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2020 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020.

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

INTERIM RESULTS

For the first half year of 2020, the Group's revenue amounted to HK\$456,155,000 (six months ended 30 June 2019: HK\$564,976,000), representing 19.3% decrease as compared with corresponding period in the previous financial year, mainly due to (i) the non-renewal of contract by a major customer in a region due to its own business re-alignment and (ii) certain impact of COVID-19 pandemic on the market environment leading to the drop in the usage and price of transponder compared with same period of last year which caused the decline of operating income. Profit attributable to equity shareholders amounted to HK\$79,575,000 (six months ended 30 June 2019: HK\$234,666,000), representing 66.1% decrease as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were both HK8.55 cents (six months ended 30 June 2019: HK25.21 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.50 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK4.50 cents per ordinary share). The details of interim dividend of the Group are set out in note 6 of this announcement.

The interim dividend will be paid on or about Friday, 9 October 2020 to shareholders whose names appear on the register of members at the close of business on Friday, 18 September 2020.

* For identification purpose only

BUSINESS REVIEW

In-Orbit Satellites

For the first half year of 2020, the Group's in-orbit satellites namely, APSTAR-5C, APSTAR-6C, APSTAR-7, APSTAR-9 and APSTAR-6 (inclined mode) and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continued to provide reliable and high quality services to the Group's customers.

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

APSTAR-5C Satellite

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

APSTAR-6C Satellite

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

APSTAR-7 Satellite

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

APSTAR-9 Satellite

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

APSTAR-6D Satellite

APSTAR-6D was successfully launched to the designated geostationary transfer orbit on 9 July 2020, currently the satellite is in In-orbit-test phase. The APSTAR-6D is procured by APT Mobile SatCom Limited ("APT Mobile"), an associate of the Group in Mainland China. APSTAR-6D is a HTS satellite and will provide coverage for the Asia Pacific region, it is a first HTS satellite optimized for satellite broadband mobility services in the region, the satellite is equipped with high throughput multiple spot beams and other unique and advanced features to meet the market demand in China and the whole Asia Pacific region.

Ground Gateway Station Facilities

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

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

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

Transponder Lease Services

In 2020, satellite transponder market conditions in the global and Asia Pacific region continued to be on the downturn. The demand growth for satellite broadcasting and satellite telecommunication business had been sluggish while the situation of oversupply worsened and satellite transponder bandwidth lease price recorded a significant decline. Owing to changes in the market environment, in particular, there are two countries that have their own satellites commenced operation after launched and certain customers switched to their own domestic satellites, which led to the decline in the Group's transponder lease business to a certain extent.

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

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

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

Satellite Project Consulting Services

The Group has rich experiences in satellite design and project management, which enable the Group to provide satellite technical and project management consulting services to other satellite operators. In this year, the Group will complete the satellite project management and consultancy services to APT Mobile and another satellite operator in the Asia Pacific Region, covering satellite design, technical support, project implementation, insurance procurement, satellite in-orbit testing and acceptance, and gateway system design etc.

BUSINESS PROSPECTS

Looking into the second half of 2020, the global and Asia Pacific Region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The global COVID-19 pandemic brings challenges and difficulties to the market development. The Group is expected to face increased market competition pressure for its transponder lease business. With the in-depth development of APSTAR-5C's HTS resources business, and the subsequent operation of APSTAR-6D, while expanding its traditional satellite resources leasing business through APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime shipborne and airborne on a larger scale. Meanwhile, on the basis of further strengthening internal management and cost control, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

FINANCIAL POSITION

As at 30 June 2020, the Group's financial position remains sound. Please refer to the financial review section of this announcement for more detailed analysis.

CORPORATE GOVERNANCE

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

FINANCIAL REVIEW

As at 30 June 2020, the Group's financial position remains sound. The table below sets out the financial performance for the six-month periods ended 30 June 2020 and 30 June 2019:

Financial Highlights

| | Six months ended 30 June | | Change |
|--|--------------------------|-------------------------|------------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | |
| Revenue | 456,155 | 564,976 | -19.3% |
| Gross profit | 192,173 | 303,092 | -36.6% |
| Profit before taxation | 98,748 | 277,226 | -64.4% |
| Profit attributable to shareholders | 79,575 | 234,666 | -66.1% |
| Basic earnings per share (<i>HK cents</i>) | 8.55 | 25.21 | -66.1% |
| EBITDA (<i>note 1</i>) | 341,485 | 467,326 | -26.9% |
| EBITDA Margin (%) | 74.9% | 82.7% | -7.8 percentage points |
| | | At 31 | |
| | At 30 June | December | |
| | 2020 | 2019 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | Change |
| Total cash and bank balance | 932,011 | 898,681 | +3.7% |
| Total assets | 7,024,072 | 7,083,839 | -0.8% |
| Total liabilities | 1,253,401 | 1,230,605 | +1.9% |
| Net assets per share (<i>HK\$</i>) | 6.20 | 6.29 | -1.4% |
| Gearing ratio (%) (<i>note 2</i>) | 17.8% | 17.4% | +0.4 percentage points |
| Liquidity ratio | 4.37 times | 4.44 times | -0.07 times |

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

Note 2: Gearing ratio is calculated as total liabilities divided by total assets.

Revenue

| | Six months ended 30 June | | Change |
|---|--------------------------|------------------|---------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | |
| Income from provision of satellite transponder capacity | 437,756 | 518,264 | -15.5% |
| Income from provision of satellite-based broadcasting and telecommunications services | 4,410 | 4,527 | -2.6% |
| Other satellite-related service income | 13,989 | 42,185 | -66.8% |
| Total | <u>456,155</u> | <u>564,976</u> | <u>-19.3%</u> |

For the first half year of 2020, the Group's revenue amounted to HK\$456,155,000 (six months ended 30 June 2019: HK\$564,976,000), representing 19.3% decrease as compared with corresponding period in the previous financial year, mainly due to (i) the non-renewal of contract by a major customer in a region due to its own business re-alignment and (ii) certain impact of COVID-19 pandemic on the market environment leading to the drop in the usage and price of transponder compared with same period of last year which caused the decline of operating income. The profit attributable to shareholders decreased by 66.1% to HK\$79,575,000.

Other net income

| | Six months ended 30 June | | Change |
|--|--------------------------|------------------|---------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | |
| Interest income on bank deposits and other interest income | 8,244 | 4,469 | +84.5% |
| Foreign currencies exchange (loss)/gain | (10,910) | 3,409 | -420.0% |
| Rental income in respect of properties | 690 | 775 | -11.0% |
| Insurance compensation | – | 34,405 | -100.0% |
| Other | 4,075 | 7,549 | -46.0% |
| Total | <u>2,099</u> | <u>50,607</u> | <u>-95.9%</u> |

Total other net income for the period ended 30 June 2020 decreased to HK\$2,099,000. The decrease was mainly because during the period ended 30 June 2019, the Group has recognised insurance compensation of US\$4,411,000 (equivalent to HK\$34,405,000) for a partly defunct satellite under its insurance policy.

Finance costs

Finance costs of HK\$3,516,000 were recognised for the period ended 30 June 2020 (30 June 2019: HK\$6,312,000). The decrease was primarily due to the full repayment of secured bank borrowings in 2019.

Fair value changes on financial assets

Based on the market price as at 30 June 2020, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$3,258,000, with fair value loss of HK\$992,000 recognised in profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 12 of this announcement.

Income tax

Income tax expenses for the period ended 30 June 2020 decreased to HK\$19,173,000, as compared to HK\$42,560,000 for the same period of last year. The decrease was mainly due to the decrease in provision for Hong Kong profits tax for the current period. The details of income tax of the Group are set out in note 5 of this announcement.

EBITDA

As a result of the decrease in revenue, EBITDA for the period ended 30 June 2020 decreased to HK\$341,485,000, with the margin decreased from 82.7% to 74.9%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK\$77,801,000 (six months ended 30 June 2019: HK\$110,723,000). The capital expenditure was mainly for the addition of equipment (six months ended 30 June 2019: addition of leasehold improvement). The above capital expenditures were financed by internally-generated funds and cash flows from operating activities.

APT Satellite Company Limited (“APT HK”), as borrower, and the Company, as guarantor, entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate loan amount of US\$215,600,000 (equivalent to HK\$1,681,680,000) (the “2016 Facility”). The 2016 Facility comprises three components, including term loan facilities of up to US\$130,000,000 (equivalent to HK\$1,014,000,000) (the “Term Loan Facility”), revolving loan facility of up to US\$70,000,000 (equivalent to HK\$546,000,000) and a facility of up to US\$15,600,000 (equivalent to HK\$121,680,000) on certain commercial arrangements. During the year ended 31 December 2019, the Group has fully repaid the 2016 Facility and the Term Loan Facility has expired thereupon.

In addition, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US\$12,000,000 (equivalent to HK\$93,600,000). There was no outstanding balance of the revolving loan at 30 June 2020 (31 December 2019: \$Nil).

APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with China Construction Bank (Asia) Corporation Limited in respect of a revolving loan facility up to HK\$100,000,000. There was no outstanding balance of the revolving loan at 30 June 2020 (31 December 2019: \$Nil).

As at 30 June 2020, the Group’s total liabilities were HK\$1,253,401,000, an increase of HK\$22,796,000 as compared to 31 December 2019, mainly due to the increase in current taxation. The gearing ratio has increased to 17.8%, representing a 0.4 percentage point increase as compared to 31 December 2019.

For the period ended 30 June 2020, the Group recorded a net cash inflow of HK\$151,103,000 (six months ended 30 June 2019: net outflow of HK\$482,366,000) which included net cash inflow of HK\$266,210,000 generated from operating activities and HK\$39,357,000 generated from investing activities. This was offset by net cash outflow of HK\$154,464,000 used in financing activities.

As at 30 June 2020, the Group has approximately HK\$932,011,000 of cash and bank deposits, 69.1% of which were denominated in United States Dollar, 29.5% in Renminbi and 1.4% in Hong Kong Dollar and other currencies. The balance comprised of HK\$493,729,000 cash and cash equivalents, HK\$437,912,000 bank deposits with original maturity beyond 3 months, and HK\$370,000 pledged bank deposits. Together with the bank loan facilities available to the Group and cash inflow to be generated from operations, the Group could cope with the needs to invest in future satellites and new projects for further business development.

Capital structure

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

Foreign exchange exposure

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has depreciated against the Hong Kong Dollar during the period ended 30 June 2020.

Charges on group assets

At 30 June 2020, pledged bank deposits of HK\$370,000 (31 December 2019: HK\$368,000) are related to certain commercial arrangements made during the period.

At 30 June 2020, a letter of guarantee issued by a bank to a subsidiary of the Company was secured by the Group's land and buildings with a net book value of approximately HK\$3,084,000 (31 December 2019: HK\$3,142,000).

Capital commitments

As at 30 June 2020, the Group had outstanding contracted capital commitments of HK\$296,770,000 (31 December 2019: HK\$321,061,000) which mainly related to investment in an associate.

Non-adjusting event after the reporting period

After the end of the reporting period, the Board proposed an interim dividend. Further details are disclosed in note 17 of this announcement.

FINANCIAL HIGHLIGHTS

Unaudited consolidated statement of profit or loss

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

| | | Six months ended 30 June | |
|---|------|--------------------------|-----------------------|
| | | 2020 | 2019 |
| | Note | \$'000 | \$'000 |
| Revenue | 3 | 456,155 | 564,976 |
| Cost of services | | <u>(263,982)</u> | <u>(261,884)</u> |
| Gross profit | | 192,173 | 303,092 |
| Other net income | 4(a) | 2,099 | 50,607 |
| Valuation (loss)/gain on investment properties | 9 | (789) | 91 |
| Administrative expenses | | <u>(84,679)</u> | <u>(66,614)</u> |
| Profit from operations | | 108,804 | 287,176 |
| Fair value changes on financial assets | 12 | (992) | (3,683) |
| Finance costs | 4(b) | (3,516) | (6,312) |
| Share of (loss)/profit of an associate | | <u>(5,548)</u> | <u>45</u> |
| Profit before taxation | 4 | 98,748 | 277,226 |
| Income tax | 5 | <u>(19,173)</u> | <u>(42,560)</u> |
| Profit for the period and attributable to equity shareholders of the Company | | <u>79,575</u> | <u>234,666</u> |
| Earnings per share | 7 | | |
| – Basic and diluted | | <u>8.55 cents</u> | <u>25.21 cents</u> |

Unaudited consolidated statement of comprehensive income

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

| | Six months ended 30 June | |
|---|--------------------------|-----------------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Profit for the period | 79,575 | 234,666 |
| Other comprehensive income for the period (after tax and reclassification adjustments) | | |
| Item that is or may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of: – financial statements of foreign operations | <u>(22,517)</u> | <u>(6)</u> |
| Other comprehensive income for the period | <u>(22,517)</u> | <u>(6)</u> |
| Total comprehensive income for the period | <u>57,058</u> | <u>234,660</u> |

Unaudited consolidated statement of financial position

At 30 June 2020

(Expressed in Hong Kong dollars)

| | | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|---|-------------|---------------------------------|-------------------------------------|
| | <i>Note</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 4,993,846 | 5,154,784 |
| Investment properties | 9 | 10,037 | 10,826 |
| Intangible assets | 10 | 299,744 | 304,112 |
| Interest in an associate | 11 | 380,894 | 404,311 |
| Club membership | | 380 | 380 |
| Prepayments | | 126,008 | 105,882 |
| Deferred tax assets | | 60 | 920 |
| | | <u>5,810,969</u> | <u>5,981,215</u> |
| Current assets | | | |
| Financial assets measured at fair value through profit or loss | 12 | 3,258 | 4,250 |
| Trade receivables, net | 13 | 243,349 | 173,134 |
| Deposits, prepayments and other receivables | | 34,485 | 26,559 |
| Pledged bank deposits | 14 | 370 | 368 |
| Bank deposits with original maturity beyond 3 months | | 437,912 | 547,330 |
| Cash and cash equivalents | | 493,729 | 350,983 |
| | | <u>1,213,103</u> | <u>1,102,624</u> |
| Current liabilities | | | |
| Payables and accrued charges | 15 | 92,068 | 83,151 |
| Rentals received in advance and deferred income | | 52,462 | 64,158 |
| Dividend payable | | 2,025 | – |
| Lease liabilities | | 22,769 | 22,775 |
| Current taxation | | 108,335 | 78,253 |
| | | <u>277,659</u> | <u>248,337</u> |
| Net current assets | | <u>935,444</u> | <u>854,287</u> |
| Total assets less current liabilities carried forward | | <u>6,746,413</u> | <u>6,835,502</u> |

Unaudited consolidated statement of financial position (continued)

At 30 June 2020

(Expressed in Hong Kong dollars)

| | | At At 30 June 2020 \$'000 | 31 December 2019 \$'000 |
|--|----|------------------------------------|-------------------------------|
| Total assets less current liabilities brought forward | | 6,746,413 | 6,835,502 |
| Non-current liabilities | | | |
| Deposits received | | 53,206 | 53,771 |
| Deferred income | | 99,860 | 85,796 |
| Lease liabilities | | 158,694 | 160,946 |
| Deferred tax liabilities | | 663,982 | 681,755 |
| | | <u>975,742</u> | <u>982,268</u> |
| Net assets | | <u>5,770,671</u> | <u>5,853,234</u> |
| Capital and reserves | | | |
| Share capital | 16 | 93,081 | 93,081 |
| Share premium | | 1,235,362 | 1,235,362 |
| Contributed surplus | | 511,000 | 511,000 |
| Revaluation reserve | | 4,017 | 4,017 |
| Exchange reserve | | (34,727) | (12,210) |
| Other reserves | | 1,093 | 442 |
| Accumulated profits | | 3,960,845 | 4,021,542 |
| Total equity | | <u>5,770,671</u> | <u>5,853,234</u> |

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

| | Share capital \$'000 | Share premium \$'000 | Contributed surplus \$'000 | Revaluation reserve \$'000 | Exchange reserve \$'000 | Other reserves \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
|--|----------------------------|----------------------------|----------------------------------|----------------------------------|-------------------------------|-----------------------------|----------------------------------|---------------------------|
| Balance at 1 January 2019 | 93,081 | 1,235,362 | 511,000 | 4,017 | (4,560) | 442 | 3,808,145 | 5,647,487 |
| Changes in equity for the six months ended 30 June 2019: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 234,666 | 234,666 |
| Other comprehensive income | - | - | - | - | (6) | - | - | (6) |
| Total comprehensive income | - | - | - | - | (6) | - | 234,666 | 234,660 |
| Dividend approved in respect of the previous year (note 6(b)) | - | - | - | - | - | - | (107,043) | (107,043) |
| Balance at 30 June 2019 | <u>93,081</u> | <u>1,235,362</u> | <u>511,000</u> | <u>4,017</u> | <u>(4,566)</u> | <u>442</u> | <u>3,935,768</u> | <u>5,775,104</u> |
| Balance at 1 January 2020 | 93,081 | 1,235,362 | 511,000 | 4,017 | (12,210) | 442 | 4,021,542 | 5,853,234 |
| Changes in equity for the six months ended 30 June 2020: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 79,575 | 79,575 |
| Other comprehensive income | - | - | - | - | (22,517) | - | - | (22,517) |
| Total comprehensive income | - | - | - | - | (22,517) | - | 79,575 | 57,058 |
| Dividend approved in respect of the previous year (note 6(b)) | - | - | - | - | - | - | (139,621) | (139,621) |
| Statutory reserve transfer during the period | - | - | - | - | - | 651 | (651) | - |
| Balance at 30 June 2020 | <u>93,081</u> | <u>1,235,362</u> | <u>511,000</u> | <u>4,017</u> | <u>(34,727)</u> | <u>1,093</u> | <u>3,960,845</u> | <u>5,770,671</u> |

(Expressed in Hong Kong dollars)

Notes:

1. BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from that report.

The interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the Group's interests in an associate has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), 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 17 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The 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 2019 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 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 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2020.

2. CHANGES IN ACCOUNTING POLICIES

The IASB/HKICPA has issued the following amendments to IFRS/HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS/HKFRS 3, *Definition of a Business*
- Amendments to IFRS/HKFRS 9, IAS/HKAS 39 and IFRS/HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS/HKAS 1 and IAS/HKAS 8, *Definition of Material*
- Amendment to IFRS/HKFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*. Impact of the adoption of the amended IFRS/HKFRS is discussed below:

Amendment to IFRS/HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. The adoption of the amendment has no significant impact on the financial statements of the Group.

3. SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the six months ended 30 June 2020 and 2019 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Geographical information

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

The Group is domiciled in Hong Kong. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the geographical revenue information is presented at regional level. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the six months ended 30 June 2020 are \$66,865,000, \$173,055,000, \$138,328,000, and \$77,907,000 respectively (six months ended 30 June 2019: \$51,140,000, \$206,796,000, \$225,021,000, and \$82,019,000 respectively).

4. PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|----------------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| (a) Other net income | | |
| Interest income on bank deposits | 8,240 | 4,456 |
| Other interest income | 4 | 13 |
| Foreign currency exchange (loss)/gain | (10,910) | 3,409 |
| Rental income in respect of properties less direct outgoing expenses of \$44,000 (2019: \$28,000) | 690 | 775 |
| Insurance compensation | – | 34,405 |
| Other income | 4,075 | 7,549 |
| | <u>2,099</u> | <u>50,607</u> |
| | <u><u>2,099</u></u> | <u><u>50,607</u></u> |
| | | |
| | Six months ended 30 June | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| (b) Finance costs | | |
| Interest on bank borrowings | – | 2,168 |
| Interest on lease liabilities | 3,516 | 887 |
| Other borrowing costs | – | 3,257 |
| | <u>3,516</u> | <u>6,312</u> |
| | <u><u>3,516</u></u> | <u><u>6,312</u></u> |
| | | |
| | Six months ended 30 June | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| (c) Other items | | |
| Depreciation | | |
| – Property, plant and equipment | 216,777 | 221,455 |
| – Right-of-use assets | 12,846 | 5,009 |
| Amortisation | 4,368 | 4,368 |
| Income from sub-leasing right-of-use assets | (3,611) | (15,508) |
| Loss on disposal of property, plant and equipment | – | 16 |
| Loss allowance for trade and other receivables recognised | 26,968 | 2,427 |
| | <u>26,968</u> | <u>2,427</u> |
| | <u><u>26,968</u></u> | <u><u>2,427</u></u> |

5. INCOME TAX

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the period | 33,349 | 50,618 |
| Current tax – Outside Hong Kong | | |
| Provision for the period | 7,692 | 6,614 |
| Over-provision in respect of prior years | (4,955) | (3,520) |
| | 2,737 | 3,094 |
| Deferred taxation – Hong Kong | (16,913) | (11,152) |
| Actual tax expense | 19,173 | 42,560 |

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

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2019: 16.5%) of the estimated temporary differences for the period.

6. DIVIDENDS

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

| | Six months ended 30 June | |
|---|---------------------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Interim dividend declared after the end of the reporting period of 3.50 cents (2019: 4.50 cents) per ordinary share | 32,578 | 41,886 |

As the interim dividend is declared after the end of the reporting period, such dividend has not been recognised as a liability as at 30 June 2020.

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Final dividend in respect of previous financial year, approved and paid during the period, of 15.00 cents (2019: 11.50 cents) per ordinary share | 139,621 | 107,043 |

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 \$79,575,000 (six months ended 30 June 2019: \$234,666,000) and the weighted average of 930,809,000 ordinary shares (30 June 2019: 930,809,000 ordinary shares) in issue during the period.

(b) **Diluted earnings per share**

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

(a) **Right-of-use assets**

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of satellite transponder capacities and teleport services, and therefore recognised the additions to right-of-use assets of \$69,355,000 (six months ended 30 June 2019: \$24,993,000).

(b) **Acquisitions and disposals**

During the six months ended 30 June 2020, the Group acquired property, plant and equipment, including construction-in-progress but excluding right-of-use assets, at a total cost of \$8,446,000 (six months ended 30 June 2019: \$60,973,000). Items of property, plant and equipment with a net book value of \$Nil were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: \$16,000), resulting in a loss on disposal of \$Nil (six months ended 30 June 2019: \$16,000).

(c) **Impairment loss**

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2020 and 2019 and no impairment loss is recognised.

9. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2020 at \$10,037,000 (31 December 2019: \$10,826,000) on an open market value basis by reference to net rental income allowing for reversionary income potential by Savills Valuation and Professional Services Limited, an independent professional property appraiser who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. A valuation loss of \$789,000 (six months ended 30 June 2019: gain of \$91,000) has been recognised in profit or loss during the six months ended 30 June 2020.

10. INTANGIBLE ASSETS

Intangible asset with indefinite useful life

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

During the six months ended 30 June 2020 and 2019, the Group conducted a review for impairment of the intangible assets and concluded no impairment would be required.

Leased intangible asset – orbital slots

The amortisation charge for the period of \$4,368,000 (six months ended 30 June 2019: \$4,368,000) is included in “cost of services” in the consolidated statement of profit or loss.

11. INTEREST IN AN ASSOCIATE

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

The principal activities of APT Mobile are the construction and development of global high-throughput satellite communication system. As at 30 June 2020, APT Mobile was engaged in a project for the manufacturing, delivery and launching of the APSTAR-6D Satellite and the capital contribution made by the Group amounted to RMB390 million (equivalent to \$428 million) (31 December 2019: RMB390 million (equivalent to \$447 million)). The above associate is accounted for using the equity method in the consolidated financial statements.

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$3,258,000 (31 December 2019: \$4,250,000), based on the quoted price as at the end of the reporting period, with fair value loss of \$992,000 (six months ended 30 June 2019: \$3,683,000) recognised in profit or loss.

13. TRADE RECEIVABLES, NET

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

| | At 30 June 2020 \$'000 | At 31 December 2019 \$'000 |
|----------------|------------------------------|----------------------------------|
| Within 30 days | 174,429 | 40,419 |
| 31 – 60 days | 29,066 | 20,313 |
| 61 – 90 days | 15,187 | 16,051 |
| 91 – 120 days | 9,051 | 14,838 |
| Over 120 days | 15,616 | 81,513 |
| | <u>243,349</u> | <u>173,134</u> |

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

14. PLEDGE OF ASSETS

At 30 June 2020, pledged bank deposits of \$370,000 (31 December 2019: \$368,000) related to certain commercial arrangements made during the period.

As at 30 June 2020, a letter of guarantee issued by a bank to a subsidiary of the Company was secured by the Group's land and buildings with a net book value of approximately \$3,084,000 (31 December 2019: \$3,142,000).

15. PAYABLES AND ACCRUED CHARGES

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

16. SHARE CAPITAL

Authorised and issued share capital

| | At 30 June 2020 | | At 31 December 2019 | |
|--|--------------------------|----------------|--------------------------|----------------|
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| <i>Authorised:</i> | | | | |
| Ordinary shares of \$0.10 each | <u>2,000,000</u> | <u>200,000</u> | <u>2,000,000</u> | <u>200,000</u> |
| <i>Ordinary shares, issued and fully paid:</i> | | | | |
| At 1 January and 30 June/31 December | <u>930,809</u> | <u>93,081</u> | <u>930,809</u> | <u>93,081</u> |

17. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES

As at 30 June 2020, the Group had 109 employees (30 June 2019: 110 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.

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

During the six months ended 30 June 2020, 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 Monday, 21 September 2020 to Wednesday, 23 September 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Friday, 18 September 2020.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2020, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 14 August 2020, the Audit and Risk Management Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2020, and discussed auditing and internal control matters. The Audit and Risk Management Committee comprises four independent non-executive directors, Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo.

INTERIM REPORT

The unaudited financial information set out above does not constitute the Company's 2020 interim financial report for the six months ended 30 June 2020, but represents an extract from the interim financial report.

The Company's 2020 Interim Report containing information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

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

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

Hong Kong, 17 August 2020

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:

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

Independent Non-Executive Directors:

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