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APT SATELLITE HOLDINGS LIMITED

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

2012 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012.

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

INTERIM RESULTS

For the first half of 2012, the Group's turnover and profit attributable to equity shareholders amounted to HK$402,337,000 (six months ended 30 June 2011: HK$372,125,000) and HK$104,712,000 (six months ended 30 June 2011: HK$103,134,000) representing 8.1% and 1.5% increases respectively as compared with corresponding periods in the previous financial year. Basic earnings per share was HK16.84 cents (six months ended 30 June 2011: HK16.59 cents) and diluted earnings per share was HK16.84 cents (six months ended 30 June 2011: HK16.59 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.00 cents per share for the six months ended 30 June 2012 (six months ended 30 June 2011: HK2.00 cents per share). The interim dividend will be paid on or about Wednesday, 31 October 2012 to shareholders whose names appear on the register of members at the close of business on Friday, 19 October 2012.

BUSINESS REVIEW

In-Orbit Satellites

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 during the period and continue providing reliable service to the Group's customers. As at 30 June 2012, the total transponder utilisation rate of the Group was 75.10%.

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. APSTAR 7, which is the sixth in-orbit satellite of the Group, for the purpose of replacing APSTAR 2R, which will retire in 2012. APSTAR 7 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 signed new service agreements with customers for APSTAR 7 during the period. As of 30 June 2012, its utilisation was 71.25%.

APSTAR 6

APSTAR 6, which was based on SB4100 C1 model with 38 C-band transponders and 12 Ku-band transponders, provides the latest advanced high power satellites in the Asia Pacific region. As of 30 June 2012, its utilization was 75.18%.

APSTAR 5

APSTAR 5, which was based on FS1300 model, is also one of the latest advanced high power satellites in the Asia Pacific region. The Group has interest in 20 C-band transponders and 9 Ku-band transponders. As at 30 June 2012, and its utilisation was 82.10%.

The Group's in-orbit satellites, APSTAR 7, APSTAR 6 and APSTAR 5, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa, Europe, and Asia Pacific region.

APSTAR 7B

APSTAR 7B, the backup satellite for APSTAR 7, is built with Spacebus 4000 C2 Platform, the same platform as APSTAR 7, high power geostationary communication satellite with 28 C-band transponders and 23 Ku-band transponders. Since the launch of APSTAR 7 was successful and APSTAR 2R was replaced, APSTAR 7B will be transferred to China Satellite Communications Company Limited as planned to recoup the capital expenditure made for APSTAR 7B. This back-up satellite is a very successful arrangement because the Group can save up enormous amount of back-up satellite investment.

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 Telecommunications 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 for the provision of 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 strengthen the Group's business development and growth.

BUSINESS PROSPECTS

APSTAR 7 has been well received by the market. The utilisation rate will continue to remain at high level securing significant market share and generating substantial revenue.

The demand of transponder services in both broadcasting and telecommunication sectors have maintained high in the first half of 2012. The Group will endeavor to maintain the high utilisation rates of APSTAR 7, APSTAR 6 and APSTAR 5.

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.

FINANCE

As at 30 June 2012, the Group's financial position remains sound. Please refer to financial section for detailed analysis.

CORPORATE GOVERNANCE

The Group is committed to high standard of corporate governance especially in internal control and compliance.

NOTE OF APPRECIATION

I would like to take this opportunity to thank all our customers and staff for their contributions to the Group during the period.

Lei Fanpei
Chairman

Hong Kong, 30 August 2012

FINANCIAL REVIEW

As at 30 June 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 during the period:

HK$ thousand	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Change
Turnover	**402,337**	372,125	+8.1%
Gross profit	**213,412**	190,837	+11.8%
Profit before taxation	**142,660**	139,989	+1.9%
Profit attributable to shareholders	**104,712**	103,134	+1.5%
Basic earnings per share			
(HK cents)	**16.84 cents**	16.59 cents	+1.5%
	At 30 June 2012	At 31 December 2011	
Total assets	**5,528,858**	4,768,445	+15.9%
Total liabilities	**2,680,095**	2,010,364	+33.3%
EBITDA margin (%)	**80.1%**	81.8%	–1.7%
Gearing ratio (%)	**48.5%**	42.2%	+6.3%
Liquidity ratio	**1.98 times**	1.01 times	+0.97 times

The turnover of the Group in the first half of 2012 increased by 8.1% comparing to the same period of 2011 to HK$402,337,000 mainly due to commencement of some new utilisation contracts for APSTAR 7. The profit attributable to shareholders increased by 1.5% to HK$104,712,000. This was mainly attributable to gross profit from operations which offset the fair value loss on financial instrument.

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

During 2011, the Group has obtained convertible bonds in the principal amount of HK$35,000,000 issued by CNC Holdings Limited. The maturity of the convertible bonds is ended on 9 December 2014 with annual interest of 5% and conversion price of HK$0.196. Based on the review performed by an independent professional valuer as at 30 June 2012, the fair value of the convertible bonds is remeasured at HK$79,416,000, with a fair value loss of HK$22,008,000 was recognised in profit or loss.

Finance costs

During 2011, the Group entered into a swaption contract of notional amount of US$65,000,000. For the period ended 30 June 2012, the change in fair value of the contract of HK$966,000 was recognised in profit or loss. Given the fair value loss on swaption contract was less than the same period of last year, the finance costs for the period ended 30 June 2012 decreased to HK$4,517,000.

Finance cost of HK$15,465,000 directly related to the construction of APSTAR 7 and APSTAR 7B has been capitalised during the period.

Income Tax

Income tax expenses for the period ended 30 June 2012 increased to HK$37,948,000, as compared to HK$36,855,000 for the same period in 2011. The increase was mainly due to the increase in the operating profit for the period. The details of income tax of the Group are set out in note 5 to this announcement.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for fixed assets was HK$690,332,000 (six months ended of 30 June 2011: HK$467,553,000). The capital expenditure was mainly for the progress payment of HK$686,150,000 in relation to the construction of the APSTAR 7 and APSTAR 7B and the payment of HK$4,182,000 for addition of equipment. The above capital expenditures were financed by internally-generated funds and bank borrowings.

During 2010, the Group entered into a term loan facility (the "Banking Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited. The Banking 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 Banking 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 period, the Group has drawn down US$64,800,000 (approximately HK$505,440,000) against the Banking Facility.

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 period, 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 30 June 2012, the Group had total borrowings of HK$1,548,533,000. 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	122,539,000
Repayable after one year but within five years	1,052,268,000
Repayable after five years	373,726,000
	1,548,533,000

As at 30 June 2012, the Group's total liabilities were HK$2,680,095,000, an increase of HK$669,731,000 as compared to 31 December 2011, which was mainly due to the borrowings as described above and the first instalment payment received from a fellow subsidiary pursuant to the terms of the Co-operation Agreement as consideration for the assignment of APSTAR 7B. As a result, the gearing ratio (total liabilities/total assets) has increased to 48.5%, representing a 6.3% increase as compared to 31 December 2011.

For the period ended 30 June 2012, the Group recorded a net cash inflow of HK$64,849,000 (six months ended 30 June 2011: HK$190,419,000) which included net cash inflow from operating activities of HK$280,952,000, net cash inflow of HK$84,842,000 generated from financing activities and HK$5,712,000 increase in cash due to the change in foreign exchange rates. This was offset by the net cash outflow of HK$306,657,000 used in investing activities.

As at 30 June 2012, the Group has approximately HK$551,249,000 of cash and bank deposits, 49% of which were denominated in United States dollars, 50% in Renminbi and 1% in Hong Kong dollars and other currencies which comprising HK$304,913,000 cash and cash equivalents, HK$207,119,000 bank deposits with original maturity beyond 3 months and HK$39,217,000 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 coming year.

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 slightly depreciated by 0.94% against the Hong Kong dollar during the period ended 30 June 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 coming progress payment, the Group has entered into the Banking 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 30 June 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 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. The Group continues to adopt a conservative approach on monitoring interest rate exposure.

Charges on group assets

At 30 June 2012, the pledged bank deposits of HK$39,217,000 (31 December 2011: HK$21,007,000) are related to certain commercial arrangements and banking facilities during the period.

At 30 June 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$4,015,000 (31 December 2011: HK$4,073,000).

Capital commitments

As at 30 June 2012, the Group has outstanding capital commitments of HK$750,000 (31 December 2011: HK$1,178,423,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the future purchases of equipment.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 20 of this announcement.

Post balance sheet event

On 17 August 2012, the Group has entered into the 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. Details of this transaction are set out in the announcement dated 17 August 2012.

Subsequent to the end of the interim period, the directors declared an interim dividend of HK$12,436,000. Further details are disclosed in note 6.

Unaudited consolidated income statement

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2012	2011
	Note	***$'000***	*$'000*
Turnover	3	**402,337**	372,125
Cost of services		**(188,925)**	(181,288)
Gross profit		**213,412**	190,837
Other net income		**8,253**	2,847
Valuation gains on investment property	9	**499**	84
Administrative expenses		**(52,979)**	(42,020)
Profit from operations		**169,185**	151,748
Fair value changes on financial instrument designated at fair value through profit or loss	11	**(22,008)**	–
Finance costs	4(a)	**(4,517)**	(11,759)
Profit before taxation	4	**142,660**	139,989
Income tax	5	**(37,948)**	(36,855)
Profit for the period and attributable to equity shareholders of the Company		**104,712**	103,134
Earnings per share	7		
– Basic		**16.84 cents**	16.59 cents
– Diluted		**16.84 cents**	16.59 cents

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Profit for the period	**104,712**	103,134
Other comprehensive income for the period:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(308)**	1,562
Cash flow hedge: movement in hedging reserve	**1,823**	3,220
	1,515	4,782
Total comprehensive income for the period	**106,227**	107,916

Unaudited consolidated balance sheet

At 30 June 2012

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012 $'000**	At 31 December 2011 $'000
Non-current assets			
Property, plant and equipment	8	**3,594,238**	4,077,704
Investment property	9	**3,394**	2,895
Intangible asset	10	**133,585**	133,585
Investment in convertible bonds	11	**79,416**	101,424
Club memberships		**5,537**	5,537
Prepaid expenses		**20,814**	19,170
		3,836,984	4,340,315
Current assets			
Trade receivables, net	13	**100,171**	53,594
Deposits, prepayments and other receivables		**28,388**	17,545
Amount due from immediate holding company		**–**	767
Derivative financial instruments	12	**–**	966
Pledged bank deposits	14	**39,217**	21,007
Bank deposits with original maturity beyond 3 months		**207,119**	94,187
Cash and cash equivalents		**304,913**	240,064
Assets held for sale	15	**1,012,066**	–
		1,691,874	428,130
Current liabilities			
Payables and accrued charges	16	**49,248**	72,205
Rentals received in advance		**88,518**	67,456
Amount due to a fellow subsidiary		**492,395**	911
Secured bank borrowings due within one year	17	**122,539**	180,285
Derivative financial instruments	12	**–**	1,823
Current taxation		**100,943**	101,078
		853,643	423,758
Net current assets		**838,231**	4,372
Total assets less current liabilities carried forward		**4,675,215**	4,344,687

Unaudited consolidated balance sheet (continued)

At 30 June 2012

(Expressed in Hong Kong dollars)

	Note	At 30 June 2012 $'000	At 31 December 2011 $'000
Total assets less current liabilities brought forward		**4,675,215**	4,344,687
Non-current liabilities			
Secured bank borrowings due after one year	17	**1,425,994**	1,001,985
Loan from a fellow subsidiary	18	**–**	226,200
Deposits received		**80,902**	57,895
Deferred income		**127,592**	139,936
Deferred tax liabilities		**191,964**	160,590
		1,826,452	1,586,606
NET ASSETS		**2,848,763**	2,758,081
Capital and reserves			
Share capital	19	**62,181**	62,181
Share premium		**1,273,812**	1,273,812
Contributed surplus		**511,000**	511,000
Revaluation reserve		**368**	368
Exchange reserve		**1,654**	1,962
Hedging reserve		**–**	(1,823)
Other reserves		**442**	442
Accumulated profits		**999,306**	910,139
TOTAL EQUITY		**2,848,763**	2,758,081

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Contributed surplus	Capital reserve	Revaluation reserve	Exchange reserve	Hedging reserve	Other reserves	Accumulated profits	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'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 the six months ended 30 June 2011										
Profit for the period	–	–	–	–	–	–	–	–	103,134	103,134
Other comprehensive income	–	–	–	–	–	1,562	3,220	–	–	4,782
Total comprehensive income	–	–	–	–	–	1,562	3,220	–	103,134	107,916
Share options lapsed	–	–	–	(4,699)	–	–	–	–	4,699	–
Cancellation of share options	–	–	–	(227)	–	–	–	–	227	–
Bonus issue *(note 19(iii))*	20,727	(20,727)	–	–	–	–	–	–	–	–
Balance at 30 June 2011	62,181	1,273,812	511,000	–	368	1,902	987	345	744,883	2,595,478
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 the six months ended 30 June 2012										
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**104,712**	**104,712**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(308)**	**1,823**	**–**	**–**	**1,515**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(308)**	**1,823**	**–**	**104,712**	**106,227**
Dividend approved in respect of previous year *(note 6(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,545)**	**(15,545)**
Balance at 30 June 2012	**62,181**	**1,273,812**	**511,000**	**–**	**368**	**1,654**	**–**	**442**	**999,306**	**2,848,763**

Unaudited condensed consolidated cash flow statement

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Cash generated from operations	**287,660**	275,064
Tax paid	**(6,708)**	(4,654)
Net cash generated from operating activities	**280,952**	270,410
Net cash used in investing activities	**(306,657)**	(552,328)
Net cash generated from financing activities	**84,842**	472,308
Net increase in cash and cash equivalents	**59,137**	190,390
Cash and cash equivalents at 1 January	**240,064**	121,485
Effect of foreign exchange rates changes	**5,712**	29
Cash and cash equivalents at 30 June	**304,913**	311,904

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2012.

2. 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 the developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENTAL REPORTING

The Group identifies operating segments and prepares segment information based on the 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 periods ended 30 June 2012 and 2011 were mainly derived from provision of satellite transponder capacity and related services. Consequently, no operating segment analysis is presented.

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 but not located within a specific geographical area. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

The following table represents aggregate turnover based on geographical locations of customers for the six months ended 30 June 2012 and 2011.

For the six months ended 30 June	Hong Kong		Other regions in the PRC		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	**56,349**	36,735	**86,999**	86,844	**41,811**	50,985	**73,565**	73,844	**143,613**	123,717	**402,337**	372,125

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings and loan from a fellow subsidiary	**18,674**	9,185
Less: amount capitalised into construction in progress*	**(15,465)**	(7,342)
	3,209	1,843
Change in fair value on interest rate swaption *(note 12(a))*	**966**	9,768
Other borrowing costs	**342**	148
	4,517	11,759

* The borrowing costs have been capitalised at a rate of 2.0148% – 3.9511% per annum (six months ended 30 June 2011: 1.9695% – 2.5090%).

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
(b) Other items		
Depreciation	**161,694**	155,744
Interest income	**(4,697)**	(802)
Rental income	**(266)**	(264)
(Gain)/loss on disposal of property, plant and equipment	**(26)**	39
Foreign currency exchange loss	**5,338**	1,643

5. INCOME TAX

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Current tax – Overseas	**6,573**	6,158
Deferred tax	**31,375**	30,697
Actual tax expenses	**37,948**	36,855

The provision for Hong Kong Profits Tax was calculated at 16.5% (six months ended 30 June 2011: 16.5%) of the estimated assessable profits for the period. No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profits for the period or tax losses available to offset current period assessable profit. Overseas tax includes the profits tax and withholding tax paid or payable in respect of Group's income from provision of satellite transponder capacity to customers which are located outside Hong Kong.

6. DIVIDENDS

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

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Interim dividend declared after the balance sheet date of 2 cents (2011: 2 cents) per ordinary share	**12,436**	12,436

As the interim dividend is declared after the balance sheet date, such dividend has not been recognised as a liability as at 30 June 2012.

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

	Six months ended 30 June	
	2012	2011
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the period, of 2.5 cents (2011: nil) per ordinary share	**15,545**	–

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $104,712,000 (six months ended 30 June 2011: $103,134,000) and the weighted average of 621,807,000 ordinary shares (30 June 2011: 621,807,000 shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2012	2011
	Number of shares	Number of shares
Issued ordinary shares at 1 January	**621,807,000**	414,538,000
Effect of bonus issues on shares *(note 19(iii))*	**–**	207,269,000
Weighted average number of ordinary shares at 30 June	**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 periods ended 30 June 2012 and 2011.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired property, plant and equipment at a cost of $690,332,000 (six months ended 30 June 2011: $467,553,000). Property, plant and equipment with a net book value of $334 was disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: $46,000), resulting in a gain on disposal of $26,000 (six months ended 30 June 2011: loss of $39,000). Assets with a carrying amount of $1,012,066,000 were transferred to held for sale (see note 15) (six months ended 30 June 2011: nil).

(b) Effect of cost adjustment

According to an agreement signed with Thales Alenia Space France ("Thales") on 8 December 2001 ("Agreement"), the Group is entitled to a payment of US$1,500,000 (approximately $11,700,000) upon successful delivery of a satellite by Thales to its own customers with technical designs that are identical to APSTAR 6 satellite.

Pursuant to an amendment to the Agreement entered into with Thales on 21 April 2010 ("Amended Agreement"), the Group is entitled to payment in respect of satellites contracts entered into by Thales which have the identical technical design to APSTAR 6 satellite. During the six months ended 30 June 2011, $7,800,000 was recognised from Thales and treated as a reduction to the cost of property, plant and equipment – communication satellites. No such adjustments were recognised during the six months ended 30 June 2012.

(c) Impairment loss

During the six months ended 30 June 2012 and 2011, the Group conducted a review of its property, plant and equipment and it was concluded that no impairment is required.

9. INVESTMENT PROPERTY

Investment property carried at fair value was revalued at 30 June 2012 at $3,394,000 (31 December 2011: $2,895,000) by Savills Valuation and Professional Services Limited, an independent professional property appraiser, on an open market value basis by reference to net rental income allowing for reversionary income potential. The valuation gain of $499,000 (six months ended 30 June 2011: $84,000) has been recognised in the profit or loss during the six months ended 30 June 2012.

There was no addition, disposal or transfer of investment property during the periods ended 30 June 2012 and 2011.

10. INTANGIBLE ASSET

The Group has obtained the right to operate a satellite at an orbital slot in 2009 in respect of APSTAR 2R. Such intangible asset is considered to have an indefinite life.

During the six months ended 30 June 2012 and 2011, the Group conducted a review for indicators of impairment of the intangible asset and concluded no impairment is required.

11. INVESTMENT IN CONVERTIBLE BONDS

During 2011, a wholly-owned subsidiary of the Company has entered into an agreement to sell an available-for-sale security which represents 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 listed company in the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Fair value of $111,413,000 of such available-for-sale security was recorded in the consolidated statement of other comprehensive income until disposal on 9 December 2011. On the same date, such fair value was then reclassified to profit or loss as a result of the settlement by the issuance of convertible bonds issued by CNC. The maturity of the convertible bonds is three years with an annual interest of 5% and conversion price of $0.196. At 30 June 2012, the fair value of the convertible bonds is remeasured at $79,416,000 (31 December 2011: $101,424,000), with a fair value loss of $22,008,000 (six months ended 30 June 2011: nil) in profit or loss.

The movements of the fair value of the convertible bonds are set out below:

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
At 1 January 2012/the date of initial recognition on 9 December 2011	**101,424**	111,413
Change in fair value recognised in profit or loss	**(22,008)**	(9,989)
	79,416	101,424

The Group engaged an independent valuer, Greater China Appraisal Limited, to assess the fair value of the debt component and the embedded derivative, which were determined in accordance with the effective interest method and Trinomial Lattice Model, respectively.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
Current assets/(liabilities)		
Interest rate swaption, at fair value through profit or loss *(note 12 (a))*	–	966
Forward foreign exchange contracts held as cash flow hedging instruments *(note 12 (b))*	–	(1,823)

(a) Interest rate swaption, at fair value through profit or loss

During the six months ended 30 June 2011, the Group entered into a contract with an option to enter into an interest rate swap on notional amount of US$65,000,000. The option has not been exercised during the effective period until 28 June 2012. Upon the expiration, a loss of $966,000 has been recognised as finance costs in the profit or loss.

(b) Forward foreign exchange contracts held as cash flow hedging instruments

The Group entered into certain forward exchange contracts in 2011 to hedge the risk from upcoming progress payment in Euros for procurement. All forward exchange contracts have been executed during the period ended 30 June 2012 and the fair value change of the forward exchange contracts previously recognised in the equity, amounting to $1,823,000, was reclassified to the initial cost of the property, plant and equipment.

The Group has classified the aforementioned forward exchange contracts as cash flow hedge. When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

The fair value of the foreign exchange contract is marked to market by deducting the current spot rate from the contractual forward price directly, given the discounting impact is considered immaterial.

13. TRADE RECEIVABLES, NET

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
0 – 30 days	**76,362**	43,443
31 – 60 days	**14,294**	6,896
61 – 90 days	**6,534**	1,483
91 – 120 days	**1,696**	198
Over 120 days	**1,285**	1,574
	100,171	53,594

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

14. PLEDGED BANK DEPOSITS

At 30 June 2012, the pledged bank deposits of $39,217,000 (31 December 2011: $21,007,000) are primarily related to certain commercial arrangements and secured bank borrowings during the period.

15. ASSETS HELD FOR SALE

On 23 April 2010, a wholly-owned subsidiary of the Company, APT Satellite Company Limited ("APT HK") entered into a co-operation agreement with China Satellite Communications Limited ("China Satcom") in respect of APSTAR 7B. China Satcom will arrange financing to APT HK for the specific purpose of payment of the progress payments under the APSTAR 7B satellite procurement contract. In the event that the launch of APSTAR 7 is successful and APSTAR 7 is in commercial operation, APT HK will assign all its rights under the APSTAR 7B satellite procurement contract at a consideration equal to all payments made by APT HK. In the event that the APSTAR 7B satellite launch services agreement becomes operative and insurance policy in respect of the launch has been taken by APT HK for APSTAR 7B, the same will be assigned together with the APSTAR 7B satellite procurement contract to China Satcom at cost.

Details of the transactions are set out in the announcement dated 26 April 2010, the circular dated 17 May 2010 and the announcement dated 27 October 2011.

During the six months ended 30 June 2012, APSTAR 7 was successfully launched and the efforts to transfer the APSTAR 7B have commenced. The rights and liabilities of APT HK under APSTAR 7B satellite procurement contract, the APSTAR 7B satellite launch services agreement and the insurance policies in respect of APSTAR 7B will be assigned to China Satcom when all considerations are received from China Satcom. As at 30 June 2012, the carrying amount of APSTAR 7B amounting to $1,012,066,000 was classified as held for sale and no impairment loss has been recognised as the carrying amount of the disposal assets is higher than its fair value less costs to sell.

16. PAYABLES AND ACCRUED CHARGES

Trade payables are all due within three months and all payables and accrued charges are expected to be settled within one year from the balance sheet date.

17. SECURED BANK BORROWINGS

	At 30 June 2012	At 31 December 2011
	$'000	*$'000*
Bank loans	**1,548,533**	1,182,270
Less: amount due within one year included under current liabilities	**(122,539)**	(180,285)
Amount due after one year	**1,425,994**	1,001,985

The bank borrowings are repayable as follows:

	At 30 June 2012	At 31 December 2011
Within one year or on demand	**122,539**	180,285
After one year but within five years	**1,052,268**	634,240
After five years	**373,726**	367,745
	1,548,533	1,182,270

The 2009 and 2010 Facilities ('the Banking Facilities") are subject to the fulfillment of covenants relating 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 period ended 30 June 2012, the Group complied with all of the above covenants.

At 30 June 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 $4,015,000 (31 December 2011: $4,073,000).

18. 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 right and services). During the period, the Group has made an early repayment of all of the balance.

19. SHARE CAPITAL

(i) Authorised and issued share capital

	At 30 June 2012		At 31 December 2011	
	Number of shares	***$'000***	Number of shares	*$'000*
Authorised:				
Ordinary shares of $0.10 each	**2,000,000,000**	**200,000**	1,000,000,000	100,000
Increase in authorised share capital of $0.10 each *(note (ii))*	**–**	**–**	1,000,000,000	100,000
	2,000,000,000	**200,000**	2,000,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January 2012/2011	**621,807,000**	**62,181**	414,538,000	41,454
Bonus issue *(note (iii))*	**–**	**–**	207,269,000	20,727
	621,807,000	**62,181**	621,807,000	62,181

(ii) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 24 May 2011, the Company's authorised ordinary share capital was increased to $200,000,000 by creation of an additional 1,000,000,000 ordinary shares of $0.10 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

(iii) Bonus issue

On 25 May 2011, an amount of $20,727,000 standing to the credit of the share premium account was applied in paying up in full 207,269,000 ordinary shares of $0.10 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every two shares then held.

20. CONTINGENT LIABILITIES

The Company has given bank guarantees in respect of certain secured banking facilities granted to its subsidiary. The extent of such facilities utilised by the subsidiary at 30 June 2012 amounted to $1,560,000,000 (31 December 2011: $1,194,960,000).

21. POST BALANCE SHEET EVENT

The wholly-owned subsidiary of the Company has entered into the 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. Details of this transaction are set out in the announcement dated 17 August 2012.

Subsequent to the end of the interim period, the directors declared an interim dividend of HK$12,436,000. Further details are disclosed in note 6.

HUMAN RESOURCES

As at 30 June 2012, the Group had 98 employees (2011: 92). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. During the period, the Group has increased the salary of employees. On 19 June 2001, the Company first granted share options ("Scheme 2001") to its employees including executive directors. The Scheme 2001 was lapsed on 21 May 2011. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 21 May 2012, the Scheme 2002 was lapsed. To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme. The Group provides on the job training to employees to update and upgrade their knowledge on related job fields.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 October 2012 to Friday, 19 October 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share 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, 16 October 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 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; and

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 and 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.

AUDIT COMMITTEE

In the meeting on 30 August 2012, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2012, and discussed auditing and internal control matters. The Audit Committee comprises of four independent non-executive directors including Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo (appointed on 5 July 2012).

INTERIM REPORT

The Company's 2012 Interim Report containing information required by Appendix 16 of the Listing Rules is to be published on the Stock Exchange's website and the Company's website (www.apstar.com) in due course.

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

Executive Directors:

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

Non-Executive Directors:

Lei Fanpei (Chairman), Lim Toon, Yin Yen-liang, Yong Foo Chong, Zhuo Chao, Fu Zhiheng and Tseng Ta-mon (Alternate Director to Yin Yen-liang)

Independent Non-Executive Directors:

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