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2016 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

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 2016, the Group's revenue amounted to HK\$603,467,000 (six months ended 30 June 2015: HK\$597,927,000), representing 0.9% increase as compared with corresponding period in the previous financial year. Profit attributable to equity shareholders amounted to HK\$242,120,000 (six months ended 30 June 2015: HK\$285,244,000) representing 15.1% decrease as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were HK25.96 cents (six months ended 30 June 2015: HK30.58 cents).

For the first half year of 2016, the Group's satellites maintained relatively high utilisation rates. The Group recorded a slight increase in revenue during the first half year. However, due to oversupply of transponders in the market, the Group continued to sustain transponder price downward pressure. The increased depreciation of the Group's new satellite also led to a decrease in profit attributable to equity shareholders.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.50 cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK3.50 cents). The details of interim dividend of the Group are set out in note 6 of this announcement.

The interim dividend will be paid on or about Thursday, 20 October 2016 to shareholders whose names appear on the register of members at the close of business on Monday, 3 October 2016.

* *For identification purpose only*

BUSINESS REVIEW

In-Orbit Satellites

During the first half year of 2016, 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 2016, the total transponder utilisation rate of the Group's satellites was 67.5% representing an increase of 1.6 percentage points as compared with the total transponder utilisation rate at the end of 2015.

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 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 Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group holds 20 C-band transponders and 9 Ku-band transponders of this satellite. As at 30 June 2016, the utilisation rate of APSTAR-5 was 74.6%. 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. As at 30 June 2016, the utilisation rate of APSTAR-6 was 78.1%. 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 up to 75% of the World's population in Asia Pacific region, Middle East, Africa and Europe. As at 30 June 2016, the utilisation rate of APSTAR-7 was 65.1%.

APSTAR-7B Satellite

APSTAR-7B (ChinaSat 12) is positioned at 87.5 degree East geostationary orbital slot. The Group may lease certain transponder capacities of APSTAR-7B from China Satellite Communications Company Limited. Its footprints cover Asia Pacific region, Middle East and Africa.

APSTAR-9 Satellite

APSTAR-9 was successfully launched on 17 October 2015 and positioned at 142 degree East geostationary orbital slot. APSTAR-9 is the replacement satellite of APSTAR-9A. APSTAR-9 is a high power geostationary communication satellite based on DFH-4 series platform, with 32 C-band transponders and 14 Ku-band transponders. As at 30 June 2016, the utilisation rate of APSTAR-9 was 56.1%.

Future Satellites

APSTAR-5C Satellite

On 23 December 2015, APT Satellite Company Limited (“APT HK”), a wholly-owned subsidiary of the Group, entered into a Satellite Transponder Agreement with Telesat International Limited, a wholly-owned subsidiary of Telesat Canada, in relation to the whole lifetime leasing of approximately 36.204 transponders representing approximately 57.47% of the total transponders capacities on APSTAR-5C.

APSTAR-5C is the replacement satellite for APSTAR-5. It is important for the Group to develop and launch APSTAR-5C, in replacing the in orbit satellite APSTAR-5, and for sustaining reliable services to existing APSTAR-5 customers. APSTAR-5C, which is scheduled to be launched in the first quarter of 2018, will carry additional transponder in expanded coverages, including regional high throughput capacities to satisfy future market demand so as to maintain the competitive edge of the Group.

APSTAR-6C Satellite

On 17 October 2015, APT HK, a wholly-owned subsidiary of the Group, entered into a Satellite Contract with China Great Wall Industry (Hong Kong) Corp. Limited, a wholly-owned subsidiary of China Great Wall Industry Corporation, in relation to the manufacturing, delivery and launching of APSTAR-6C. The satellite, which is based on a DFH-4 series platform having 26 C-band transponders, 19 Ku-band/Ka-band transponders, is a high power geostationary communications satellite. APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the first quarter of 2018 for in-orbit delivery.

APSTAR-6D Satellite

The Group has been actively looking for opportunities to improve the Group’s market competitiveness. On 23 July 2016 and 12 August 2016, the Group entered into an investors’ agreement and supplemental agreement with the Chinese investors to jointly develop the high-throughput satellite business in Asia Pacific region and Mainland China. The Group will invest RMB600 million in the project, which represents 30% interest in the joint venture. This satellite project is the first milestone of China’s high-throughput broadband satellite communication system, laying a solid foundation for the Group’s future development. APSTAR-6D will be positioned at 134 degree East geostationary orbital slot, and co-located with APSTAR-6C. APSTAR-6D is scheduled to be launched at the end of 2018 or in the first quarter of 2019.

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

Transponder Lease Services

During the first half year of 2016, amid the fierce market competition and price downward pressure due to oversupply situation in global satellite transponder market has resulted in the significant pressure in the transponder utilisation rate. As at 30 June 2016, the Group's satellites overall average transponder utilisation rate achieved 67.5% representing an increase of 1.6 percentage points, however, the revenue of core business only achieved an increase of 0.6%. The Group has maintained satisfactorily high utilisation rates which ensure promising contribution for continuous profitability. As the time of commercial operation of APSTAR-9 accumulates, the new member of the APSTAR Satellite will remarkably enhance the Group's customer-base and market outreach in the Asia Pacific region.

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 of Hong Kong 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 services, satellite-based external telecommunication services, facilities management services, satellite telecommunication and satellite television uplink services and data centre services to achieve excellent synergic effects.

BUSINESS PROSPECTS

Looking forward to the whole year of 2016, the oversupply situation of transponder market will continue in the Asia Pacific region, Middle East and African region. The market competition of the satellite industry will continue to be fierce and subject to substantial price downward pressure. Nevertheless, the transponder utilisation rates of the Group's satellites, APSTAR-5, APSTAR-6 and APSTAR-7, as the premium satellite resources and the hot bird satellites, will continue to be at satisfactorily high level. Meanwhile, as the time of commercial operation of APSTAR-9 accumulates, the utilisation rate of APSTAR-9 will gradually go up and become one of the major growth potential of the Group, which will further strengthen the Group's ability of sustained growth and room for business development.

FINANCE

As at 30 June 2016, 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; 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.

FINANCIAL REVIEW

As at 30 June 2016, the Group's financial position remains very strong. The table below sets out the financial performance for the period ended 30 June 2016 and 30 June 2015:

	Financial Highlights		
	Six months ended 30 June		
	2016	2015	Change
HK\$'000	HK\$'000		
Revenue	603,467	597,927	+0.9%
Gross profit	357,413	366,260	-2.4%
Profit before taxation	297,092	340,947	-12.9%
Profit attributable to shareholders	242,120	285,244	-15.1%
Basic earnings per share (<i>HK cents</i>)	25.96	30.58	-15.1%
EBITDA (<i>note 1</i>)	499,159	457,916	+9.0%
EBITDA Margin (%)	82.7%	76.6%	+6.1%
	At	At	
	30 June	31 December	
	2016	2015	
	HK\$'000	HK\$'000	Change
Total cash and bank balance	877,217	1,253,155	-30.0%
Total assets	6,064,303	6,141,254	-1.3%
Total liabilities	1,418,715	1,690,889	-16.1%
Net assets per share (<i>HK\$</i>)	4.98	4.77	+4.4%
Gearing ratio (%)	23.4%	27.5%	-4.1%
Liquidity ratio	4.97 times	3.28 times	+1.69 times

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

Revenue

	Six months ended 30 June		Change
	2016	2015	
	HK\$'000	HK\$'000	
Income from provision of satellite transponder capacity and related services	584,577	580,818	+0.6%
Income from provision of satellite-based broadcasting and telecommunications services	9,749	13,499	-27.8%
Service income	9,141	3,610	>100%
Total	<u>603,467</u>	<u>597,927</u>	<u>+0.9%</u>

For the first half year of 2016, the Group's revenue amounted to HK\$603,467,000 (six months ended 30 June 2015: HK\$597,927,000), representing 0.9% increase as compared with corresponding period in the previous financial year. The decrease in gross profit was mainly due to the increase in depreciation costs and in-orbit insurance of APSTAR-9 since the commercial operation from December 2015. The profit attributable to shareholders decreased by 15.1% to HK\$242,120,000. The decrease was mainly due to the recognition of loss on changes in fair value of financial instruments of HK\$4,249,000 as compared with gain on changes in fair value of financial instruments of HK\$14,729,000 in the same period of last year.

Other net income

	Six months ended 30 June		Change
	2016	2015	
	HK\$'000	HK\$'000	
Interest income on bank deposits and other interest income	8,096	21,921	-63.1%
Foreign currencies exchange loss	(5,030)	(1,634)	> 100%
Rental income in respect of properties	619	497	+24.5%
Other service income	1,722	1,851	-7.0%
Gain on disposal of investment	-	1,461	-100%
Other income	1,323	261	>100%
Reversal of impairment loss on trade and other receivable recognised	5,331	1,698	>100%
Total	<u>12,061</u>	<u>26,055</u>	<u>-53.7%</u>

Total other net income for the period ended 30 June 2016 decreased by 53.7% to HK\$12,061,000. The decrease was mainly because the Group has early repaid the outstanding bank loan with regards to the bank facility in 2010 of US\$92,000,000 during the period ended 30 June 2016, resulting in the decrease of interest income on bank deposits and other interest income from HK\$21,921,000 in period ended 30 June 2015 to HK\$8,096,000 in period ended 30 June 2016.

Finance costs

Finance costs for the period ended 30 June 2016 decreased to HK\$9,286,000, as compared to finance costs of HK\$9,763,000 for the same period of last year. The decrease was primarily due to the decrease in borrowing amount after repayment of bank loan.

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

Based on the market price as at 30 June 2016, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$35,413,000, with fair value loss of HK\$4,249,000 recognised in profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 13 of this announcement.

Income tax

Income tax expenses for the period ended 30 June 2016 decreased to HK\$54,972,000, as compared to HK\$55,703,000 for the same period of last year. The decrease was mainly due to the decrease in deferred taxation in the current period. The details of income tax of the Group are set out in note 5 of this announcement.

EBITDA

As a result of the increase in revenue, EBITDA for the period ended 30 June 2016 increased by 9.0% to HK\$499,159,000, with the margin increased from 76.6% to 82.7%.

Trade Receivables

The Group's trade receivables balance amounting to HK\$223,398,000 as at 30 June 2016, of which HK\$146,950,000 are in the current to 30 days category, representing 65.8% of the total trade receivables based on invoice due date. Increase in trade receivables due to slower payments from certain major customers.

One of the five major customers has outstanding balance representing 32.0% of the total trade receivables, due to the policy adjustment in Mainland China for collecting VAT in lieu of business tax, resulting in the delay of payment, with a good credit history of this customer, the balance is considered fully recoverable.

Except for transponder lease contracts which are related to government tender projects, the Group's trading terms with its customers are mainly payment in advance and a one to three months deposit is normally required. As at 30 June 2016, the Group's deposits received amounting to HK\$79,916,000.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group maintains control over its outstanding receivables. Overdue balances are reviewed regularly and processes are in place to ensure balances are collected.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK\$216,125,000 (six months ended 30 June 2015: HK\$337,558,000). The capital expenditure was mainly for the payments for the progress payments for APSTAR-6C and other equipments. The above capital expenditures were financed by internally-generated funds and borrowings from banks.

The Group entered into a term loan facility (the "2010 Facility") with a syndicate of banks led by Bank of China (Hong Kong) Limited in 2010. The 2010 Facility, up to a maximum loan amount of US\$200,000,000, was applied to finance APSTAR-7 including its construction, launch costs and their related constructions and insurance premium. The 2010 Facility is secured by the assignment of the construction, launching and related equipment contracts relating to APSTAR-7 and the termination payments under construction, the insurance claim proceeds relating to APSTAR-5 and APSTAR-7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR-5 and APSTAR-7 and first fixed charge over certain bank accounts which hold receipts of the transponder income. During the period, the Group has repaid all of the outstanding principal balance amounting US\$92,000,000 (approximately HK\$717,600,000) against the 2010 Facility. The outstanding principal balance of the 2010 Facility was Nil at 30 June 2016.

On 14 June 2016, the Group entered into a new facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate amount of US\$215,600,000 (the "2016 Facility"), under which there are term loan facilities of up to US\$130,000,000 (the "Term Loan Facility"), revolving loan facility of up to US\$70,000,000 and a facility of up to US\$15,600,000 on certain commercial arrangements. The 2016 Facility is 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 proceed relating to APSTAR-6C. The Term Loan Facility is repayable by way of seven semi-annual installments commencing from the 24 months after the date of first drawdown of the Term Loan Facility. At 30 June 2016, US\$59,302,000 (approximately HK\$462,556,000) has been drawn down against the Term Loan Facility.

As at 30 June 2016, the total borrowings (net of unamortised finance cost) amounted to approximately HK\$456,895,000 (31 December 2015: approximately HK\$714,757,000). The Group recorded a decrease of approximately HK\$257,862,000 in the total borrowings during the period ended 30 June 2016, which were due to the decrease of borrowing amount after the repayment of part of the 2010 Facility.

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

Term of repayment	<i>HK\$</i>
Repayable within one year or on demand	–
Repayable after one year but within five years	456,895,000
	<u>456,895,000</u>

As at 30 June 2016, the Group's total liabilities were HK\$1,418,715,000, a decrease of HK\$272,174,000 as compared to 31 December 2015, mainly due to the repayment of bank loan with regards to the 2010 Facility. As a result, the gearing ratio (total liabilities/total assets) has decreased to 23.4%, representing a 4.1 percentage points decrease as compared to 31 December 2015.

For the period ended 30 June 2016, the Group recorded a net cash outflow of HK\$167,550,000 (six months ended 30 June 2015: HK\$323,693,000) which included net cash inflow of HK\$120,222,000 generated from operating activities and HK\$26,435,000 generated from investing activities. This was offset by net cash outflow of HK\$314,207,000 used in financing activities. The cash flow used in financing activities consisted of HK\$717,600,000 for repayment of the 2010 Facility.

As at 30 June 2016, the Group has approximately HK\$877,217,000 of cash and bank deposits, 88.3% of which were denominated in United States Dollar, 11.0% in Renminbi and 0.7% in Hong Kong Dollar and other currencies which comprising HK\$407,228,000 cash and cash equivalents, HK\$468,000,000 bank deposits with original maturity beyond 3 months and HK\$1,989,000 pledged bank deposits. Together with cash flow 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 depreciated against the Hong Kong Dollar during the period ended 30 June 2016.

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 period.

Charges on group assets

At 30 June 2016, the pledged bank deposits of HK\$1,989,000 (31 December 2015: HK\$15,672,000) are related to certain commercial arrangements made during the period. All pledged deposits with regards to the 2010 Facility were discharged by bank as at 30 June 2016.

As at 30 June 2016, 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\$3,549,000 (31 December 2015: HK\$3,607,000).

Capital commitments

As at 30 June 2016, the Group has outstanding capital commitments mainly related to APSTAR-5C and APSTAR-6C which is not provided for in the Group's financial statements. Among which HK\$194,667,000 (31 December 2015: HK\$235,019,000) commitments were authorised but not contracted for and HK\$1,882,860,000 (31 December 2015: HK\$2,211,612,000) 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 an interim dividend. Further details are disclosed in note 20 of this announcement.

In addition, on 23 July 2016, the Group entered into an Investors' Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin, and subsequently on 12 August 2016 a Supplemental Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang, Mr. Pang Lixin, China Aerospace Investment, Guohua Junmin, HNA EcoTech and Shenzhen Capital for the establishment of a joint venture company, namely APT Mobile SatCom Limited (the "Joint Venture"), established in Shenzhen, Guangdong Province of the PRC. The total registered capital of the Joint Venture will be RMB2,000 million, of which the Group will contribute RMB600 million, representing 30% of the equity interest in the Joint Venture. Details of which can be referred to in the announcement of the Company on 23 July 2016 and on 14 August 2016.

FINANCIAL HIGHLIGHTS

Unaudited consolidated statement of profit or loss

for the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2016 \$'000	2015 \$'000
Revenue	3	603,467	597,927
Cost of services		(246,054)	(231,667)
Gross profit		357,413	366,260
Other net income	4(a)	12,061	26,055
Valuation (loss)/gain on investment properties	9	(310)	133
Administrative expenses		(58,537)	(56,467)
Profit from operations		310,627	335,981
Fair value changes on financial instrument designated at fair value through profit or loss	13	(4,249)	14,729
Finance costs	4(b)	(9,286)	(9,763)
Profit before taxation	4	297,092	340,947
Income tax	5	(54,972)	(55,703)
Profit for the period and attributable to equity shareholders of the Company		242,120	285,244
Earnings per share	7		
Basic and diluted		25.96 cents	30.58 cents

Unaudited consolidated statement of comprehensive income
for the six months ended 30 June 2016
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Profit for the period	242,120	285,244
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss		
Surplus on revaluation of property, plant and equipment transferred to investment property	—	3,649
	—	3,649
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	(261)	(4)
	(261)	(4)
Other comprehensive income for the period	(261)	3,645
Total comprehensive income for the period	241,859	288,889

Unaudited consolidated statement of financial position
at 30 June 2016
(Expressed in Hong Kong dollars)

		At 30 June 2016 \$'000	At 31 December 2015 \$'000
Non-current assets			
Property, plant and equipment	8	4,300,027	4,284,194
Investment properties	9	10,907	11,217
Intangible asset	10	133,585	133,585
Interests in joint ventures		490	491
Club memberships		380	380
Prepaid expenses	12	447,285	247,941
Deferred tax assets		670	393
		<u>4,893,344</u>	<u>4,678,201</u>
Current assets			
Financial assets at fair value through profit or loss	13	35,413	39,662
Loan receivable	11	–	24,180
Trade receivables, net	14	223,398	96,321
Deposits, prepayments and other receivables	12	34,931	49,735
Pledged bank deposits	15	1,989	15,672
Bank deposits with original maturity beyond 3 months		468,000	656,612
Cash and cash equivalents		407,228	580,871
		<u>1,170,959</u>	<u>1,463,053</u>
Current liabilities			
Payables and accrued charges	16	91,915	132,580
Rentals received in advance		96,541	101,231
Dividend payable		–	473
Secured bank borrowings due within one year	17	–	170,533
Current taxation		46,963	40,641
		<u>235,419</u>	<u>445,458</u>

		At 30 June 2016 \$'000	At 31 December 2015 \$'000
Net current assets		<u>935,540</u>	<u>1,017,595</u>
Total assets less current liabilities		<u>5,828,884</u>	<u>5,695,796</u>
Non-current liabilities			
Secured bank borrowings due after one year	17	456,895	544,224
Deposits received		79,916	79,346
Deferred income		81,997	104,705
Deferred tax liabilities		<u>564,488</u>	<u>517,156</u>
		<u>1,183,296</u>	<u>1,245,431</u>
Net assets		<u><u>4,645,588</u></u>	<u><u>4,450,365</u></u>
Capital and reserves			
Share capital	18	93,271	93,271
Share premium		1,242,722	1,242,722
Contributed surplus		511,000	511,000
Revaluation reserve		4,017	4,017
Exchange reserve		1,462	1,723
Other reserves		442	442
Accumulated profits		<u>2,792,674</u>	<u>2,597,190</u>
Total equity		<u><u>4,645,588</u></u>	<u><u>4,450,365</u></u>

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2016
(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 2015	62,181	1,273,812	511,000	368	2,169	442	2,159,530	4,009,502
Changes in equity for the six months ended 30 June 2015:								
Profit for the period	-	-	-	-	-	-	285,244	285,244
Other comprehensive income	-	-	-	3,649	(4)	-	-	3,645
Total comprehensive income	-	-	-	3,649	(4)	-	285,244	288,889
Bonus issue (<i>note 18(b)</i>)	31,090	(31,090)	-	-	-	-	-	-
Dividend approved in respect of the previous year (<i>note 6(b)</i>)	-	-	-	-	-	-	(43,526)	(43,526)
Balance at 30 June 2015	<u>93,271</u>	<u>1,242,722</u>	<u>511,000</u>	<u>4,017</u>	<u>2,165</u>	<u>442</u>	<u>2,401,248</u>	<u>4,254,865</u>
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 the six months ended 30 June 2016:								
Profit for the period	-	-	-	-	-	-	242,120	242,120
Other comprehensive income	-	-	-	-	(261)	-	-	(261)
Total comprehensive income	-	-	-	-	(261)	-	242,120	241,859
Dividend approved in respect of the previous year (<i>note 6(b)</i>)	-	-	-	-	-	-	(46,636)	(46,636)
Balance at 30 June 2016	<u>93,271</u>	<u>1,242,722</u>	<u>511,000</u>	<u>4,017</u>	<u>1,462</u>	<u>442</u>	<u>2,792,674</u>	<u>4,645,588</u>

(Expressed in Hong Kong dollars)

Notes:

1 BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months period ended 30 June 2016 but are extracted from that report.

The interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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. The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2016.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent 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.

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2016 and 2015 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. 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 2016 are \$65,268,000, \$155,448,000, \$275,724,000 and \$107,027,000 respectively (six months ended 30 June 2015: \$54,682,000, \$147,790,000, \$255,171,000 and \$140,284,000 respectively).

5 INCOME TAX

	Six months ended	
	30 June	
	2016	2015
	\$'000	\$'000
Current tax – Outside Hong Kong		
Provision for the period	9,164	9,466
Over-provision in respect of prior years	(1,247)	(3,097)
	<u>7,917</u>	<u>6,369</u>
Deferred taxation – Hong Kong	47,055	49,334
	<u>54,972</u>	<u>55,703</u>

No provision has been made for Hong Kong Profits Tax as the Company and its subsidiaries either has tax losses available to offset current period assessable profits or has no estimated assessable profits for the period.

Taxation outside Hong Kong includes profits tax and withholding tax paid or payable in respect of the Group's income from 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 period.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated temporary differences for the period.

6 DIVIDENDS

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

	Six months ended	
	30 June	
	2016	2015
	\$'000	\$'000
Interim dividend declared after the end of the reporting period of 3.50 cents (2015: 3.50 cents) per ordinary share	<u>32,645</u>	<u>32,645</u>

As the interim dividend is declared after the end of the reporting period, such dividend has not been recognised as a liability as at 30 June 2016.

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

	Six months ended	
	30 June	
	2016	2015
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 5.00 cents (2015: 4.67 cents) per ordinary share	46,636	43,526

7 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$242,120,000 (six months ended 30 June 2015: \$285,244,000) and the weighted average of 932,711,000 ordinary shares (30 June 2015: 932,711,000 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 2016 and 2015.

8 PROPERTY, PLANT AND EQUIPMENT

(a) **Acquisitions and disposals**

During the six months ended 30 June 2016, the Group acquired property, plant and equipment, including construction-in-progress at a total cost of \$216,125,000 (six months ended 30 June 2015: \$337,558,000). Items of property, plant and equipment with a net book value of \$58,000 were disposed during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil), resulting in a loss on disposal of \$58,000 (six months ended 30 June 2015: Nil).

(b) **Impairment loss**

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2016 and 2015. There was no indication of impairment identified during the review.

9 INVESTMENT PROPERTIES

In prior years, a property of the Group was held for office purpose and classified as property, plant and equipment. During the period ended 30 June 2015, the directors changed the use of this property from office purpose to rental purpose. Accordingly, this property with carrying value of \$2,056,000 has been transferred from property, plant and equipment to investment properties. The fair value of this property was \$5,705,000 at the date of reclassification.

The investment properties were revalued at 30 June 2016 at \$10,907,000 (31 December 2015: \$11,217,000) 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 \$310,000 (six months ended 30 June 2015: gain of \$133,000) has been recognised in the profit or loss during the six months ended 30 June 2016.

10 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 2016 and 2015, the Group conducted a review for impairment of the intangible asset and concluded no impairment would be required.

11 LOAN RECEIVABLE

Loan receivable of Nil (31 December 2015: \$24,180,000) from a third party is unsecured and interest bearing at London Inter Bank Offered Rate plus 5% per annum.

12 PREPAID EXPENSES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Prepaid expenses 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.

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Prepaid expenses balance at 31 December	247,941	110,926
Add: additions	204,492	147,311
Less: current portion (included in deposits, prepayments and other receivables under current assets)	(5,148)	(10,296)
Prepaid expenses non-current portion	<u>447,285</u>	<u>247,941</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 is the replacement satellite for APSTAR-5 which is currently under construction. Prepayment of US\$32,501,000 (equivalent to \$253,507,000) was recognised as at 30 June 2016 (31 December 2015: US\$11,286,000 (equivalent to \$88,030,000)) in relation to such agreement.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2016, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$35,413,000 (31 December 2015: \$39,662,000), based on the market price as at the period end, with a fair value loss of \$4,249,000 (six months ended 30 June 2015: gain of \$14,729,000) charged to profit or loss.

14 TRADE RECEIVABLES, NET

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:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 30 days	69,000	41,691
31 – 60 days	27,837	14,911
61 – 90 days	25,105	12,589
91 – 120 days	25,847	8,764
Over 120 days	75,609	18,366
	<u>223,398</u>	<u>96,321</u>

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.

15 PLEDGE OF ASSETS

At 30 June 2016, pledged bank deposits of \$1,989,000 (31 December 2015: \$15,672,000) are primarily related to certain commercial arrangements made during the period. All pledged deposits with regards to the bank facility entered in 2010 (the “2010 Facility”) (note 17) were discharged by bank as at 30 June 2016.

At 30 June 2016, 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 \$3,549,000 (31 December 2015: \$3,607,000).

16 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.

17 SECURED BANK BORROWINGS

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Secured bank borrowings (net of unamortised finance cost) are repayable as follows:		
Within one year or on demand	–	170,533
After one year but within five years	456,895	544,224
	<u>456,895</u>	<u>714,757</u>

On 9 July 2010, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with a syndicate of banks in respect of term loan facilities not exceeding an aggregate amount of US\$200 million. The 2010 Facility is applied to finance APSTAR-7 including its construction, launch costs and their related construction costs and insurance premium. The 2010 Facility is secured by the assignment of the construction, launch and related equipment contracts relating to APSTAR-7 and the termination payments under construction, the insurance claim proceeds relating to APSTAR-5 and APSTAR-7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR-5 and APSTAR-7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income. The 2010 Facility is repayable by way of semi-annual installments over a six-year period from 1 December 2012. During the period, APT HK has repaid US\$92,000,000 (approximately \$717,600,000) in this regard. As a result, the outstanding principal balance of the 2010 Facility was Nil at 30 June 2016.

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”), under which there are term loan facilities of up to US\$130,000,000 (the “Term Loan Facility”). The 2016 Facility is 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 proceed relating to APSTAR-6C. The Term Loan Facility is repayable by way of seven semi-annual installments commencing from the 24 months after the date of first drawdown of the Term Loan Facility. At 30 June 2016, US\$59,302,000 (approximately \$462,556,000) has been drawn down against the Term Loan Facility.

The 2010 Facility and 2016 Facility are subject to the fulfillment of covenants relating 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 2016, the Group complied with all of the required covenants.

18 SHARE CAPITAL

(a) Authorised and issued share capital

	At 30 June 2016		At 31 December 2015	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	<u>2,000,000</u>	<u>200,000</u>	<u>2,000,000</u>	<u>200,000</u>
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	932,711	93,271	621,807	62,181
Bonus issue	—	—	310,904	31,090
At 30 June/31 December	<u>932,711</u>	<u>93,271</u>	<u>932,711</u>	<u>93,271</u>

(b) Bonus issue

On 27 May 2015, an amount of \$31,090,000 standing to the credit of the share premium account was applied in paying up in full 310,904,000 ordinary shares of \$0.1 each which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every two shares then held.

19 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 17). The extent of such banking facilities utilised by APT HK at 30 June 2016 amounted to \$462,556,000 (31 December 2015: \$717,600,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 15.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the directors declared an interim dividend of \$32,645,000. Further details are disclosed in note 6.

In addition, on 23 July 2016, the Group entered into an Investors' Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin, and subsequently on 12 August 2016 a Supplemental Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang, Mr. Pang Lixin, China Aerospace Investment, Guohua Junmin, HNA EcoTech and Shenzhen Capital for the establishment of a joint venture company, namely APT Mobile SatCom Limited (the "Joint Venture"), established in Shenzhen, Guangdong Province of the PRC. The total registered capital of the Joint Venture will be RMB2,000 million, of which the Group will contribute RMB600 million, representing 30% of the equity interest in the Joint Venture. Details of which can be referred to in the announcement of the Company on 23 July 2016 and on 14 August 2016.

HUMAN RESOURCES

As at 30 June 2016, the Group had 121 employees (30 June 2015: 112). The Group continues to provide on the job training to employees, which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 1 October 2016 to Monday, 3 October 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars 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 Friday, 30 September 2016.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2016, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

- A.4.1: the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-laws of the Company;
- A.4.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company maintain its consistency of making business decisions;
- A.6.7: Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Lim Kian Soon, being Non-executive Directors, Dr. Meng Xingguo, being Independent Non-executive Director, were unable to attend the Annual General Meeting held on 30 May 2016 as they were on business trips or attending important matters in overseas. However, other members of the Board including Chairman, all Executive Directors and three other Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 26 August 2016, 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 2016, and discussed auditing and internal control matters. The Audit and Risk Management Committee comprises four independent non-executive directors, Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo.

INTERIM REPORT

The unaudited financial information set out above does not constitute the Company's 2016 interim financial report for the six months ended 30 June 2016, but represents an extract from the interim financial report.

The Company's 2016 Interim Report containing information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

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

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

Hong Kong, 29 August 2016

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

Executive Directors:

Cheng Guangren (President) and Qi Liang (Vice President)

Non-Executive Directors:

Yuan Jie (Chairman), Lim Toon, Yin Yen-liang, Zhuo Chao, Fu Zhiheng, Lim Kian Soon and Tseng Ta-mon (Alternate Director to Yin Yen-liang)

Independent Non-Executive Directors:

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