

APSTAR

by APT Satellite

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)



Interim
Report

2020



COMPANY PROFILE

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

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

The advanced APSTAR Systems of APT Group, supported with the comprehensive and high quality services, have become one of the leading satellite operators in the Asia Pacific region.

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CORPORATE INFORMATION

DIRECTORS

Executive directors

Cheng Guangren (*President*)

Qi Liang (*Vice President*)

Non-executive directors

Li Zhongbao (*Chairman*)

Lim Toon

Yin Yen-liang

Fu Zhiheng

Lim Kian Soon

He Xing (from 29 July 2020)

Ba Risi (up to 28 July 2020)

Tseng Ta-mon

(*alternate director to Yin Yen-liang*)

Independent non-executive directors

Lui King Man

Lam Sek Kong

Cui Liguo

Meng Xingguo

COMPANY SECRETARY

Lau Tsui Ling Shirley

AUTHORISED REPRESENTATIVES

Cheng Guangren

Lau Tsui Ling Shirley

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE

Lui King Man (*Chairman*)

Lam Sek Kong

Cui Liguo

Meng Xingguo

MEMBERS OF NOMINATION COMMITTEE

Lam Sek Kong (*Chairman*)

Qi Liang

Lui King Man

Cui Liguo

Meng Xingguo

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man (*Chairman*)

Qi Liang

Lam Sek Kong

Cui Liguo

Meng Xingguo

AUDITORS

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Company Limited
Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

Sit, Fung, Kwong & Shum, Solicitors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place 5th Floor
31 Victoria Street
Hamilton, HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

1045

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 7 of this report.

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.

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 report for more detailed analysis.

CORPORATE GOVERNANCE

The Group continues to commit 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.

NOTE OF APPRECIATION

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

Li Zhongbao
Chairman

Hong Kong, 17 August 2020

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	2019	
	HK\$'000	HK\$'000	
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 (HK cents)	8.55	25.21	-66.1%
EBITDA (note 1)	341,485	467,326	-26.9%
EBITDA Margin (%)	74.9%	82.7%	-7.8
			percentage points
	At 30 June 2020	At 31 December 2019	Change
	HK\$'000	HK\$'000	
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 (HK\$)	6.20	6.29	-1.4%
Gearing ratio (%) (note 2)	17.8%	17.4%	+0.4
			percentage point
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	2019	
	HK\$'000	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	456,155	564,976	-19.3%

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	2019	
	HK\$'000	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%
	<hr/>		
Total	2,099	50,607	-95.9%
	<hr/>		

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 13 of this report.

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 6 of this report.

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 22 of this report.

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.

INTERIM FINANCIAL REPORT

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
		\$'000	\$'000
	Note		
Revenue	3,4	456,155	564,976
Cost of services		(263,982)	(261,884)
Gross profit		192,173	303,092
Other net income	5(a)	2,099	50,607
Valuation (loss)/gain on investment properties	10	(789)	91
Administrative expenses		(84,679)	(66,614)
Profit from operations		108,804	287,176
Fair value changes on financial assets	13	(992)	(3,683)
Finance costs	5(b)	(3,516)	(6,312)
Share of (loss)/profit of an associate		(5,548)	45
Profit before taxation	5	98,748	277,226
Income tax	6	(19,173)	(42,560)
Profit for the period and attributable to equity shareholders of the Company		79,575	234,666
Earnings per share	8		
– Basic and diluted		8.55 cents	25.21 cents

The notes on pages 19 to 29 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

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	(22,517)	(6)
Other comprehensive income for the period	(22,517)	(6)
Total comprehensive income for the period	57,058	234,660

The notes on pages 19 to 29 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

(Expressed in Hong Kong dollars)

	Note	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Non-current assets			
Property, plant and equipment	9	4,993,846	5,154,784
Investment properties	10	10,037	10,826
Intangible assets	11	299,744	304,112
Interest in an associate	12	380,894	404,311
Club membership		380	380
Prepayments		126,008	105,882
Deferred tax assets		60	920
		5,810,969	5,981,215
Current assets			
Financial assets measured at fair value through profit or loss	13	3,258	4,250
Trade receivables, net	14	243,349	173,134
Deposits, prepayments and other receivables		34,485	26,559
Pledged bank deposits	15	370	368
Bank deposits with original maturity beyond 3 months		437,912	547,330
Cash and cash equivalents	16	493,729	350,983
		1,213,103	1,102,624
Current liabilities			
Payables and accrued charges	17	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
		277,659	248,337
Net current assets		935,444	854,287
Total assets less current liabilities carried forward		6,746,413	6,835,502

The notes on pages 19 to 29 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

(Expressed in Hong Kong dollars)

	Note	At 30 June 2020 \$'000	At 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
		975,742	982,268
Net assets		5,770,671	5,853,234
Capital and reserves			
Share capital	18	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		5,770,671	5,853,234

The notes on pages 19 to 29 form part of this interim financial report.

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 7(b))	-	-	-	-	-	-	(107,043)	(107,043)
Balance at 30 June 2019	93,081	1,235,362	511,000	4,017	(4,566)	442	3,935,768	5,775,104
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 7(b))	-	-	-	-	-	-	(139,621)	(139,621)
Statutory reserve transfer during the period	-	-	-	-	-	651	(651)	-
Balance at 30 June 2020	93,081	1,235,362	511,000	4,017	(34,727)	1,093	3,960,845	5,770,671

The notes on pages 19 to 29 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2020	2019
		\$'000	\$'000
Note			
Operating activities			
	Cash generated from operations	272,218	440,906
	Hong Kong profits tax paid	–	(16,841)
	Overseas tax paid	(6,008)	(3,559)
	Net cash generated from operating activities	266,210	420,506
Investing activities			
	Payment for purchase of property, plant and equipment	(8,660)	(23,197)
	Increase in prepayments	(69,782)	–
	Increase in pledged bank deposits	(2)	(1)
	Decrease/(increase) in bank deposits with original maturity beyond 3 months	109,418	(343,776)
	Other cash flows arising from investing activities	8,383	4,469
	Net cash generated from/(used in) investing activities	39,357	(362,505)
Financing activities			
	Dividend paid to equity shareholders of the company	(137,596)	(105,490)
	Capital element of lease rentals paid	(13,352)	(4,209)
	Interest element of lease rentals paid	(3,516)	(887)
	Repayment of bank borrowings	–	(427,299)
	Other cash flows arising from financing activities	–	(2,482)
	Net cash used in financing activities	(154,464)	(540,367)
	Net increase/(decrease) in cash and cash equivalents	151,103	(482,366)
	Cash and cash equivalents at 1 January	350,983	668,828
16	Effect of foreign exchange rates changes	(8,357)	(198)
	Cash and cash equivalents at 30 June	493,729	186,264

The notes on pages 19 to 29 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

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. KPMG’s independent review report to the Board of Directors is included on pages 33 to 34.

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. SEASONALITY OF OPERATIONS

The Group's operations are not subject to significant seasonality fluctuations.

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020 \$'000	2019 \$'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
	2,099	50,607

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
(b) Finance costs		
Interest on bank borrowings	–	2,168
Interest on lease liabilities	3,516	887
Other borrowing costs	–	3,257
	3,516	6,312

	Six months ended 30 June	
	2020 \$'000	2019 \$'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

6. 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.

7. DIVIDENDS

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

	Six months ended 30 June	
	2020 \$'000	2019 \$'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 \$'000	2019 \$'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

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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
	243,349	173,134

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.

15. 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).

16. CASH AND CASH EQUIVALENTS

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Deposits with bank and other financial institutions with maturity less than 3 months	326,485	–
Cash at bank and on hand	167,244	350,983
	493,729	350,983
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement		350,983

17. 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.

18. 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
Authorised:				
Ordinary shares of \$0.10 each	2,000,000	200,000	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	930,809	93,081	930,809	93,081

19. FAIR VALUE MEASUREMENT

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	At 30 June 2020			At 31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Financial assets measured at fair value through profit or loss (note 13)	3,258	–	–	4,250	–	–

During the six months ended 30 June 2020 and year ended 31 December 2019, there were no transfers between levels of fair value hierarchy. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2020 and 31 December 2019.

20. COMMITMENTS

At 30 June 2020, the Group had the following outstanding capital commitments not provided for in the consolidated financial statements:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Contracted for	296,770	321,061

21. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services (note (i))	75,758	54,297
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services (note (i))	7,332	17,106
Income from a subsidiary of an associate of the Company for providing satellite transponder capacity and satellite-based telecommunication services (note (i))	3,504	–
Income from a subsidiary of an associate of the Company for training services (note (ii))	–	1,720
Income from an associate of the Company for technical support and project management services (note (iii))	–	35,146
Management fees paid to a fellow subsidiary (note (iv))	(222)	(384)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services (note (v))	(1,200)	(13,075)

Notes:

- (i) The terms and conditions of these transponder capacity utilisation agreements are similar to those contracted with other customers of the Group.
- (ii) Proceeds from a subsidiary of an associate for training services provided during the period.
- (iii) Proceeds from an associate for technical support and project management services provided during the period.
- (iv) Management fees were paid to a fellow subsidiary for services received during the period.
- (v) Transponder capacity services cost was paid to a fellow subsidiary of the Company for services received during the period.

22. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the directors declared an interim dividend of \$32,578,000. Further details are disclosed in note 7.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, according to the register of interests in shares and short positions kept by the Company under Section 336 of the Securities and Futures Ordinance (“SFO”)(Chapter 571 of the Laws of Hong Kong), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	508,950,000	54.67
China Satellite Communications Company Limited	2	495,450,000	53.22
APT Satellite International Company Limited	3	481,950,000	51.78
Temasek Holdings (Private) Limited	4	51,300,000	5.51
Singapore Telecommunications Limited	4	51,300,000	5.51
Singasat Private Limited	4	51,300,000	5.51
International Value Advisers, LLC		64,881,000	6.97

Notes:

1. China Aerospace Science & Technology Corporation (“CASC”) was deemed to be interested in the shares of the Company by virtue of:
 - (a) CASC holds (i) 89.82% interest in China Satellite Communications Company Limited (“China Satcom”), which in turn holds 42.86% interest in APT Satellite International Company Limited (“APT International”) and (ii) 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interest) of the Company;
 - (b) CASC holds 100% interest directly in China Great Wall Industry Corporation, which in turn indirectly holds 14.29% interest in APT International; and
 - (c) CASC directly holds 13,500,000 shares (approximately 1.45% interest) of the Company.
2. China Satcom was deemed to be interested in the shares of the Company by virtue of:
 - (a) China Satcom holds 42.86% interest in APT International; and
 - (b) China Satcom holds 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interest) of the Company.

3. APT International directly holds 481,950,000 shares (approximately 51.78% interest) of the Company.
4. Temasek Holdings (Private) Limited (“Temasek”) was deemed to be interested in the shares of the Company by virtue of its interest through its controlled corporation (being Temasek’s 54.39% shareholding in Singapore Telecommunications Limited (“SingTel”), which was deemed to be interested in the shares of the Company by virtue of SingTel’s 100% shareholding in Singasat Private Limited). Singasat Private Limited holds 28.57% interest in APT International and directly holds 151,300,000 shares (approximately 5.51% interest) of the Company.

Save as disclosed above, as at 30 June 2020, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS OF DIRECTOR AND CHIEF EXECUTIVES

As at 30 June 2020, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO are as follows:

Name of Director and Chief Executive	Nature of interests	Number of shares held
Meng Xingguo (“Dr. Meng”)	Personal	438,000 ⁽¹⁾

Note:

⁽¹⁾ Dr. Meng’s wife held 438,000 shares of the Company. By virtue of his spouse’s interests, Dr. Meng was deemed to be interested in the same parcel of shares held by his wife pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or the Chief Executives of the Company had or was interested, or was deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Appendix 10 of the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to 13.51B(1) of the Listing Rules, the change and update in Directors' information is as follows:

- Mr. He Xing was appointed as Non-executive Director of the Company with effect from 29 July 2020 and as Director of China Satellite Communications Co., Ltd. (a corporation listed on the Shanghai Stock Exchange in China) with effect from 27 August 2020.

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

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:

- 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; and
- A4.2: 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.

MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiries of all directors, the Company's directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from 1 January 2020 to 30 June 2020.

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.

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 Liguang and Dr. Meng Xingguo.



REVIEW REPORT

To the Board of Directors of APT Satellite Holdings Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 13 to 29 which comprises the consolidated statement of financial position of APT Satellite Holdings Limited (the “Company”) as of 30 June 2020 and the related consolidated statement of profit or loss, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 “Interim financial reporting” issued by the International Accounting Standards Board (“IAS 34”) or Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKAS 34”), depending on whether the issuer’s annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”) respectively. As the annual financial statements of the Company are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial report in accordance with both IAS 34 and HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim financial reporting” or Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
17 August 2020