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2017 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

RESULTS

Revenue

In 2017, the Group's revenue amounted to HK\$1,207,440,000 (2016: HK\$1,229,933,000), representing a decrease of 1.8% amounting to HK\$22,493,000 as compared to 2016.

Profit before taxation

In 2017, the Group's profit before taxation amounted to HK\$621,792,000 (2016: HK\$607,303,000), representing an increase of 2.4% amounting to HK\$14,489,000 as compared to 2016.

Profit attributable to equity shareholders

In 2017, the Group's profit attributable to equity shareholders amounted to HK\$504,557,000 (2016: HK\$493,608,000), representing an increase of 2.2% amounting to HK\$10,949,000 as compared to 2016. Basic earnings per share and diluted earnings per share were HK54.20 cents (2016: HK52.92 cents).

DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK3.50 cents per ordinary share. Owing to the fact that the future cash inflow of the Group will be relatively stable, and for the graduate increase of the investment return of shareholders, the Board has resolved to declare a final dividend in cash of HK10.50 cents per ordinary share for the financial year ended 31 December 2017 (2016: HK5.00 cents per ordinary share). The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the "Annual General Meeting") which will be held on Wednesday, 23 May 2018. The final dividend will be paid on or about Friday, 22 June 2018 to shareholders whose names appear on the register of members at the close of business on Thursday, 7 June 2018.

* For identification purpose only

BUSINESS REVIEW

In-Orbit Satellites

During the year, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continue to provide reliable and high quality services to the Group's customers. As at 31 December 2017, the overall average transponder utilisation rate of the Group's satellites was 75.9%, representing an increase of 5.4 percentage points as compared with the total transponder utilisation rate at the end of 2016.

The Group's in-orbit satellites, namely, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9, have 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-5 Satellite

APSTAR-5, positioned at 138 degree East geostationary orbital slot, with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group holds 20 C-band transponders and 9 Ku-band transponders of this satellite. The Group has commissioned APSTAR-5C as the replacement satellite programme for APSTAR-5.

APSTAR-6 Satellite

APSTAR-6, positioned at 134 degree East geostationary orbital slot, is equipped with 38 C-band transponders and 12 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group has commissioned APSTAR-6C as the replacement satellite programme for APSTAR-6.

APSTAR-7 Satellite

APSTAR-7, positioned at 76.5 degree East geostationary orbital slot, is equipped with 28 C-band transponders and 28 Ku-band transponders with footprints covering the regions in Asia Pacific region, Middle East, Africa and Europe.

APSTAR-9 Satellite

APSTAR-9 positioned at 142 degree East geostationary orbital slot, is equipped with 32 C-band transponders and 14 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii.

Future Satellites

APSTAR-5C Satellite

APSTAR-5C is the replacement satellite for APSTAR-5. It will replace the in-orbit satellite APSTAR-5, for the continuity of the business and sustaining reliable services to existing APSTAR-5 customers. APSTAR-5C, which is scheduled to replace APSTAR-5 in the third quarter of 2018, will carry additional transponders, including satellite payload with high-throughput capacities covering the Southeast Asia region, with wider coverage, greater capacity and more powerful function, it can satisfy future market demand so as to maintain the competitive edge of the Group.

APSTAR-6C Satellite

APSTAR-6C is the replacement satellite for APSTAR-6. APSTAR-6C is scheduled to be launched in the second quarter of 2018 to replace the in-orbit satellite APSTAR-6. It has 26 C-band transponders, 19 Ku-band/Ka-band transponders. APSTAR-6C will provide more stable and reliable services to existing APSTAR-6 customers.

APSTAR-6D Satellite

The Group has always insisted on the concept of innovation and development, and has been actively looking for opportunities to improve the Group's ability of customer services. During the period, APT Mobile SatCom Limited ("APT Mobile"), a corporation established by the Group in Mainland China has achieved rapid progress. APT Mobile has been developing APSTAR-6D, a high-throughput satellite business in Asia Pacific region and Mainland China. APSTAR-6D is a sister satellite of APSTAR-6C and is scheduled to be launched in the second half of 2019, and will position at 134 degree East geostationary and operate in the same orbit slot of APSTAR-6C.

The Group develops and launches new satellites built with the latest advanced technology and versatile footprint coverage in order to maintain business continuity of the Group's customers and to enhance its edge in market competition and service capabilities over the region and to sustain business growth with both conventional and high throughput transponder capacities.

TRANSPONDER LEASE SERVICES

During 2017, facing the unfavourable market conditions of the oversupply in the global satellite transponder market and the decline in the transponder lease price, the Group actively explores new markets and new businesses. The Group continues to enrich the service contents and varieties while providing high quality services to the customers, and has achieved an outstanding performance in the growth in transponder utilisation rate. As at 31 December 2017, the overall average transponder utilisation rate of the Group's satellites was 75.9%, representing an increase of 5.4 percentage points. The Group has maintained satisfactorily high utilisation rates, which lays the foundation for continuous and relatively high profitability for the Group.

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 and 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, to achieve excellent synergic effects.

BUSINESS PROSPECTS

Looking into 2018, the market competition of the satellite industry will be fierce. Nevertheless, the transponder utilisation rates of the Group's satellites, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9, as the premium satellite resources, will continue to be at satisfactorily high level, together with the much powerful APSTAR-5C and APSTAR-6C will strengthen the Group's ability of sustained and stable growth.

FINANCIAL REVIEW

As at 31 December 2017, the Group's financial position remains very strong. The table below sets out the financial performance for the years ended 31 December 2017 and 31 December 2016:

Financial Highlights

	2017	2016	
	HK\$'000	HK\$'000	Changes
Revenue	1,207,440	1,229,933	-1.8%
Gross profit	740,361	737,345	+0.4%
Profit before taxation	621,792	607,303	+2.4%
Profit attributable to equity shareholders	504,557	493,608	+2.2%
Basic earnings per share (<i>HK cents</i>)	54.20	52.92	+2.4%
EBITDA (<i>note 1</i>)	1,018,976	1,018,793	–
EBITDA Margin (%)	84.4%	82.8%	+1.6 percentage points

	At 31 December		
	2017	2016	
	HK\$'000	HK\$'000	Changes
Total cash and bank balance	967,117	802,982	+20.4%
Total assets	7,325,765	6,463,035	+13.3%
Total liabilities	2,025,085	1,613,841	+25.5%
Net assets per share (<i>HK\$</i>)	5.69	5.20	+9.4%
Gearing ratio (%)	27.6%	25.0%	+2.6 percentage points
Liquidity ratio	3.55 times	2.86 times	+0.69 times

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation.

Revenue

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Changes
Income from provision of satellite transponder capacity and related services	1,172,439	1,190,819	-1.5%
Income from provision of satellite-based broadcasting and telecommunications services	25,711	20,258	+26.9%
Service income	9,290	18,856	-50.7%
Total	<u>1,207,440</u>	<u>1,229,933</u>	<u>-1.8%</u>

For the year ended 31 December 2017, the Group's revenue decreased by 1.8% to HK\$1,207,440,000. The increase in gross profit was mainly due to the decrease in in-orbit insurance of APSTAR-9. The profit attributable to shareholders increased by 2.2% to HK\$504,557,000. The increase was mainly because no finance cost was recognised during the year, as compared to finance costs of HK\$9,283,000 in the previous year.

Other net income

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Changes
Interest income on bank deposits and other interest income	12,143	13,784	-11.9%
Foreign currencies exchange gain/(loss)	3,427	(5,177)	+166.2%
Rental income in respect of properties less direct outgoing expenses	1,325	1,153	+14.9%
Other service income	1,189	3,993	-70.2%
Other income	596	450	+32.4%
Total	<u>18,680</u>	<u>14,203</u>	<u>+31.5%</u>

Total other net income for the year ended 31 December 2017 increased by 31.5% to HK\$18,680,000. The increase was mainly because the foreign exchange rate of the Renminbi has appreciated against the Hong Kong Dollar during the year ended 31 December 2017, foreign currencies exchange gain of HK\$3,427,000 was recognised during the year, as compared to exchange loss of HK\$5,177,000 in the previous year.

Finance costs

There was no finance costs recognised during the year ended 31 December 2017, as compared to finance costs of HK\$9,283,000 in 2016. The decrease was primarily due to the finance costs of HK\$16,214,000 capitalised for payments in respect of APSTAR-5C and APSTAR-6C during the year.

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

Based on the market price as at 31 December 2017, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$7,366,000, with fair value loss of HK\$16,573,000 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 15 of this announcement.

Income tax

Income tax expenses for the year ended 31 December 2017 increased to HK\$117,235,000, as compared to HK\$113,695,000 in 2016. The increase was mainly due to the increase in deferred taxation for the current year. The details of income tax of the Group are set out in note 8 of this announcement.

EBITDA

As a result of the decrease in cost of services, EBITDA for the year ended 31 December 2017 increased to HK\$1,018,976,000, with the margin increased from 82.8% to 84.4%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2017, the Group's capital expenditure incurred for property, plant and equipment was HK\$466,278,000 (2016: HK\$511,243,000). The capital expenditure was mainly for the payment for the construction of the APSTAR-6C, the payment of leasehold improvements and addition of equipments. The above capital expenditures were financed by internally-generated funds, cash flows from operating activities and borrowings from banks.

On 14 June 2016, 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 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. The 2016 Facility is to be applied to finance the operation of APT HK including but not limited to the repayment of its existing bank borrowings, the procurement of satellites, the launch services of the satellites and the working capital in relation to such projects. The 2016 Facility is secured by insurance claim proceeds relating to APSTAR-6C. At 31 December 2017, US\$107,602,000 (equivalent to HK\$839,296,000) (2016: US\$65,302,000 (equivalent to HK\$509,356,000)) has been drawn down against the Term Loan Facility under the 2016 Facility. The Term Loan Facility is repayable by way of seven semi-annual instalments commencing from the 24th month after the Term Loan Facility was first drawn down.

In addition, on 14 June 2016, 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\$10,000,000 (equivalent to HK\$78,000,000). On 29 August 2017, the revolving loan facility has been increased to US\$25,000,000 (equivalent to HK\$195,000,000). At 31 December 2017, US\$10,000,000 (equivalent to HK\$78,000,000) (2016: US\$10,000,000 (equivalent to HK\$78,000,000)) has been drawn down against the facility. The facility is repayable within one year from the date of drawdown of the facility.

As at 31 December 2017, the total borrowings (net of unamortised finance cost) amounted to approximately HK\$913,463,000 (2016: approximately HK\$582,241,000). The Group recorded an increase of approximately HK\$331,222,000 in the total borrowings during the year ended 31 December 2017, which were due to the increase of borrowing amount for the repayment of construction costs of APSTAR-5C and APSTAR-6C.

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

Term of repayment	HK\$
Repayable within one year or on demand	111,572,000
Repayable after one year but within five years	<u>801,891,000</u>
	<u><u>913,463,000</u></u>

As at 31 December 2017, the Group's total liabilities were HK\$2,025,085,000, an increase of HK\$411,244,000 as compared to 31 December 2016, mainly due to the increase of drawdown of bank loan with regards to the 2016 Facility. As a result, the gearing ratio (total liabilities/total assets) has increased to 27.6%, representing a 2.6 percentage points increase as compared to 31 December 2016.

For the year ended 31 December 2017, the Group recorded a net cash inflow of HK\$277,700,000 (2016: outflow of HK\$327,318,000) which included net cash inflow of HK\$659,614,000 generated from operating activities and HK\$234,799,000 generated from financing activities. This was offset by net cash outflow of HK\$618,228,000 used in investing activities.

As at 31 December 2017, the Group has approximately HK\$967,117,000 of cash and bank balances, 92.8% of which were denominated in United States Dollar, 4.1% in Renminbi and 3.1% in Hong Kong Dollar and other currencies which comprising HK\$531,253,000 cash and cash equivalents and HK\$435,864,000 bank deposits with original maturity beyond 3 months. Together with cash inflow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the future years.

Capital structure

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

Foreign exchange exposure

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated against the Hong Kong Dollar during the year ended 31 December 2017.

Interest rate exposure

In respect of the Group's cash flow exposure to interest rate risk arising primarily from long-term borrowings at floating LIBOR rate, the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks during the year.

Charges on group assets

At 31 December 2017, no pledged bank deposits relating to certain commercial arrangements have been made during the year (2016: HK\$39,000).

At 31 December 2017, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately HK\$3,375,000 (2016: HK\$3,491,000).

Capital commitments

As at 31 December 2017, the Group has outstanding capital commitments mainly related to APSTAR-5C, APSTAR-6C and investment in an associate which is not provided for in the Group's financial statements. Among which HK\$194,667,000 (2016: HK\$194,667,000) commitments were authorised but not contracted for and HK\$912,969,000 (2016: HK\$1,780,815,000) was contracted for.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 19 of this announcement.

Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9 of this announcement.

FINANCIAL HIGHLIGHTS

Consolidated statement of profit or loss

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$'000	2016 \$'000
Revenue	4	1,207,440	1,229,933
Cost of services		<u>(467,079)</u>	<u>(492,588)</u>
Gross profit		740,361	737,345
Other net income	6	18,680	14,203
Valuation gain/(loss) on investment properties		1,214	(531)
Administrative expenses		<u>(121,985)</u>	<u>(118,732)</u>
Profit from operations		<u>638,270</u>	<u>632,285</u>
Fair value changes on financial instrument designated at fair value through profit or loss	15	(16,573)	(15,723)
Finance costs	7 (a)	–	(9,283)
Share of profit of an associate		<u>95</u>	<u>24</u>
Profit before taxation	7	621,792	607,303
Income tax	8	<u>(117,235)</u>	<u>(113,695)</u>
Profit for the year and attributable to equity shareholders of the Company		<u><u>504,557</u></u>	<u><u>493,608</u></u>
Earnings per share			
Basic and diluted	10	<u><u>54.20 cents</u></u>	<u><u>52.92 cents</u></u>

Consolidated statement of comprehensive income

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	2017	2016
	\$'000	\$'000
Profit for the year	504,557	493,608
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	<u>26,786</u>	<u>(8,687)</u>
Other comprehensive income for the year	<u>26,786</u>	<u>(8,687)</u>
Total comprehensive income for the year	<u><u>531,343</u></u>	<u><u>484,921</u></u>

Consolidated statement of financial position

at 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$'000	2016 \$'000
Non-current assets			
Property, plant and equipment	11	4,460,788	4,395,237
Investment properties		11,900	10,686
Intangible asset	12	133,585	133,585
Interests in joint ventures		490	490
Interest in an associate		360,351	167,509
Club memberships		380	380
Prepaid expenses	13	1,030,819	768,897
Deferred tax assets		259	325
		<u>5,998,572</u>	<u>5,477,109</u>
Current assets			
Financial assets at fair value through profit or loss	15	7,366	23,939
Loan receivables	14	120,000	–
Trade receivables, net	16	203,832	127,170
Deposits, prepayments and other receivables		28,878	31,835
Pledged bank deposits		–	39
Bank deposits with original maturity beyond 3 months		435,864	549,390
Cash and cash equivalents		531,253	253,553
		<u>1,327,193</u>	<u>985,926</u>
Current liabilities			
Payables and accrued charges	17	83,342	105,424
Rentals received in advance		103,274	99,333
Secured bank borrowings due within one year		111,572	78,000
Current taxation		75,904	61,620
		<u>374,092</u>	<u>344,377</u>
Net current assets		<u>953,101</u>	<u>641,549</u>
Total assets less current liabilities carried forward		<u>6,951,673</u>	<u>6,118,658</u>

Consolidated statement of financial position

at 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$'000	2016 \$'000
Total assets less current liabilities brought forward		6,951,673	6,118,658
Non-current liabilities			
Secured bank borrowings due after one year		801,891	504,241
Deposits received		75,203	78,619
Deferred income		87,603	89,658
Deferred tax liabilities		686,296	596,946
		1,650,993	1,269,464
Net assets		5,300,680	4,849,194
Capital and reserves			
Share capital	18	93,081	93,101
Share premium		1,235,362	1,236,081
Contributed surplus		511,000	511,000
Revaluation reserve		4,017	4,017
Exchange reserve		19,822	(6,964)
Other reserves		442	442
Accumulated profits		3,436,956	3,011,517
Total equity		5,300,680	4,849,194

Consolidated statement of changes in equity

for the year ended 31 December 2017

(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 2016	93,271	1,242,722	511,000	4,017	1,723	442	2,597,190	4,450,365
Changes in equity for 2016:								
Profit for the year	-	-	-	-	-	-	493,608	493,608
Other comprehensive income	-	-	-	-	(8,687)	-	-	(8,687)
Total comprehensive income	-	-	-	-	(8,687)	-	493,608	484,921
Dividend approved in respect of the previous year (note 9(ii))	-	-	-	-	-	-	(46,636)	(46,636)
Dividend declared in respect of the current year (note 9(i))	-	-	-	-	-	-	(32,645)	(32,645)
Purchase of own shares (note 18(b))	(170)	(6,641)	-	-	-	-	-	(6,811)
Balance at 31 December 2016	<u>93,101</u>	<u>1,236,081</u>	<u>511,000</u>	<u>4,017</u>	<u>(6,964)</u>	<u>442</u>	<u>3,011,517</u>	<u>4,849,194</u>
Balance at 1 January 2017	93,101	1,236,081	511,000	4,017	(6,964)	442	3,011,517	4,849,194
Changes in equity for 2017:								
Profit for the year	-	-	-	-	-	-	504,557	504,557
Other comprehensive income	-	-	-	-	26,786	-	-	26,786
Total comprehensive income	-	-	-	-	26,786	-	504,557	531,343
Dividend approved in respect of the previous year (note 9(ii))	-	-	-	-	-	-	(46,540)	(46,540)
Dividend declared in respect of the current year (note 9(i))	-	-	-	-	-	-	(32,578)	(32,578)
Purchase of own shares (note 18(b))	(20)	(719)	-	-	-	-	-	(739)
Balance at 31 December 2017	<u>93,081</u>	<u>1,235,362</u>	<u>511,000</u>	<u>4,017</u>	<u>19,822</u>	<u>442</u>	<u>3,436,956</u>	<u>5,300,680</u>

(Expressed in Hong Kong dollars)

Notes:

1 GENERAL INFORMATION

APT Satellite Holdings Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The address of its principal place of business is 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are maintenance, operation and provision of satellite transponder and related services and satellite-based broadcasting and telecommunications services and other services.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”). As Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, the consolidated financial statements also comply with HKFRSs. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The equivalent new and revised HKFRSs, consequently issued by the HKICPA as a result of these developments, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

4 REVENUE

Revenue represents income received and receivable from provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunications services and other services. The amount of each category of revenue during the year is as follows:

	2017 \$'000	2016 \$'000
Income from provision of satellite transponder capacity and related services	1,172,439	1,190,819
Income from provision of satellite-based broadcasting and telecommunications services	25,711	20,258
Service income	9,290	18,856
	<u>1,207,440</u>	<u>1,229,933</u>

5 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 following the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2017 and 2016 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Whilst the Group's customer base is diversified, it includes two customers with whom transactions have each exceeded 10% of the Group's revenue. For the year ended 31 December 2017, revenue of approximately \$266,728,000 (2016: \$265,163,000) were derived from these customers and attributable to the provision of satellite transponder capacity and related services.

Geographical segments

The Group's operating assets consist primarily of its satellites which are put into services for transmission to multiple locations, 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 year ended 31 December 2017 were \$121,873,000, \$312,253,000, \$578,286,000 and \$195,028,000 respectively (2016: \$137,456,000, \$310,034,000, \$557,898,000 and \$224,545,000 respectively).

6 OTHER NET INCOME

Other net income primarily includes the following:

	2017	2016
	\$'000	\$'000
Interest income on bank deposits	11,651	11,844
Other interest income	492	1,940
Foreign currencies exchange gain/(loss)	3,427	(5,177)
Rental income in respect of properties less direct outgoing expenses of \$56,000 (2016: \$50,000)	1,325	1,153
Other service income	1,189	3,993
Other income	596	450
	<u>18,680</u>	<u>14,203</u>

7 PROFIT BEFORE TAXATION

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

	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest on bank borrowings	15,284	9,993
Other borrowing costs	930	4,300
	<u>16,214</u>	<u>14,293</u>
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	<u>(16,214)</u>	<u>(5,010)</u>
	<u>-</u>	<u>9,283</u>

* The borrowing costs have been capitalised at a rate of 1.75% – 2.88% per annum (2016: 1.53% – 1.97% per annum).

	2017	2016
	\$'000	\$'000
(b) Other items		
Auditors' remuneration		
– audit and related services	1,134	1,135
– tax services	134	134
– other services	14	14
Depreciation	399,783	400,110
Loss on disposal of property, plant and equipment	817	69
Operating lease charges: minimum lease payments		
– land and buildings and equipment	591	633
– satellite transponder capacity	28,548	39,587
Impairment loss on trade and other receivables recognised/(reversed)	6,416	(1,853)
	<u>6,416</u>	<u>(1,853)</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2017	2016
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	26,834	17,826
Over-provision in respect of prior years	(17,826)	–
	<u>9,008</u>	<u>17,826</u>
Current tax – Outside Hong Kong		
Provision for the year	19,083	18,507
Over-provision in respect of prior years	(272)	(2,496)
	<u>18,811</u>	<u>16,011</u>
Deferred taxation – Hong Kong	<u>89,416</u>	<u>79,858</u>
Actual tax expense	<u>117,235</u>	<u>113,695</u>

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

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% of the estimated assessable profits for the year.

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.

Over-provision in respect of prior years represents reversal of provision for withholding taxes. Management considers the likelihood of the Group being required to pay such withholding taxes has become remote and therefore made the reversal during the year.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2016: 16.5%) of the estimated temporary differences for the year.

9 DIVIDENDS

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

	2017 \$'000	2016 \$'000
Interim dividend declared and paid of 3.50 cents (2016: 3.50 cents) per ordinary share	32,578	32,645
Final dividend proposed after the end of the reporting period of 10.50 cents (2016: 5.00 cents) per ordinary share	97,735	46,540
	130,313	79,185

As the final dividend is proposed after the end of the reporting period, such dividend has not been recognised as a liability at the end of the reporting period.

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

	2017 \$'000	2016 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.00 cents (2016: 5.00 cents) per ordinary share	46,540	46,636

10 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 \$504,557,000 (2016: \$493,608,000) and the weighted average of 930,831,000 ordinary shares (2016: 932,701,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2017 '000	2016 '000
Issued ordinary shares at 1 January	931,009	932,711
Effect of shares repurchased (<i>note 18(b)</i>)	<u>(178)</u>	<u>(10)</u>
Weighted average number of ordinary shares at 31 December	<u><u>930,831</u></u>	<u><u>932,701</u></u>

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2017 and 2016.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Additions of construction in progress

Additions of construction in progress for the year ended 31 December 2017 primarily related to the progress payments in respect of communication satellites, APSTAR-6C, of \$437,620,000 (2016: \$466,483,000). As announced by the Company on 18 October 2015, APT HK, a wholly-owned subsidiary of the Company, entered into a satellite procurement contract on 17 October 2015 with a fellow subsidiary of the Company for manufacturing of APSTAR-6C. APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the second quarter of 2018 for in-orbit delivery.

(b) Impairment loss

The Group conducted a review of its property, plant and equipment for the year ended 31 December 2017 and 2016 and did not identify any indication of impairment.

12 INTANGIBLE ASSET

The carrying amount of an acquired intangible asset not subject to amortisation is as follows:

	2017 \$'000	2016 \$'000
Orbital slot	<u>133,585</u>	<u>133,585</u>

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

No impairment of the intangible asset was recorded as at 31 December 2017 and 2016.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projections based on budget and business plan approved by management for the year ending 31 December 2018. Cash flows beyond 2017 are derived based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at a growth rate generally expected for the industry and achievable by the Group. The discount rate used for cash flow projection is 10.27% (2016: 10.72%).

13 PREPAID EXPENSES

Prepaid expenses primarily represent the advance payment of transponder lease contract and licence fee for the right to use certain designated transmission frequencies. Part of the prepaid expenses which fall due within one year are included as part of deposits, prepayments and other receivables under current assets.

	2017 \$'000	2016 \$'000
Non-current prepaid expenses balance at 1 January	768,897	247,941
Movements during the year:		
– additions	271,585	534,356
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	<u>(9,663)</u>	<u>(13,400)</u>
Non-current prepaid expenses at 31 December	<u>1,030,819</u>	<u>768,897</u>

On 23 December 2015, APT HK entered into a satellite transponder agreement with a third party for the lifetime leasing of 36.204 transponders on APSTAR-5C at a lease price of US\$118,826,696 (equivalent to \$926,848,000). APSTAR-5C, which is currently under construction, is the replacement satellite for APSTAR-5. During the year, additional prepaid expense of US\$34,819,000 (equivalent to \$271,588,000) (2016: US\$63,069,000 (equivalent to \$491,939,000)) was made in respect of APSTAR-5C. Total APSTAR-5C prepaid expense amounted to US\$109,174,000 (equivalent to \$851,557,000) as at 31 December 2017 (2016: US\$74,355,000 (equivalent to \$579,969,000)).

14 LOAN RECEIVABLES

On 11 September 2017, APT HK entered into a loan agreement in respect of the provision of an unsecured loan in the principal amount up to \$345,462,000 to a subsidiary of APT Mobile. The loan is interest-bearing at 4.75% per annum (benchmarked to the interest rate of 1-year to 5-year loan as announced by the People's Bank of China on the loan agreement date). The loan is repayable in cash or by way of set-off against the equivalent amount of the capital contribution payable by the Group to APT Mobile at an agreed conversion rate at the Group's discretion.

As at 31 December 2017, principal amount of \$120,000,000 has been drawn by the subsidiary of APT Mobile.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2017, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$7,366,000 (2016: \$23,939,000), based on the market price at the end of the reporting period, with fair value loss of \$16,573,000 (2016: \$15,723,000) recognised in profit or loss.

16 TRADE RECEIVABLES, NET

The Group normally allows a credit period of 30 days from the date of revenue recognition to its trade customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of revenue recognition, at the end of the reporting period:

	2017 \$'000	2016 \$'000
Within 30 days	57,707	38,716
31 – 60 days	31,280	19,070
61 – 90 days	23,366	11,557
91 – 120 days	30,474	8,661
Over 120 days	61,005	49,166
	<u>203,832</u>	<u>127,170</u>

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

17 PAYABLES AND ACCRUED CHARGES

The ageing analysis of accounts payables and accrued charges as of the end of the reporting period, based on due date, is as follows:

	2017 \$'000	2016 \$'000
Accounts payables due within 3 months	25,033	46,546
Accrued expenses	58,309	58,878
	<u>83,342</u>	<u>105,424</u>
At 31 December	<u>83,342</u>	<u>105,424</u>

18 SHARE CAPITAL

(a) Authorised and issued share capital

	2017		2016	
	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	931,009	93,101	932,711	93,271
Shares repurchased	(200)	(20)	(1,702)	(170)
At 31 December	930,809	93,081	931,009	93,101

(b) Purchase of own shares

During the years ended 31 December 2016 and 2017, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
December 2016	1,702,000	4.09	3.90	6,811
January 2017	200,000	3.68	3.67	739

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.

19 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK. The extent of such banking facilities utilised by APT HK at 31 December 2017 amounted to \$917,296,000 (2016: \$587,356,000).

In June 2017, APT HK received a summons and complaint filed by a third party in the Supreme Court of the State of New York, County of New York, The United States of America, in respect of an action for trademark infringement during the provision of transponder service to a customer. The total compensation sought under this claim amounted to US\$12,200,000 (equivalent to \$95,160,000). APT HK rebuts any liability in respect of this claim and, based on legal advice obtained, the directors of the Company do not believe it probable that the court will find against APT HK. In addition, based on the service agreement entered into between APT HK and this customer, in the unlikely event that the court finds against APT HK, APT HK will be able to seek indemnity from the customer relating to any losses or damages due to claims resulted from the services rendered. No provision has therefore been made in respect of this claim. APT HK has been actively addressing in the case by filing the motion to dismiss and other supporting documents since June 2017. As of 31 December 2017, this case is pending for decision of the court.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of \$97,735,000. Further details are disclosed in note 9 of this announcement.

CORPORATE GOVERNANCE

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

HUMAN RESOURCES

As at 31 December 2017, the Group had 111 employees. The Group continues to provide on job training to employees and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting held on Thursday, 22 March 2018, the Group's Audit and Risk Management Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited financial report for the year ended 31 December 2017. The Audit and Risk Management Committee has also reviewed the result and statement of the Board in relation to effectiveness of the internal control system and the independence of the Company's auditors.

The Audit and Risk Management Committee comprises four independent non-executive directors including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 2017, the Company has met the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

- A4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-Laws of the Company;
- A4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company in maintaining its consistency of making business decisions; and

A4.3: During the financial period, Mr. Li Zhongbao was appointed by the Company as a Non-Executive Director on 29 August 2017 to fill a casual vacancy. For the purpose of maintaining the continuity of his directorship in the Group and acting according to the request of the Group, he did not resign from his directorship for re-election at the first general meeting of the Company held on 14 November 2017 according to Paragraph A.4.2 of Appendix 14 of the Listing Rules. However, he will retire from his directorship and will offer himself for re-election at the Annual General Meeting pursuant to Bye-law 86(2) of the Company's Bye-laws.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has repurchased and cancelled 200,000 shares of the Company during the year ended 31 December 2017. Other than the above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting of the Company to be held on Wednesday, 23 May 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 May 2018.

The register of members of the Company will be closed from Wednesday, 6 June 2018 to Thursday, 7 June 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 June 2018.

ANNUAL REPORT PUBLICATION

The Company's 2017 Annual Report for the year ended 31 December 2017 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

In 2017, the Group continued to achieve encouraging and excellent results. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to the directors and all our staff for their valuable contribution to the development of the Group.

By Order of the Board
APT Satellite Holdings Limited
Yuan Jie
Chairman

Hong Kong, 23 March 2018

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

Executive Directors:

Cheng Guangren (*President*)

Qi Liang (*Vice President*)

Non-Executive Directors:

Yuan Jie (*Chairman*)

Lim Toon

Yin Yen-liang

Li Zhongbao

Fu Zhiheng

Lim Kian Soon

Tseng Ta-mon (*alternate director of Yin Yen-liang*)

Independent Non-Executive Directors:

Lui King Man

Lam Sek Kong

Cui Ligu

Meng Xingguo