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2021 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 2021.

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 2021, the Group’s revenue amounted to HK\$450,039,000 (six months ended 30 June 2020: HK\$456,155,000), representing 1.3% decrease as compared with corresponding period in the previous financial year, mainly due to 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\$120,478,000 (six months ended 30 June 2020: HK\$79,575,000), representing 51.4% increase as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were both HK12.97 cents (six months ended 30 June 2020: HK8.55 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.00 cents per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK3.50 cents per ordinary share). The details of interim dividend of the Group are set out in note 7 of this announcement.

The interim dividend will be paid on or about Monday, 11 October 2021 to shareholders whose names appear on the register of members at the close of business on Friday, 17 September 2021.

* *For identification purpose only*

BUSINESS REVIEW

In-Orbit Satellites

For the first half year of 2021, the Group's in-orbit satellites namely, APSTAR-5C, APSTAR-6C, APSTAR-7, APSTAR-9, APSTAR-6D (operated by APT Mobile SatCom Limited ("APT Mobile"), an associate of the Group) 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 provides 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-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 (operated by APT Mobile SatCom Limited ("APT Mobile"), an associate of the Group), positioned at 134 degree East Longitude in geostationary orbit. APSTAR-6D Satellite is the 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.

New Satellite Project

APSTAR-6E Satellite

The Group has been entered into an agreement with project partners to establish a joint venture for developing the APSTAR-6E Satellite in 2020. APSTAR-6E satellite is based on DFH-3E platform and equipped with high throughput payload, which is expected to be suitable for broadband communication with good cost effectiveness. The development of APSTAR-6E is in line with the schedule and the satellite is expected to be put into service in the year of 2023.

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 completed the construction or acquired full service capacity of multiple gateway station in Hong Kong, Australia, Indonesia and Malaysia which equipped with sophisticated equipment and connected to local optical fiber network, are supporting the in orbit APSTAR HTS satellites, as well as providing gateway services for other satellite systems in the future.

The gateway station facilities greatly enhanced 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.

Transponder Lease Services

In 2021 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, the impact of COVID-19 pandemic for the global economy brings some satellite communication projects being postponed, delayed and cancelled, which led 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 Services, Satellite-Based Telecommunication Services, Data Centre Services and Gateway Stations Services

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

BUSINESS PROSPECTS

Looking forward to the second half of 2021, the global and Asia-Pacific region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The COVID-19 pandemic will continue to have a great impact on the market. The Group will face greater market expansion pressure for its transponder lease business. With the in-depth development of APSTAR-5C's HTS capacity and the commencement of APSTAR-6D and the gateway stations, while expanding its traditional satellite capacity leasing business on APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will further expand its market and business on a larger scale, including the variety of businesses such as one-stop broadcasting services, satellite project management services, spectrum resources and satellite TT&C services as well as gateway operation services etc. Meanwhile, the Group will continue to 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 2021, 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 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.

FINANCIAL REVIEW

As at 30 June 2021, the Group's financial position remains sound. The table below sets out the financial performance for the six-month periods ended 30 June 2021 and 30 June 2020:

Financial Highlights

	Six months ended 30 June		Change
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	
Revenue	450,039	456,155	-1.3%
Gross profit	218,984	192,173	+14.0%
Profit before taxation	148,492	98,748	+50.4%
Profit attributable to shareholders	120,478	79,575	+51.4%
Basic earnings per share (<i>HK cents</i>)	12.97	8.55	+51.7%
EBITDA (<i>note 1</i>)	374,720	341,485	+9.7%
EBITDA Margin (%)	83.3%	74.9%	+8.4 percentage points
	At	At	
	30 June	31 December	
	2021	2020	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total cash and bank balance	1,080,858	1,291,345	-16.3%
Total assets	7,191,333	7,195,891	-0.1%
Total liabilities	1,183,954	1,255,384	-5.7%
Net assets per share (<i>HK\$</i>)	6.47	6.40	+1.1%
Gearing ratio (%) (<i>note 2</i>)	16.5%	17.4%	-0.9 percentage points
Liquidity ratio	6.22 times	5.16 times	+1.06 times

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

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

Revenue

	Six months ended 30 June		Change
	2021	2020	
	HK\$'000	HK\$'000	
Income from provision of satellite transponder capacity	414,919	437,756	-5.2%
Income from provision of satellite-based broadcasting and telecommunications services	2,372	4,410	-46.2%
Other satellite-related service income	32,748	13,989	+134.1%
Total	<u>450,039</u>	<u>456,155</u>	<u>-1.3%</u>

For the first half year of 2021, the Group's revenue amounted to HK\$450,039,000 (six months ended 30 June 2020: HK\$456,155,000), representing 1.3% decrease as compared with corresponding period in the previous financial year, mainly due to 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 increased by 51.4% to HK\$120,478,000.

Other net income

	Six months ended 30 June		Change
	2021	2020	
	HK\$'000	HK\$'000	
Interest income on bank deposits and other interest income	9,768	8,244	+18.5%
Foreign currencies exchange loss	(4,575)	(10,910)	-58.1%
Rental income in respect of properties	701	690	+1.6%
Gain on disposal of property, plant and equipment	22	-	+100.0%
Other	1,056	4,075	-74.1%
Total	<u>6,972</u>	<u>2,099</u>	<u>+232.2%</u>

Total other net income for the period ended 30 June 2021 increased to HK\$6,972,000. The increase was mainly because the decrease in foreign currencies exchange loss for the current period.

Finance costs

Finance costs of HK\$3,158,000 were recognised for the period ended 30 June 2021 (six months ended 30 June 2020: HK\$3,516,000). The finance cost comprises the Group's interest on lease liabilities, which were approximately 10.2% lower than that of the corresponding period last year.

Fair value changes on financial assets

Based on the market price as at 30 June 2021, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$1,983,000, with fair value loss of HK\$425,000 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 announcement.

Income tax

Income tax expenses for the period ended 30 June 2021 increased to HK\$28,014,000, as compared to HK\$19,173,000 for the same period of last year. The increase was mainly due to the increase 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 announcement.

EBITDA

As a result of the decrease in cost of services, EBITDA for the period ended 30 June 2021 increased by 8.4% to HK\$374,720,000, with the margin increased from 74.9% to 83.3%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK\$50,717,000 (six months ended 30 June 2020: HK\$77,801,000). The capital expenditure was mainly for the addition of equipment (six months ended 30 June 2020: addition of equipment). 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 2021 (31 December 2020: 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 2021 (31 December 2020: Nil).

As at 30 June 2021, the Group's total liabilities were HK\$1,183,954,000, an decrease of HK\$71,430,000 as compared to that of 31 December 2020, mainly due to the decrease in current taxation provision. The gearing ratio has decreased to 16.5%, representing a 0.9 percentage point decrease as compared to 31 December 2020.

For the period ended 30 June 2021, the Group recorded a net cash outflow of HK\$1,308,000 (six months ended 30 June 2020: net cash inflow of HK\$151,103,000) which included net cash inflow of HK\$151,730,000 generated from operating activities and HK\$37,624,000 generated from investing activities. This was offset by net cash outflow of HK\$190,662,000 used in financing activities.

As at 30 June 2021, the Group has HK\$1,080,858,000 of cash and bank deposits, 35.86% of which were denominated in United States Dollar, 59.77% in Renminbi and 4.37% in Hong Kong Dollar and other currencies. The balance comprised of HK\$609,104,000 cash and cash equivalents, HK\$471,382,000 bank deposits with original maturity beyond 3 months, and HK\$372,000 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 2021.

Charges on group assets

At 30 June 2021, pledged bank deposits of HK\$372,000 (31 December 2020: HK\$370,000) are related to certain commercial arrangements made during the reporting period.

At 30 June 2021, 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 HK\$2,967,000 (31 December 2020: HK\$3,025,000).

Capital commitments

As at 30 June 2021, the Group had outstanding contracted capital commitments of HK\$555,475,000 (31 December 2020: HK\$550,416,000) 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 announcement.

FINANCIAL HIGHLIGHTS

Unaudited condensed consolidated statement of profit or loss

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Revenue	3,4	450,039	456,155
Cost of services		<u>(231,055)</u>	<u>(263,982)</u>
Gross profit		218,984	192,173
Other net income	5(a)	6,972	2,099
Valuation loss on investment properties	10	(575)	(789)
Administrative expenses		<u>(47,605)</u>	<u>(84,679)</u>
Profit from operations		177,776	108,804
Fair value changes on financial assets	13	(425)	(992)
Finance costs	5(b)	(3,158)	(3,516)
Share of loss of an associate		<u>(25,701)</u>	<u>(5,548)</u>
Profit before taxation	5	148,492	98,748
Income tax	6	<u>(28,014)</u>	<u>(19,173)</u>
Profit for the period and attributable to equity shareholders of the Company		<u>120,478</u>	<u>79,575</u>
Earnings per share	8		
– Basic and diluted		<u>12.97 cents</u>	<u>8.55 cents</u>

Unaudited condensed consolidated statement of comprehensive income

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Profit for the period	120,478	79,575
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	558	(22,517)
Share of other comprehensive income of an associate	122,265	–
Other comprehensive income for the period	122,823	(22,517)
Total comprehensive income for the period	243,301	57,058

Unaudited condensed consolidated statement of financial position

At 30 June 2021

(Expressed in Hong Kong dollars)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	4,696,460	4,844,717
Investment properties	10	10,662	10,804
Intangible assets	11	291,008	295,376
Interest in an associate	12	510,586	415,823
Club membership		380	380
Prepayments		299,299	163,800
Deferred tax assets		44	44
		<u>5,808,439</u>	<u>5,730,944</u>
Current assets			
Financial assets measured at fair value			
through profit or loss	13	1,983	2,408
Trade receivables, net	14	280,551	156,211
Deposits, prepayments and other receivables		19,502	14,983
Pledged bank deposits	15	372	370
Bank deposits with original maturity			
beyond 3 months		471,382	677,938
Cash and cash equivalents	16	609,104	613,037
		<u>1,382,894</u>	<u>1,464,947</u>
Current liabilities			
Payables and accrued charges	17	82,141	80,805
Rentals received in advance and			
deferred income		46,957	41,629
Dividend payable		5,063	2,497
Lease liabilities		46,643	34,728
Current taxation		41,555	124,282
		<u>222,359</u>	<u>283,941</u>
Net current assets		<u>1,160,535</u>	<u>1,181,006</u>
Total assets less current liabilities			
 carried forward		<u>6,968,974</u>	<u>6,911,950</u>

Unaudited condensed consolidated statement of financial position (continued)

At 30 June 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Total assets less current liabilities brought forward		6,968,974	6,911,950
Non-current liabilities			
Deposits received		46,207	45,546
Deferred income		98,957	99,506
Lease liabilities		153,343	159,786
Deferred tax liabilities		663,088	666,605
		961,595	971,443
Net assets		6,007,379	5,940,507
Capital and reserves			
Share capital	18	92,857	92,857
Share premium		1,230,581	1,230,581
Contributed surplus		511,000	511,000
Revaluation reserve		126,282	4,017
Exchange reserve		21,363	20,805
Other reserves		1,202	1,202
Accumulated profits		4,024,094	4,080,045
Total equity		6,007,379	5,940,507

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 June 2021

(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 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 (<i>note 7(b)</i>)	-	-	-	-	-	-	(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>
Balance at 1 January 2021	92,857	1,230,581	511,000	4,017	20,805	1,202	4,080,045	5,940,507
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	-	-	-	-	-	-	120,478	120,478
Other comprehensive income	-	-	-	122,265	558	-	-	122,823
Total comprehensive income	-	-	-	122,265	558	-	120,478	243,301
Dividend approved in respect of the previous year (<i>note 7(b)</i>)	-	-	-	-	-	-	(176,429)	(176,429)
Balance at 30 June 2021	<u>92,857</u>	<u>1,230,581</u>	<u>511,000</u>	<u>126,282</u>	<u>21,363</u>	<u>1,202</u>	<u>4,024,094</u>	<u>6,007,379</u>

Unaudited condensed consolidated cash flow statement

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Operating activities			
Cash generated from operations		266,135	272,218
Hong Kong profits tax paid		(104,168)	–
Overseas profits tax paid		(952)	–
Overseas tax paid		(9,285)	(6,008)
Net cash generated from operating activities		151,730	266,210
Investing activities			
Payment for purchase of property, plant and equipment		(42,923)	(8,660)
Increase in prepayments		(135,308)	(69,782)
Increase in pledged bank deposits		(2)	(2)
Decrease in bank deposits with original maturity beyond 3 months		206,556	109,418
Other cash flows arising from investing activities		9,301	8,383
Net cash generated from investing activities		37,624	39,357
Financing activities			
Dividend paid to equity shareholders of the company		(173,863)	(137,596)
Capital element of lease rentals paid		(13,641)	(13,352)
Interest element of lease rentals paid		(3,158)	(3,516)
Net cash used in financing activities		(190,662)	(154,464)
Net (decrease)/increase in cash and cash equivalents		(1,308)	151,103
Cash and cash equivalents at 1 January	16	613,037	350,983
Effect of foreign exchange rates changes		(2,625)	(8,357)
Cash and cash equivalents at 30 June	16	609,104	493,729

Notes to the unaudited condensed consolidated interim financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial information of APT Satellite Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the Group’s interest 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 23 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information 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 information 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 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”) and should be read in conjunction with the 2020 annual financial statements.

The interim financial information is unaudited, but has been reviewed by BDO Limited (“BDO”), 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 2020 that is included in the interim financial information 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2021.

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 9, IAS/HKAS 39, IFRS/HKFRS 7, IFRS/HKFRS 4 and IFRS/HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*
- Amendments to IFRS/HKFRS 16, *Covid-19-Related Rental Concessions Beyond 30 June 2021*

The application of the amendments of IFRS/HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior period and/on the disclosures set out in these unaudited condensed consolidated financial statements.

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 2021 and 2020 were derived from the provision of satellite transponder capacity and related services and transferred overtime, no operating segment analysis is presented.

Whilst the Group's customer base is diversified, it includes one customer with whom transaction has exceeded 10% of the Group's revenue (2020: one customer). For the six months ended 30 June 2021, revenue of \$122,866,000 (six months ended 30 June 2020: \$108,309,000) was derived from this customer and attributable to the provision of satellite transponder capacity and related services.

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 2021 are \$45,400,000, \$207,152,000, \$136,900,000, and \$60,587,000 respectively (six months ended 30 June 2020: \$66,865,000, \$173,055,000, \$138,328,000, and \$77,907,000 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	
	2021	2020
	\$'000	\$'000
(a) Other net income		
Interest income on bank deposits	7,165	8,240
Other interest income	2,603	4
Foreign currencies exchange loss	(4,575)	(10,910)
Rental income in respect of properties less direct outgoing expenses of \$41,000 (2020: \$44,000)	701	690
Gain on disposal of property, plant and equipment	22	–
Other	1,056	4,075
	<u>6,972</u>	<u>2,099</u>
	<u><u>6,972</u></u>	<u><u>2,099</u></u>
	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(b) Finance costs		
Interest on lease liabilities	3,158	3,516
	<u>3,158</u>	<u>3,516</u>
	<u><u>3,158</u></u>	<u><u>3,516</u></u>
	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(c) Other items		
Depreciation		
– Property, plant and equipment	186,374	216,777
– Right-of-use assets	12,599	12,846
Amortisation	4,368	4,368
Income from sub-leasing right-of-use assets	(1,735)	(3,611)
Reversal of loss allowance for trade and other receivables recognised	(12,414)	–
Loss allowance for trade and other receivables recognised	2,620	26,968
	<u>2,620</u>	<u>26,968</u>
	<u><u>2,620</u></u>	<u><u>26,968</u></u>

6. INCOME TAX

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	21,732	33,349
Under-provision in respect of prior years	503	–
	<u>22,235</u>	<u>33,349</u>
Current tax – Outside Hong Kong		
Provision for the period	9,296	7,692
Over-provision in respect of prior years	–	(4,955)
	<u>9,296</u>	<u>2,737</u>
Deferred taxation – Hong Kong	<u>(3,517)</u>	<u>(16,913)</u>
Actual tax expense	<u>28,014</u>	<u>19,173</u>

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

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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.

For one of the subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2020: 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	
	2021	2020
	\$'000	\$'000
Interim dividend declared after the end of the reporting period of 4.00 cents (2020: 3.50 cents) per ordinary share	<u>37,143</u>	<u>32,578</u>

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 2021.

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 19 cents (2020: 15 cents) per ordinary share	<u>176,429</u>	<u>139,621</u>

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 \$120,478,000 (six months ended 30 June 2020: \$79,575,000) and the weighted average of 928,573,000 ordinary shares (30 June 2020: 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 2021 and 2020.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, 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 \$7,779,000 (six months ended 30 June 2020: \$69,355,000).

(b) Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired property, plant and equipment, including construction-in-progress but excluding right-of-use assets, at a total cost of \$42,938,000 (six months ended 30 June 2020: \$8,446,000). Items of property, plant and equipment with a net book value of \$1,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: \$Nil), resulting in a gain on disposal of \$22,000 (six months ended 30 June 2020: \$Nil).

(c) Impairment loss

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2021 and 2020 and no impairment loss is recognised.

10. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2021 at \$10,662,000 (31 December 2020: \$10,804,000) 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 \$575,000 (six months ended 30 June 2020: loss of \$789,000) has been recognised in profit or loss during the six months ended 30 June 2021.

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 2021 and 2020, 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 2020: \$4,368,000) is included in “cost of services” in the condensed 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 2021, 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 \$463 million) (31 December 2020: RMB390 million (equivalent to \$463 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 2021, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$1,983,000 (31 December 2020: \$2,408,000), based on the market price as at the end of the reporting period, with fair value loss of \$425,000 (six months ended 30 June 2020: loss of \$992,000) 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 2021 \$'000	At 31 December 2020 \$'000
Within 30 days	207,454	39,100
31 – 60 days	15,080	20,431
61 – 90 days	7,515	14,373
91 – 120 days	7,268	9,134
Over 120 days	43,234	73,173
	<u>280,551</u>	<u>156,211</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.

15. PLEDGE OF ASSETS

At 30 June 2021, pledged bank deposits of \$372,000 (31 December 2020: \$370,000) related to certain commercial arrangements made during the period.

As at 30 June 2021, 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 \$2,967,000 (31 December 2020: \$3,025,000).

16. CASH AND CASH EQUIVALENTS

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Deposits with bank and other financial institutions with original maturity less than 3 months	306,955	13,171
Cash at bank and on hand	302,149	599,866
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated cash flow statement	609,104	613,037

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

(a) Authorised and issued share capital

	At 30 June 2021		At 31 December 2020	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	2,000,000	200,000	2,000,000	200,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	928,573	92,857	930,809	93,081
Shares repurchased	-	-	(2,236)	(224)
At 30 June/31 December	928,573	92,857	928,573	92,857

(b) Repurchase of own shares

During the year ended 31 December 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Period	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
September 2020	2,236,000	2.28	2.12	5,005

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against share premium account.

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 2021			At 31 December 2020		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets						
Investment properties (<i>note 10</i>)	-	-	10,662	-	-	10,804
Financial assets measured at fair value through profit or loss (<i>note 13</i>)	1,983	-	-	2,408	-	-

During the six months ended 30 June 2021 and year ended 31 December 2020, 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 2021 and 31 December 2020.

20. COMMITMENTS

At 30 June 2021, the Group had the following outstanding capital commitments not provided for in the condensed consolidated financial statements:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Contracted for	<u>555,475</u>	<u>550,416</u>

On 6 November 2020, APT HK, a wholly-owned subsidiary of the Company, entered into a satellite procurement contract with fellow subsidiaries of the Company to procure and launch a new satellite APSTAR-6E on behalf of an entity to be set up and invested by the Group and other investors. The procurement payments made by APT HK on behalf of that entity are to be reimbursed by that entity once it is set up and the satellite procurement contract is novate. The contract sum payable by APT HK is US\$137,590,000 (equivalent to \$1,073,202,000) of which US\$19,445,000 (equivalent to \$151,671,000) has already been paid as at 30 June 2021 and included in “prepayments” under non-current assets.

21. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	143,791	75,758
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	3,735	7,332
Income from a subsidiary of an associate of the Company for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	20,454	3,504
Income from an associate of the Company for technical support and project management services (<i>note (ii)</i>)	7,286	–
Management fees paid to a fellow subsidiary (<i>note (iii)</i>)	(659)	(222)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services (<i>note (iv)</i>)	<u>(2,456)</u>	<u>(1,200)</u>

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 an associate for technical support and project management services provided during the period.
- (iii) Management fees were paid to a fellow subsidiary for services received during the period.
- (iv) 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 Board declared an interim dividend of \$37,143,000. Further details are disclosed in note 7.

HUMAN RESOURCES

As at 30 June 2021, the Group had 109 employees (30 June 2020: 109 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.

The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and as at 30 June 2021, there were no forfeited contributions arising from employees leaving the retirement benefit scheme (31 December 2020: Nil) which may be used by the Group to reduce the contribution payable.

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

During the six months ended 30 June 2021, 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, 20 September 2021 to Thursday, 23 September 2021 (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, 17 September 2021.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2021, 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 20 August 2021, 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 2021, 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 2021 interim financial report for the six months ended 30 June 2021, but represents an extract from the interim financial report.

The Company's 2021 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, 23 August 2021

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