3,086,575** | 2,758,081 |
| **Capital and reserves** | | | |
| Share capital | | **62,181** | 62,181 |
| Share premium | | **1,273,812** | 1,273,812 |
| Contributed surplus | | **511,000** | 511,000 |
| Revaluation reserve | | **368** | 368 |
| Exchange reserve | | **2,179** | 1,962 |
| Hedging reserve | | **–** | (1,823) |
| Other reserves | | **442** | 442 |
| Accumulated profits | | **1,236,593** | 910,139 |
| **Total equity** | | **3,086,575** | 2,758,081 |

## Consolidated statement of changes in equity
for the year ended 31 December 2012
*(Expressed in Hong Kong dollars)*

| | Share capital $'000 | Share premium $'000 | Contributed surplus $'000 | Capital reserve $'000 | Revaluation reserve $'000 | Exchange reserve $'000 | Hedging reserve $'000 | Other reserves $'000 | Accumulated profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | 41,454 | 1,294,539 | 511,000 | 4,926 | 368 | 340 | (2,233) | 345 | 636,823 | 2,487,562 |
| Changes in equity for 2011 | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | – | 280,923 | 280,923 |
| Other comprehensive income | – | – | – | – | – | 1,622 | 410 | – | – | 2,032 |
| Total comprehensive income | – | – | – | – | – | 1,622 | 410 | – | 280,923 | 282,955 |
| Share options lapsed | – | – | – | (4,699) | – | – | – | – | 4,699 | – |
| Cancellation of share options | – | – | – | (227) | – | – | – | – | 227 | – |
| Bonus issue | 20,727 | (20,727) | – | – | – | – | – | – | – | – |
| Dividend declared in respect of current year *(note 8(i))* | – | – | – | – | – | – | – | – | (12,436) | (12,436) |
| Statutory reserve transfer during the year | – | – | – | – | – | – | – | 97 | (97) | – |
| Balance at 31 December 2011 | 62,181 | 1,273,812 | 511,000 | – | 368 | 1,962 | (1,823) | 442 | 910,139 | 2,758,081 |
| Balance at 1 January 2012 | 62,181 | 1,273,812 | 511,000 | – | 368 | 1,962 | (1,823) | 442 | 910,139 | 2,758,081 |
| Changes in equity for 2012 | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | – | 354,435 | 354,435 |
| Other comprehensive income | – | – | – | – | – | 217 | 1,823 | – | – | 2,040 |
| Total comprehensive income | – | – | – | – | – | 217 | 1,823 | – | 354,435 | 356,475 |
| Dividend approved in respect of the previous year *(note 8(ii))* | – | – | – | – | – | – | – | – | (15,545) | (15,545) |
| Dividend declared in respect of the current year *(note 8(i))* | – | – | – | – | – | – | – | – | (12,436) | (12,436) |
| Balance at 31 December 2012 | 62,181 | 1,273,812 | 511,000 | – | 368 | 2,179 | – | 442 | 1,236,593 | 3,086,575 |

*(Expressed in Hong Kong dollars)*
*Notes:*

## 1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("HKFRS"), 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 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 ("Listing Rules").

## 2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property, investments in convertible bonds and available-for-sale financial assets and derivative financial instruments are stated at fair value.

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.

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. The equivalent amendments to HKFRSs, consequently issued by the HKICPA, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. None of these developments are relevant to the Group's financial statements and the Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

## 4 SEGMENTAL REPORTING

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 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.

The Group's operating business are organised and managed separately according to the nature of satellite services, which each segment representing a strategic business segment that offers different services in the global market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2012 and 2011 were mainly derived from the provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 December 2012, revenue of approximately $125,000,000 (2011: $126,172,000) were derived from this customer and attributable to the provision of satellite transponder capacity and related services.

### Segment results, assets and liabilities

*Geographical segments*

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple countries not located within a specific geographical area. Accordingly, no segment analysis of the carrying amount of segment assets by location is presented.

The following table represents aggregate turnover based on geographical locations of customers for the years ended 31 December 2012 and 2011.

| | **Hong Kong** | | **The PRC (excluding Hong Kong)** | | **Singapore** | | **Indonesia** | | **Others** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Turnover from external customers | **96,682** | 84,584 | **197,835** | 174,636 | **86,616** | 101,271 | **145,641** | 148,298 | **373,837** | 249,528 | **900,611** | 758,317 |

## 5 OTHER NET INCOME

Other net income primarily includes the following:

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interest income on bank deposits | **10,504** | 2,450 |
| Interest income on convertible bonds *(note 12)* | **1,750** | 110 |
| Other interest income | **445** | – |
| Foreign currency exchange gain | **5,274** | 8,623 |
| Rental income in respect of properties | **515** | 547 |
| Other service income | **5,952** | 3,444 |
| Gain on disposal of fixed assets | **528** | – |
| Other income | **547** | 478 |
| | **25,515** | 15,652 |

## 6 PROFIT BEFORE TAXATION

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

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| (a) Finance costs: | | |
| Interest on bank borrowings and loan from a fellow subsidiary | **34,109** | 23,425 |
| Less: amount capitalised into construction in progress* | **(15,465)** | (20,281) |
| | **18,644** | 3,144 |
| Change in fair value on interest rate swaption | **966** | 18,533 |
| Other borrowing costs | **1,640** | 264 |
| | **21,250** | 21,941 |

* The borrowing costs have been capitalised at a rate of 2.0204% – 3.9511% per annum (2011: 1.9695% – 3.1350%).

| | | 2012 | 2011 |
|---|---|---|---|
| | | **$'000** | *$'000* |
| (b) | Other items: | | |
| | Auditors' remuneration | | |
| | – audit services | **1,196** | 1,113 |
| | – tax services | **177** | 134 |
| | – other services | **133** | 12 |
| | Depreciation | **307,997** | 311,808 |
| | Loss on disposal of fixed assets | **–** | 40 |
| | Operating lease charges: minimum lease payments | | |
| | – land and buildings and equipment | **212** | 190 |
| | – satellite transponder capacity | **12,578** | 4,746 |
| | Impairment loss on trade and other receivables recognised | **213** | 125 |

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

| | 2012 | 2011 |
|---|---|---|
| | **$'000** | *$'000* |
| **Current tax – Overseas** | | |
| Provision for the year | **13,889** | 12,540 |
| Over-provision in respect of prior years | **(55,334)** | – |
| | **(41,445)** | 12,540 |
| **Deferred tax – Hong Kong** | | |
| Origination of temporary differences | **71,429** | 66,878 |
| **Actual tax expense** | **29,984** | 79,418 |

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

The provision for Hong Kong Profits Tax was calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax as there were no estimated assessable profits for the year or tax losses are available to offset current year assessable profits.

Overseas tax 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 on overseas income. 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.

## 8 DIVIDENDS

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

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interim dividend declared and paid of 2.00 cents per ordinary share (2011: 2.00 cents) | **12,436** | 12,436 |
| Final dividend proposed after the balance sheet date of 4.00 cents per ordinary share (2011: 2.50 cents) | **24,872** | 15,545 |
| | **37,308** | 27,981 |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of 2.50 cents per share (2011: nil) | **15,545** | – |

## 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 $354,435,000 (2011: $280,923,000) and the weighted average of 621,807,000 ordinary shares (2011: 621,807,000 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

| | **2012** | 2011 |
|---|---|---|
| | ***Number*** | *Number* |
| Issued ordinary shares at 1 January | **621,807,000** | 414,538,000 |
| Effect of bonus issues on shares | **–** | 207,269,000 |
| Weighted average number of ordinary shares at 31 December | **621,807,000** | 621,807,000 |

### (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 2012 and 2011.

## 10 PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the year ended 31 December 2012, the Group acquired property, plant and equipment at a cost of $701,539,000 (31 December 2011: $1,070,783,000). Property, plant and equipment with a net book value of $1,012,116,000 was disposed of during the year ended 31 December 2012 (31 December 2011: $60,000), resulting in a gain on disposal of $528,000 (31 December 2011: loss of $40,000).

### (b) Effect of cost adjustment

Pursuant to the agreement entered into by a subsidiary of the Company, APT Satellite Company Limited ("APTHK"), with a third party manufacturer of a communication satellite, APSTAR 6, on 8 December 2001 and its subsequent amendment on 21 April 2010 (the "Agreement"), the Group commissioned and participated in the technical design of APSTAR 6, in return; the Group is entitled to construction cost reimbursement from the manufacturer for using APSTAR 6 design in the manufacturer's other satellite projects, subject to a ceiling. During 2012, $5,200,000 (2011: $7,800,000) was received and recorded as a reduction to the cost of property, plant and equipment – communication satellites.

### (c) Impairment loss

During 2011, the Group conducted a review of its property, plant and equipment and determined that the estimated recoverable amount of a communication satellite, APSTAR 2R, to be less than its carrying amount, and an impairment loss of $36,660,000 was charged to profit or loss in 2011. Based on the Group's further assessment, no impairment loss is required in 2012.

## 11 INTANGIBLE ASSET

The carrying amount of acquired intangible asset not subject to amortisation consists of the following:

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'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 of 31 December 2012 and 2011.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation by discounting future cash flows annually. The cash flows used in the calculation are based on the most up-to-date budget and plan formally approved by management for the year ending 31 December 2013 with subsequent transition to perpetuity. Subsequent to 2013, the estimated income derived from provision of satellite transponder capacity and related services to perpetuity is used which complies with general expectations for the business. The present value of cash flows was calculated using a discount rate of approximately 5.9%.

## 12 INVESTMENT IN CONVERTIBLE BONDS

During 2011, a wholly-owned subsidiary of the Company entered into an agreement to sell an available-for-sale security which represented 5% of the issued share capital of Xinhua TV Asia-Pacific Operating Co. Limited, a Hong Kong incorporated company, to CNC Holdings Limited ("CNC") (formerly known as Tsun Yip Holdings Limited) which is a company listed in the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Fair value of such available-for-sale security of $111,413,000 was recorded in the consolidated statement of comprehensive income until disposal on 9 December 2011. On the same date, such fair value was reclassified to profit or loss as a result of the settlement by the issuance of convertible bonds by CNC. The maturity of the convertible bonds is three years with annual interest of 5% and conversion price of $0.196. At 31 December 2012, the fair value of the convertible bonds was remeasured at $67,213,000 (31 December 2011: $101,424,000), with a fair value loss of $34,211,000 (31 December 2011: $9,989,000) in profit or loss.

The movement of each component of the convertible bonds is set out below:

| | **Debt component** | **Derivatives component** | **Total** |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| At the date of initial recognition on 9 December 2011 | 26,103 | 85,310 | 111,413 |
| Change in fair value recognised in profit or loss | 434 | (10,423) | (9,989) |
| As at 31 December 2011 | 26,537 | 74,887 | 101,424 |
| Change in fair value recognised in profit or loss | 3,175 | (37,386) | (34,211) |
| As at 31 December 2012 | 29,712 | 37,501 | 67,213 |

The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible issuer and remaining time to maturity. The effective interest rate of the debt component of the convertible bonds is 14.68% (2011: 12.68%).

The Black-Scholes model with Trinomial tree method is used for the valuation of derivatives component of the convertible bonds. The inputs into the model for the derivatives component of the convertible bonds as at 31 December 2012 and 31 December 2011 are as follows:

| | **2012** | 2011 |
|---|---|---|
| Share price | **HK$0.71** | HK$1.26 |
| Conversion price | **HK$0.196** | HK$0.196 |
| Risk-free rate | **0.1433%** | 0.5384% |
| Expected life | **1.94 years** | 2.94 years |
| Implied volatility | **52.1500%** | 58.4273% |
| Expected dividend yield | **–** | – |

The fair value of each of the debt and derivatives components of the convertible bonds at the balance sheet date are based on the valuation performed by Greater China Appraisal Limited, a firm of independent valuers not connected with the Group.

## 13 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid expenses represent the advance payment of launch services 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.

| | **2012** | 2011 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Balance at 31 December | **19,170** | 21,890 |
| Add: additions | **456,612** | – |
| Less: current portion (included in deposits, prepayments and other receivables under current assets) | **(13,928)** | (2,720) |
| Non-current portion | **461,854** | 19,170 |

During the year ended 31 December 2012, APTHK, entered into the launch services contract, amounting to $452,400,000, with China Great Wall Industry Corporation, a fellow subsidiary, in respect of the provision of launch and associated services for a future satellite.

## 14 TRADE RECEIVABLES, NET

The Group allows a credit period of 30 days to its trade customers. The following is an ageing analysis of trade receivables, based on the invoice due date and net of allowance for doubtful debts, at the balance sheet date:

| | 2012 | 2011 |
|---|---|---|
| | *$'000* | *$'000* |
| 0 – 30 days | **77,385** | 43,443 |
| 31 – 60 days | **9,118** | 6,896 |
| 61 – 90 days | **3,508** | 1,483 |
| 91 – 120 days | **2,706** | 198 |
| Over 120 days | **3,696** | 1,574 |
| | **96,413** | 53,594 |

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

## 15 PAYABLES AND ACCRUED CHARGES

The ageing analysis of accounts payable and accrued charges as of the balance sheet date, based on the invoice due date, is as follows:

| | 2012 | 2011 |
|---|---|---|
| | *$'000* | *$'000* |
| 0 – 3 months | **16,476** | 24,899 |
| 4 – 6 months | **–** | – |
| 7 – 9 months | **–** | – |
| 9 – 12 months | **–** | – |
| | **16,476** | 24,899 |
| Accrued expenses | **48,479** | 47,306 |
| At 31 December | **64,955** | 72,205 |

## 16 LOAN FROM A FELLOW SUBSIDIARY

The balance represents financing provided by a subsidiary of a major shareholder of the Company with respect to the procurement of APSTAR 7B. The loan is secured by the assignment of the procurement contract of APSTAR 7B (including but not limited to all related rights and services). The loan was interest-bearing at LIBOR plus 3.3% (2011: 2% to 3.4%) per annum. During the year, the Group made an early repayment of the entire balance.

## 17 CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the banking facilities granted to its subsidiary. The extent of such banking facilities utilised by the subsidiary at 31 December 2012 amounted to $1,341,600,000 (2011: $1,194,960,000).

## 18 POST BALANCE SHEET EVENT

After the balance sheet date, the directors declared a final dividend of $24,872,000. Further details are disclosed in note 8.

## CORPORATE GOVERNANCE

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

## HUMAN RESOURCES

As at 31 December 2012, the Group had 103 employees. The Group continues to provide on the job training to employees which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

## AUDIT COMMITTEE

In the meeting on 21 March 2013, the Group's Audit 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 2012. The Audit 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 Committee comprises of four independent non-executive directors including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo (appointed on 5 July 2012).

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 2012, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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;

A6.7 – Dr. Lam Sek Kong, being Chairman of Nomination Committee and Independent Non-executive Director of the Company, Mr. Cui Liguo, being Independent Non-executive Director, and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, being Non-executive Directors, were unable to attend the Annual General Meeting held on 25 May 2012 as they were in business trips or attending important matters in overseas. However, other members of the Board including the Chairman, Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs; and

A6.7 – Mr. Lei Fanpei, Chairman of the Board, Dr. Lam Sek Kong, being Chairman of Nomination Committee and Independent Non-executive Director of the Company, Mr. Cui Liguo, being Independent Non-executive Director, Mr. Meng Xingguo being Independent Non-executive Director, and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, being Non-executive Directors, were unable to attend the Special General Meeting held on 25 September 2012 as they were in business trips or attending important matters in overseas. However, other members of the Board including the Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the resolutions.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 May 2013 to Thursday, 23 May 2013 (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 Thursday, 23 May 2013, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2013.

The register of members of the Company will be closed from Thursday, 13 June 2013 to Friday, 14 June 2013 (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 registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 11 June 2013.

## ANNUAL REPORT PUBLICATION

The Company's 2012 Annual Report for the year ended 31 December 2012 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website and the Company's website (www.apstar.com) in due course.

## NOTE OF APPRECIATION

In 2012, the Group continued to achieve encouraging and excellent results. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to all our staff for their valuable contribution to the development of the Group.

By Order of the Board
**Lei Fanpei**
*Chairman*

Hong Kong, 22 March 2013

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

**Executive Directors:**
Cheng Guangren *(President)*
Qi Liang *(Vice President)*

**Non-Executive Directors:**
Lei Fanpei*(Chairman)*
Lim Toon
Yin Yen-liang
Yong Foo Chong
Zhuo Chao
Fu Zhiheng
Tseng Ta-mon *(alternate director of Yin Yen-liang)*

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