APSTAR
by APT Satellite

APT SATELLITE HOLDINGS LIMITED

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

INTERIM REPORT 2018

COMPANY PROFILE

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

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

The advanced APSTAR Systems of APT Group, supported with the comprehensive and high quality services, have become very important satellite resources of the Asia Pacific region.

APSTAR SYSTEMS

Satellite	Platform	Orbital Slots	DESIGNED TRANSPONDERS		
			Number	Coverage	Frequency Band
APSTAR-9	CASC DFH-4	142˚E	46	Asia, Australia, New Zealand, Pacific-island, Hawaii, Pacific Ocean, steerable beam	C-band, Ku-band
APSTAR-7	TAS SB-4000C2	76.5˚E	56	Europe, Asia, Africa, Australia, Africa,steerable beam	C-band, Ku-band
APSTAR-6	TAS SB-4000C1	134˚E	50	Asia, Australia, New Zealand, Pacific-island, Hawaii	C-band, Ku-band
APSTAR-6C*	CASC DFH-4	134˚E	45	Asia, Australia, New Zealand, Pacific-island, Hawaii	C-band, Ku-band, Ka-band
APSTAR-5	SS/L FS-1300	138˚E	54	Asia, Australia, New Zealand, Pacific-island, Hawaii	C-band, Ku-band

Remark*: APSTAR-6C was successfully launched on 4 May 2018. It has replaced APSTAR-6 and commenced commercial operation on 1 July 2018.

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CONTENT

Corporate Information	2
Chairman's Statement	3
Financial Review	7
Interim Financial Report	12
Unaudited Consolidated Statement of Profit or Loss	12
Unaudited Consolidated Statement of Comprehensive Income	13
Unaudited Consolidated Statement of Financial Position	14
Unaudited Consolidated Statement of Changes in Equity	16
Unaudited Condensed Consolidated Cash Flow Statement	17
Notes to the Unaudited Interim Financial Report	18
Additional Information	39
Review Report	43

CORPORATE INFORMATION

DIRECTORS

Executive directors
Cheng Guangren *(President)*
Qi Liang *(Vice President)*

Non-executive directors
Li Zhongbao *(Chairman)*
Lim Toon
Yin Yen-liang
Fu Zhiheng
Lim Kian Soon
Ba Risi
Tseng Ta-mon
(alternate director to Yin Yen-liang)

Independent non-executive directors
Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

COMPANY SECRETARY

Lau Tsui Ling Shirley

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lau Tsui Ling Shirley

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE

Lui King Man *(Chairman)*
Lam Sek Kong
Cui Liguo
Meng Xingguo

MEMBERS OF NOMINATION COMMITTEE

Lam Sek Kong *(Chairman)*
Qi Liang
Lui King Man
Cui Liguo
Meng Xingguo

MEMBERS OF REMUNERATION COMMITTEE

Lui King Man *(Chairman)*
Qi Liang
Lam Sek Kong
Cui Liguo
Meng Xingguo

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISORS

Sit, Fung, Kwong & Shum, Solicitors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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STOCK CODE

1045

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

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 2018, the Group's revenue amounted to HK$623,343,000 (six months ended 30 June 2017: HK$598,881,000), representing 4.1% increase as compared with corresponding period in the previous financial year. Profit attributable to equity shareholders amounted to HK$279,558,000 (six months ended 30 June 2017: HK$241,951,000) representing 15.5% increase as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were HK30.03 cents (six months ended 30 June 2017: HK25.99 cents).

For the first half year of 2018, the Group's satellites maintained relatively high utilisation rates. The Group recorded increases in both revenue and profit attributable to equity shareholders during the first half year.

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 2018 (six months ended 30 June 2017: HK3.50 cents per ordinary share). The details of interim dividend of the Group are set out in note 7 of this report.

The interim dividend will be paid on or about Friday, 19 October 2018 to shareholders whose names appear on the register of members at the close of business on Wednesday, 3 October 2018.

BUSINESS REVIEW

In-Orbit Satellites

During the first half year of 2018, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition during the period and continue to provide reliable and high quality services to the Group's customers. As at 30 June 2018, the total transponder utilisation rate of the Group's satellites was 73.1%, representing a decrease of 2.8 percentage points as compared with the total transponder utilisation rate at the end of 2017.

The Group's in-orbit satellites, namely, APSTAR-5, APSTAR-6/APSTAR-6C, 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 Asia 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-6C 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-6C was successfully launched to the designated geostationary transfer orbit on 4 May 2018 on board of Long March 3B/E launch vehicle of China Great Wall Industry Corporation. APSTAR-6C is a high power geostationary communication satellite based on DFH-4 series platform and built with 26 C-band transponders, 19 Ku-band transponders and Ka-band transponders, which provide high power transponder services to customers across the Asia-Pacific region, for VSAT, video distribution, DTH, cellular backhaul and mobility broadband applications. On 1 July 2018, it has replaced APSTAR-6 and commenced commercial operation and taken up all its customers.

APSTAR-6 is currently in inclined mode as it suffered partial power loss due to anomaly of south solar array on 27 May 2018. As a result of the loss caused by this incident, the Group has notified the insurer and is in the process of completing the claim procedures and finalising the compensation amount.

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-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"), an associate of 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.

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 the first half of 2018, 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. As at 30 June 2018, the overall average transponder utilisation rate of the Group's satellites was 73.1%, representing a decrease of 2.8 percentage points as compared with the total transponder utilization rate at the end of 2017. However, 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-6C, APSTAR-7 and APSTAR-9, as the premium satellite resources, will continue to be at satisfactorily high level, which together with the much powerful APSTAR-5C will strengthen the Group's ability of sustained and stable growth.

FINANCE

As at 30 June 2018, the Group's financial position remains very strong. Please refer to financial section for detailed analysis.

CORPORATE GOVERNANCE

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

NOTE OF APPRECIATION

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.

Li Zhongbao
Chairman

Hong Kong, 20 August 2018

FINANCIAL REVIEW

As at 30 June 2018, the Group's financial position remains very strong. The table below sets out the financial performance for the six-month periods ended 30 June 2018 and 30 June 2017:

Financial Highlights

	Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	Change
Revenue	**623,343**	598,881	+4.1%
Gross profit	**386,067**	363,495	+6.2%
Profit before taxation	**333,557**	299,764	+11.3%
Profit attributable to shareholders	**279,558**	241,951	+15.5%
Basic earnings per share *(HK cents)*	**30.03**	25.99	+15.5%
EBITDA *(note)*	**523,219**	505,086	+3.6%
EBITDA Margin *(%)*	**83.9%**	84.3%	-0.4 percentage points

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000	Change
Total cash and bank balance	**1,245,598**	967,117	+28.8%
Total assets	**8,082,573**	7,325,765	+10.3%
Total liabilities	**2,606,164**	2,025,085	+28.7%
Net assets per share *(HK$)*	**5.88**	5.69	+3.3%
Gearing ratio *(%)*	**32.2%**	27.6%	+4.6 percentage points
Liquidity ratio	**1.76 times**	3.55 times	-1.79 times

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

Revenue

	Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	Change
Income from provision of satellite transponder capacity and related services	**593,245**	580,575	+2.2%
Income from provision of satellite-based broadcasting and telecommunications services	**10,775**	12,527	-14.0%
Service income	**19,323**	5,779	+234.4%
Total	**623,343**	598,881	+4.1%

For the first half year of 2018, the Group's revenue amounted to HK$623,343,000 (six months ended 30 June 2017: HK$598,881,000), representing 4.1% increase as compared with the corresponding period in the previous financial year. The growth in revenue was mainly due to the service income from provision of technical support and project management services to an associate. The profit attributable to shareholders increased by 15.5% to HK$279,558,000. The increase was mainly due to the recognition of gain on changes in fair value of financial assets of HK$3,258,000 as compared with loss on changes in fair value of financial assets of HK$11,474,000 in the same period of last year.

Other net income

	Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	Change
Interest income on bank deposits and other interest income	**20,542**	5,264	+290.2%
Foreign currencies exchange gain/(loss)	**329**	(812)	+140.5%
Rental income in respect of properties	**731**	624	+17.1%
Insurance compensation	**128,700**	–	+100%
Other	**2,753**	500	+450.6%
Total	**153,055**	5,576	+2,644.9%

Total other net income for the period ended 30 June 2018 increased to HK$153,055,000. The increase was mainly because during the period ended 30 June 2018, the Group has recognised an estimated insurance compensation of US$16,500,000 (equivalent to HK$128,700,000) for an impaired satellite under its insurance policy, actual amount of compensation subject to confirmation with insurers. The estimated insurance compensation was recognised in other receivables.

Finance costs

There was no finance costs recognised in profit or loss during the periods ended 30 June 2018 and 2017. This was primarily due to the finance costs of HK$26,725,000 capitalised for payment in respect of APSTAR-5C and APSTAR-6C during the period.

Fair value changes on financial assets

Based on the market price as at 30 June 2018, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$10,624,000, with fair value gain of HK$3,258,000 recognised in profit or loss. The details of financial assets measured at fair value through profit or loss of the Group are set out in note 15 of this report.

Income tax

Income tax expenses for the period ended 30 June 2018 decreased to HK$53,999,000, as compared to HK$57,813,000 for the same period of last year. The decrease was mainly due to the decrease in provision for Hong Kong Profits Tax for the current period. The details of income tax of the Group are set out in note 6 of this report.

EBITDA

As a result of the increase in cost of services, EBITDA for the period ended 30 June 2018 increased by 3.6% to HK$523,219,000, with the margin decreased from 84.3% to 83.9%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK$515,809,000 (six months ended 30 June 2017: HK$253,082,000). 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 the insurance claim proceeds relating to APSTAR-6C. During the period, the Group has drawn down US$92,398,000 (equivalent to HK$720,704,000) and repaid US$39,000,000 (equivalent to HK$304,200,000) against the 2016 Facility. The outstanding principal balances of the Term Loan Facility and the revolving loan facility were US$91,000,000 (equivalent to HK$709,800,000) (31 December 2017: US$107,602,000 (equivalent to HK$839,296,000)) and US$70,000,000 (equivalent to HK$546,000,000) (31 December 2017: Nil) respectively at 30 June 2018. 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 drawdown and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

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). During the period, the Group has drawn down US$15,000,000 (equivalent to HK$117,000,000) and repaid US$15,000,000 (equivalent to HK$117,000,000) against the facility. The outstanding principal balance of the facility was US$10,000,000 (equivalent to HK$78,000,000) (31 December 2017: US$10,000,000 (equivalent to HK$78,000,000)) at 30 June 2018. The facility is repayable within one year from the date of drawdown of the facility.

As at 30 June 2018, the total borrowings (net of unamortised finance cost) amounted to approximately HK$1,330,928,000 (31 December 2017: approximately HK$913,463,000). The Group recorded an increase of approximately HK$417,465,000 in the total borrowings during the period ended 30 June 2018, 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:

	HK$
Term of repayment	
Repayable within one year or on demand	674,700,000
Repayable after one year but within five years	656,228,000
	1,330,928,000

As at 30 June 2018, the Group's total liabilities were HK$2,606,164,000, an increase of HK$581,079,000 as compared to 31 December 2017, mainly due to the increase of bank loan with regards to the Term Loan Facility and the revolving loan facility. The gearing ratio (total liabilities/total assets) has increased to 32.2%, representing a 4.6 percentage points increase as compared to 31 December 2017.

For the period ended 30 June 2018, the Group recorded a net cash inflow of HK$117,049,000 (six months ended 30 June 2017: HK$72,971,000) which included net cash inflow of HK$328,655,000 generated from operating activities and HK$303,351,000 generated from financing activities. This was offset by net cash outflow of HK$514,957,000 used in investing activities.

As at 30 June 2018, the Group has approximately HK$1,245,598,000 of cash and bank deposits, 73.4% of which were denominated in United States Dollar, 5.9% in Renminbi and 20.7% in Hong Kong Dollar and other currencies which comprising HK$647,751,000 cash and cash equivalents and HK$597,480,000 bank deposits with original maturity beyond 3 months. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming few 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 depreciated against the Hong Kong Dollar during the period ended 30 June 2018.

INTEREST RATE EXPOSURE

In respect of the Group's cash flow exposure to interest rate risk arising primarily from long-term borrowings at floating London Inter-Bank Offered Rate ("LIBOR rate"), the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks during the period.

CHARGES ON GROUP ASSETS

At 30 June 2018, pledged bank deposits of HK$367,000 (31 December 2017: Nil) are related to certain commercial arrangements made during the period.

At 30 June 2018, 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$3,316,000 (31 December 2017: HK$3,375,000).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group has outstanding capital commitments mainly related to APSTAR-5C and investment in an associate which is not provided for in the Group's financial statements. Among which HK$194,667,000 (31 December 2017: HK$194,667,000) commitments were authorised but not contracted for and HK$390,731,000 (31 December 2017: HK$912,969,000) was contracted for.

CONTINGENT LIABILITIES

The details of contingent liabilities of the Group are set out in note 23 of this report.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 26 of this report.

HUMAN RESOURCES

As at 30 June 2018, the Group had 110 employees (30 June 2017: 115 employees). The Group continues to provide on the job training to employees, which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017 (Note)
	Note	**$'000**	$'000
Revenue	3, 4	**623,343**	598,881
Cost of services		**(237,276)**	(235,386)
Gross profit		**386,067**	363,495
Other net income	5(a)	**153,055**	5,576
Valuation (loss)/gain on investment properties	10	**(90)**	530
Impairment loss recognised in respect of property, plant and equipment	9(b)	**(150,000)**	–
Administrative expenses		**(58,453)**	(58,357)
Profit from operations		**330,579**	311,244
Fair value changes on financial assets	15	**3,258**	(11,474)
Finance costs	5(b)	**–**	–
Share of loss of an associate		**(280)**	(6)
Profit before taxation	5	**333,557**	299,764
Income tax	6	**(53,999)**	(57,813)
Profit for the period and attributable to equity shareholders of the Company		**279,558**	241,951
Earnings per share	8		
– Basic and diluted		**30.03 cents**	25.99 cents

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017 (Note)
	$'000	$'000
Profit for the period	**279,558**	241,951
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	**(5,243)**	11,115
	(5,243)	11,115
Other comprehensive income for the period	**(5,243)**	11,115
Total comprehensive income for the period	**274,315**	253,066

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 38 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018 $'000**	At 31 December 2017 (Note) $'000
Non-current assets			
Property, plant and equipment	9	**4,630,987**	4,460,788
Investment properties	10	**11,810**	11,900
Intangible asset	11	**133,585**	133,585
Interest in a joint venture		**490**	490
Interest in an associate	12	**347,984**	360,351
Club memberships		**380**	380
Prepaid expenses	13	**1,096,015**	1,030,819
Deferred tax assets		**771**	259
		6,222,022	5,998,572
Current assets			
Financial assets measured at fair value through profit or loss	15	**10,624**	7,366
Loan receivables	14	**120,000**	120,000
Trade receivables, net	16	**303,471**	203,832
Deposits, prepayments and other receivables		**180,858**	28,878
Pledged bank deposits	17	**367**	–
Bank deposits with original maturity beyond 3 months		**597,480**	435,864
Cash and cash equivalents	18	**647,751**	531,253
		1,860,551	1,327,193
Current liabilities			
Payables and accrued charges	19	**214,829**	83,342
Rentals received in advance		**76,354**	103,274
Secured bank borrowings due within one year	20	**674,700**	111,572
Current taxation		**92,210**	75,904
		1,058,093	374,092
Net current assets		**802,458**	953,101
Total assets less current liabilities carried forward		**7,024,480**	6,951,673

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 38 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018 $'000**	At 31 December 2017 (Note) $'000
Total assets less current liabilities brought forward		**7,024,480**	6,951,673
Non-current liabilities			
Secured bank borrowings due after one year	20	**656,228**	801,891
Deposits received		**71,724**	75,203
Deferred income		**106,160**	87,603
Deferred tax liabilities		**713,959**	686,296
		1,548,071	1,650,993
Net assets		**5,476,409**	5,300,680
Capital and reserves			
Share capital	21	**93,081**	93,081
Share premium		**1,235,362**	1,235,362
Contributed surplus		**511,000**	511,000
Revaluation reserve		**4,017**	4,017
Exchange reserve		**14,579**	19,822
Other reserves		**442**	442
Accumulated profits		**3,617,928**	3,436,956
Total equity		**5,476,409**	5,300,680

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 38 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018
(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 2017	93,101	1,236,081	511,000	4,017	(6,964)	442	3,011,517	4,849,194
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	–	–	–	–	–	–	241,951	241,951
Other comprehensive income	–	–	–	–	11,115	–	–	11,115
Total comprehensive income	–	–	–	–	11,115	–	241,951	253,066
Dividend approved in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	(46,540)	(46,540)
Purchase of own shares *(note 21(b))*	(20)	(719)	–	–	–	–	–	(739)
Balance at 30 June 2017	93,081	1,235,362	511,000	4,017	4,151	442	3,206,928	5,054,981
Balance at 31 December 2017 ***(Note)***	**93,081**	**1,235,362**	**511,000**	**4,017**	**19,822**	**442**	**3,436,956**	**5,300,680**
Impact on initial application of IFRS/HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**(851)**	**(851)**
Balance at 1 January 2018	**93,081**	**1,235,362**	**511,000**	**4,017**	**19,822**	**442**	**3,436,105**	**5,299,829**
Changes in equity for the six months ended 30 June 2018:								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**279,558**	**279,558**
Other comprehensive income	**–**	**–**	**–**	**–**	**(5,243)**	**–**	**–**	**(5,243)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(5,243)**	**–**	**279,558**	**274,315**
Dividend approved in respect of the previous year ***(note 7(b))***	**–**	**–**	**–**	**–**	**–**	**–**	**(97,735)**	**(97,735)**
Balance at 30 June 2018	**93,081**	**1,235,362**	**511,000**	**4,017**	**14,579**	**442**	**3,617,928**	**5,476,409**

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 18 to 38 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2018 $'000	2017 $'000
Operating activities			
Cash generated from operations		**339,197**	247,474
Overseas tax paid		**(10,542)**	(2,157)
Net cash generated from operating activities		**328,655**	245,317
Investing activities			
Payment for purchase of property, plant and equipment		**(366,254)**	(158,004)
Proceeds from disposal of property, plant and equipment		**–**	148
Payment for investment in an associate		**–**	(167,485)
(Increase)/decrease in bank deposits with original maturity beyond 3 months		**(161,616)**	153,930
Other cash flows arising from investing activities		**12,913**	3,633
Net cash used in investing activities		**(514,957)**	(167,778)
Financing activities			
Dividend paid to equity shareholders of the company		**(97,735)**	(46,540)
Proceeds from bank borrowings		**837,704**	49,140
Repayment of bank borrowings		**(421,200)**	–
Payment for repurchase of shares		**–**	(739)
Other cash flows arising from financing activities		**(15,418)**	(6,429)
Net cash generated from/(used in) financing activities		**303,351**	(4,568)
Net increase in cash and cash equivalents		**117,049**	72,971
Cash and cash equivalents at 1 January	18	**531,253**	253,553
Effect of foreign exchange rates changes		**(551)**	629
Cash and cash equivalents at 30 June	18	**647,751**	327,153

The notes on pages 18 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the Group's interests in an associate and joint venture 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 20 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 43 to 44.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2018.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent new HKFRSs and amendments to HKFRSs, consequently issued by the HKICPA, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

Of these, the following developments are relevant to the Group's financial statements:

- IFRS/HKFRS 9, *Financial instruments*
- IFRS/HKFRS 15, *Revenue from contracts with customers*
- IFRIC/HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by IFRS/HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b).

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS/HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated for IFRS/HKFRS 9 initial application.

Further details of these changes are set out in sub-section (b) of this note.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments*

IFRS/HKFRS 9 replaces IAS/HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS/HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS/HKAS 39.

The following table summarises the impact of transition to IFRS/HKFRS 9 on retained earnings and reserves at 1 January 2018.

	$'000
Retained earnings	
Recognition of additional expected credit losses on:	
– trade receivables, net of tax	(851)
Net decrease in retained earnings at 1 January 2018	(851)

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS/HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS/HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS/HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The Group has not elected the designation option to irrevocably designate the equity investment designated as financial asset at FVPL under IAS/HKAS 39 as financial asset at FVOCI (non-recycling) on transition to IFRS/HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses

IFRS/HKFRS 9 replaces the "incurred loss" model in IAS/HKAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS/HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity beyond 3 months, trade receivables, other receivables and loan receivables).

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs net of tax for trade receivables amounting to $851,000, which decreased retained earnings by $851,000 at 1 January 2018.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS/HKFRS 9, *Financial instruments* (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS/HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to the comparative period has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS/HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS/HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS/HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held.

  - If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS/HKFRS 15, *Revenue from contracts with customers*

IFRS/HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS/HKFRS 15 replaces IAS/HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS/HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The adoption of IFRS/HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(d) IFRIC/HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC/HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

3. SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the six months ended 30 June 2018 and 2017 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Geographical information

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

The Group is domiciled in Hong Kong. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the geographical revenue information is presented at regional level. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the six months ended 30 June 2018 are $61,482,000, $163,964,000, $302,075,000, and $95,822,000 respectively (six months ended 30 June 2017: $64,153,000, $145,999,000, $282,416,000, and $106,313,000 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	
	2018	2017
	$'000	$'000
(a) Other net income		
Interest income on bank deposits	**17,680**	5,144
Other interest income	**2,862**	120
Foreign currency exchange gain/(loss)	**329**	(812)
Rental income in respect of properties less direct outgoing expenses of $48,000 (2017: $45,000)	**731**	624
Insurance compensation*	**128,700**	–
Other	**2,753**	500
	153,055	5,576

* This represented estimated insurance compensation for an impaired satellite under its insurance policy, actual amount of compensation subject to confirmation with insurers. The estimated insurance compensation was recognised in other receivables.

	Six months ended 30 June	
	2018	2017
	$'000	$'000
(b) Finance costs		
Interest on bank borrowings	**25,809**	6,429
Other borrowing costs	**916**	465
	26,725	6,894
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	**(26,725)**	(6,894)
	–	–

* The borrowing costs have been capitalised at a rate of 2.49% – 3.77% per annum (six months ended 30 June 2017: 1.53% – 2.55% per annum)

5. PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2018	2017
		(Note)
	$'000	$'000
(c) Other items		
Depreciation	**195,501**	199,767
Loss on disposal of property, plant and equipment	**104**	181
Impairment loss on trade and other receivables (reversed)/recognised	**(1,704)**	6,378

Note: The Group has initially applied IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

6. INCOME TAX

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**17,896**	31,293
Current tax – Outside Hong Kong		
Provision for the period	**9,079**	8,445
Over-provision in respect of prior periods	**(127)**	(136)
	8,952	8,309
Deferred taxation – Hong Kong	**27,151**	18,211
Actual tax expense	**53,999**	57,813

6. INCOME TAX (CONTINUED)

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

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

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

Over-provision in respect of prior periods 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 period.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2017: 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	
	2018	2017
	$'000	$'000
Interim dividend declared after the end of the reporting period of 4.00 cents (2017: 3.50 cents) per ordinary share	**37,232**	32,578

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 2018.

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

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 10.50 cents (2017: 5.00 cents) per ordinary share	**97,735**	46,540

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 $279,558,000 (six months ended 30 June 2017: $241,951,000) and the weighted average of 930,809,000 ordinary shares (30 June 2017: 930,853,000 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 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired property, plant and equipment, including construction-in-progress at a total cost of $515,809,000 (six months ended 30 June 2017: $253,082,000). Items of property, plant and equipment with a net book value of $104,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: $329,000), resulting in a loss on disposal of $104,000 (six months ended 30 June 2017: $181,000).

(b) Impairment loss

During the period ended 30 June 2018, the Group conducted a review of its property, plant and equipment and determined that the recoverable amount of a satellite is estimated to be less than its carrying amount. Based on the results of the review, an impairment loss of $150,000,000 in respect of communication satellites was recognised in "impairment loss recognised in respect of property, plant and equipment". The recoverable amount of the communication satellite is estimated based on value-in-use calculation. These calculations use cash flow projections based on budget and business plan approved by management. There was no impairment loss recognised in respect of property, plant and equipment during the six months ended 30 June 2017.

10. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2018 at $11,810,000 (31 December 2017: $11,900,000) 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 $90,000 (six months ended 30 June 2017: gain of $530,000) has been recognised in the profit or loss during the six months ended 30 June 2018.

11. INTANGIBLE ASSET

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.

During the six months ended 30 June 2018 and 2017, the Group conducted a review for impairment of the intangible asset and concluded no impairment would be required.

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 PRC. 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 2018, 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 RMB300 million (equivalent to $345 million). The above associate is accounted for using the equity method in the interim financial report.

13. PREPAID EXPENSES

Prepaid expenses primarily represent the advance payments in respect 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.

	At 30 June 2018 $'000	At 31 December 2017 $'000
Non-current prepaid expenses balance at 1 January	**1,030,819**	768,897
Movements during the period/year:		
– additions	**69,564**	271,585
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	**(4,368)**	(9,663)
Non-current prepaid expenses at 30 June/31 December	**1,096,015**	1,030,819

On 23 December 2015, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, 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 six months ended 30 June 2018, additional prepaid expense of US$8,918,000 (equivalent to $69,560,000) (year ended 31 December 2017: US$34,819,000 (equivalent to $271,588,000)) was made in respect of APSTAR-5C. Total APSTAR-5C prepaid expense amounted to US$118,092,000 (equivalent to $921,118,000) as at 30 June 2018 (31 December 2017: US$109,174,000 (equivalent to $851,557,000)).

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 (see note 12) at the Group's discretion.

As at 30 June 2018, principal amount of $120,000,000 has been drawn by the subsidiary of APT Mobile (31 December 2017: $120,000,000).

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

As at 30 June 2018, the investment in the shares of an entity listed on the Stock Exchange was remeasured at a fair value of $10,624,000 (31 December 2017: $7,366,000), based on the quoted price as at the period end, with a fair value gain of $3,258,000 (six months ended 30 June 2017: loss of $11,474,000) charged to profit or loss.

16. TRADE RECEIVABLES, NET

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts), based on the invoice date, at the end of the reporting period:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Within 30 days	**72,239**	57,707
31 – 60 days	**56,727**	31,280
61 – 90 days	**52,259**	23,366
91 – 120 days	**31,959**	30,474
Over 120 days	**90,287**	61,005
	303,471	203,832

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

17. PLEDGE OF ASSETS

As at 30 June 2018, pledged bank deposits of $367,000 (31 December 2017: Nil) are related to certain commercial arrangements made during the period.

As at 30 June 2018, 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 $3,316,000 (31 December 2017: $3,375,000).

18. CASH AND CASH EQUIVALENTS

	At 30 June 2018 $'000	At 31 December 2017 $'000
Deposits with bank and other financial institutions with maturity less than 3 months	**–**	320,329
Cash at bank and on hand	**647,751**	210,924
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**647,751**	531,253

19. 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.

20. SECURED BANK BORROWINGS

	At 30 June 2018 $'000	At 31 December 2017 $'000
Secured bank borrowings (net of unamortised finance cost) are repayable as follows:		
Within one year or on demand	**674,700**	111,572
After one year but within five years	**656,228**	801,891
	1,330,928	913,463

On 14 June 2016, 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 $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 $1,014,000,000) (the "Term Loan Facility"), revolving loan facility of up to US$70,000,000 (equivalent to $546,000,000) and a facility of up to US$15,600,000 (equivalent to $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. During the period, the Group has drawn down US$92,398,000 (equivalent to $720,704,000) and repaid US$39,000,000 (equivalent to $304,200,000) against the 2016 Facility. The outstanding principal balances of the Term Loan Facility and the revolving loan facility were US$91,000,000 (equivalent to $709,800,000) (31 December 2017: US$107,602,000 (equivalent to $839,296,000)) and US$70,000,000 (equivalent to $546,000,000) (31 December 2017: Nil) respectively at 30 June 2018. 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 drawdown and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

20. SECURED BANK BORROWINGS (CONTINUED)

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 $78,000,000). On 29 August 2017, the revolving loan facility has been increased to US$25,000,000 (equivalent to $195,000,000). During the period, the Group has drawn down US$15,000,000 (equivalent to $117,000,000) and repaid US$15,000,000 (equivalent to $117,000,000) against the facility. The outstanding principal balance of the facility was US$10,000,000 (equivalent to $78,000,000) (31 December 2017: US$10,000,000 (equivalent to $78,000,000)) at 30 June 2018. The facility is repayable within one year from the date of drawdown of the facility.

The 2016 Facility is subject to the fulfillment of covenants related to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the six months ended 30 June 2018, the Group has complied with all of the above covenants.

21. SHARE CAPITAL

(a) Authorised and issued share capital

	At 30 June 2018		At 31 December 2017	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Authorised:				
Ordinary shares of $0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January	**930,809**	**93,081**	931,009	93,101
Shares repurchased *(note 21(b))*	**–**	**–**	(200)	(20)
At 30 June/31 December	**930,809**	**93,081**	930,809	93,081

(b) Purchase of own shares

During the year ended 31 December 2017, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** $	**Lowest price paid per share** $	**Aggregate price paid** $'000
January 2017	200,000	3.68	3.67	739
				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.

22. 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 2018			At 31 December 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Investment properties *(note 10)*	**–**	**–**	**11,810**	–	–	11,900
Financial assets measured at fair value through profit or loss *(note 15)*	**10,624**	**–**	**–**	7,366	–	–

During the six months ended 30 June 2018 and year ended 31 December 2017, 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 2018 and 31 December 2017.

23. CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 20). The extent of such banking facilities utilised by APT HK at 30 June 2018 amounted to $1,333,800,000 (31 December 2017: $917,296,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 17.

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 the case by filing the motion to dismiss to the court and other supporting documents since June 2017. As of 30 June 2018, this case is pending for decision of the court.

24. COMMITMENTS

(a) Capital commitments

At 30 June 2018, the Group had the following outstanding capital commitments not provided for at the end of the reporting period:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Contracted for	**390,731**	912,969
Authorised but not contracted for	**194,667**	194,667
	585,398	1,107,636

24. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings, and equipments $'000	Satellite transponders capacity $'000	Total $'000
At 30 June 2018			
Within one year	**586**	**3,257**	**3,843**
After one year but within five years	**1,133**	**4,228**	**5,361**
	1,719	**7,485**	**9,204**
At 31 December 2017			
Within one year	224	3,257	3,481
After one year but within five years	63	5,856	5,919
	287	9,113	9,400

25. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018 **$'000**	2017 $'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**88,308**	76,642
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**15,045**	21,413
Income from a subsidiary of an associate of the Company for loan provided *(note (ii))*	**2,827**	–
Income from a subsidiary of an associate of the Company for training services *(note (iii))*	**654**	–
Income from an associate of the Company for technical support and project management services *(note (iv))*	**16,847**	–
Management fees paid to a fellow subsidiary *(note (v))*	**(376)**	(196)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (vi))*	**(22,565)**	(16,316)

Notes:

(i) The terms and conditions of these transponder capacity utilisation agreements are similar to those contracted with other customers of the Group.

(ii) Interest income from a subsidiary of an associate for loan borrowed during the period.

(iii) Proceeds from a subsidiary of an associate for training services provided during the period.

(iv) Proceeds from an associate for technical support and project management services provided during the period.

(v) Management fees were paid to a fellow subsidiary for services received during the period.

(vi) Transponder capacity services cost was paid to a fellow subsidiary of the Company for services received during the period.

26. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the directors declared an interim dividend of $37,232,000. Further details are disclosed in note 7.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, according to the register of interests in shares and short positions kept by the Company under Section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	508,950,000	54.67
China Satellite Communications Company Limited	2	495,450,000	53.22
APT Satellite International Company Limited	3	481,950,000	51.78
Temasek Holdings (Private) Limited	4	51,300,000	5.51
Singapore Telecommunications Limited	4	51,300,000	5.51
Singasat Private Limited	4	51,300,000	5.51
International Value Advisers, LLC		59,951,000	6.44

Notes:

1. China Aerospace Science & Technology Corporation ("CASC") was deemed to be interested in the shares of the Company by virtue of:

   (a) CASC holds (i) 99.8% interest in China Satellite Communications Company Limited ("China Satcom"), which in turn holds 42.86% interest in APT Satellite International Company Limited ("APT International") and (ii) 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interest) of the Company;

   (b) CASC holds 100% interest directly in China Great Wall Industry Corporation, which in turn indirectly holds 14.29% interest in APT International; and

   (c) CASC directly holds 13,500,000 shares (approximately 1.45% interest) of the Company.

2. China Satcom was deemed to be interested in the shares of the Company by virtue of:

   (a) China Satcom holds 42.86% interest in APT International; and

   (b) China Satcom holds 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interest) of the Company.

3. APT International directly holds 481,950,000 shares (approximately 51.78% interest) of the Company.

4. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its interest through its controlled corporation (being Temasek's 54.39% shareholding in Singapore Telecommunications Limited ("Singtel"), which was deemed to be interested in the shares of the Company by virtue of Singtel's 100% shareholding in Singasat Private Limited). Singasat Private Limited holds 28.57% interest in APT International and directly holds 51,300,000 shares (approximately 5.51% interest) of the Company.

Save as disclosed above, as at 30 June 2018, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2018, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO are as follows:

Name of Director and Chief Executive	Nature of interests	Number of shares held	Number of share options
Meng Xingguo ("Dr. Meng")	Personal	438,000[1]	–

Note:

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

Save as disclosed above, as at 30 June 2018, none of the Directors or the Chief Executives of the Company had or was interested, or was deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Appendix 10 of the Listing Rules.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Since the date of the Annual Report 2017 of the Company or, as the case may be, the date of announcement for the change of director issued by the Company subsequent to the date of the Annual Report 2017, there is no other information required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2018, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

A4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-laws of the Company; and

A4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company maintain its consistency of making business decisions.

MODEL CODE

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

Having made specific enquiry of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from 1 January 2018 to 30 June 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 20 August 2018, 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 2018, 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 Liguo and Dr. Meng Xingguo.

KPMG

REVIEW REPORT

To the Board of Directors of APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 38 which comprises the consolidated statement of financial position of APT Satellite Holdings Limited (the "Company") as of 30 June 2018 and the related consolidated statement of profit or loss, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standard Board ("IAS 34") or Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"), depending on whether the issuer's annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs") respectively. As the annual financial statements of the Company are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial report in accordance with both IAS 34 and HKAS 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting" or Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
20 August 2018