APSTAR by APT Satellite

亞太衛星控股有限公司*

**APT SATELLITE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1045)

# 2016 ANNUAL RESULTS ANNOUNCEMENT

## CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

## RESULTS

### Revenue

In 2016, the Group's revenue amounted to HK$1,229,933,000 (2015: HK$1,194,411,000), representing an increase of 3.0% amounting to HK$35,522,000 as compared to 2015.

### Profit before taxation

In 2016, the Group's profit before taxation amounted to HK$607,303,000 (2015: HK$626,135,000), representing a decrease of 3.0% amounting to HK$18,832,000 as compared to 2015. Excluding the one-off other service income of HK$54,600,000 recorded in 2015, the Group's profit before taxation increased by HK$35,768,000, representing an increase of 6.3% as compared to 2015.

### Profit attributable to equity shareholders

In 2016, the Group's profit attributable to equity shareholders amounted to HK$493,608,000 (2015: HK$513,831,000), representing a decrease of 3.9% amounting to HK$20,223,000 as compared to 2015. Excluding the one-off other service income of HK$54,600,000 recorded in 2015, the Group's profit attributable to equity shareholders increased by HK$34,377,000, representing an increase of 7.5% as compared to 2015. Basic earnings per share and diluted earnings per share were HK52.92 cents (2015: HK55.09 cents).

* *For identification purpose only*

## DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK3.50 cents per ordinary share. The Board has resolved to declare a final dividend in cash of HK5.00 cents per ordinary share for the financial year ended 31 December 2016 (2015: HK5.00 cents per ordinary share). The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the "Annual General Meeting") which will be held on Thursday, 25 May 2017. The final dividend will be paid on or about Friday, 23 June 2017 to shareholders whose names appear on the register of members at the close of business on Wednesday, 7 June 2017.

## BUSINESS REVIEW

### In-Orbit Satellites

During the year, the Group's in-orbit satellites and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continue to provide reliable and high quality services to the Group's customers. As at 31 December 2016, the overall average transponder utilisation rate of the Group's satellites was 70.5%, representing an increase of 4.6 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 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 of 31 December 2016, the utilisation rate of APSTAR-5 was 80.5%. 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 of 31 December 2016, the utilisation rate of APSTAR-6 was 77.8%. 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 regions including Asia Pacific region, Middle East, Africa and Europe. As of 31 December 2016, the utilisation rate of APSTAR-7 was 67.4%.

*APSTAR-9 Satellite*

APSTAR-9 was successfully launched on 17 October 2015 and positioned at 142 degree East geostationary orbital slot. 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 of 31 December 2016, the utilisation rate of APSTAR-9 was 61.8%.

**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 half of 2018, will carry additional transponders 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 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, launching and delivery 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 half of 2018.

*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 a supplemental agreement respectively with the Chinese investors to jointly develop the high-throughput satellite business in Asia Pacific region and Mainland China. The Group committed to invest RMB600 million in the project, which represents 30% interest in the joint project. APSTAR-6D satellite is an advanced broadband satellite communication system of China and adjacent region, and will be launched in 2019.

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

## TRANSPONDER LEASE SERVICES

During 2016, facing the unfavourable market conditions of the oversupply in the global satellite transponder market and the decline in the transponder lease price, the Group actively explores new markets and new businesses. The Group continues to enrich the service contents and varieties while providing high quality services to the customers, and has achieved an outstanding performance in the growth in both transponder utilisation rate and revenue of core business. As at 31 December 2016, the overall average transponder utilisation rate of the Group's satellites was 70.5%, representing an increase of 4.6 percentage points, and the revenue of core business increased by 3.0%. 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 2017, the oversupply situation of the global transponder market will continue. The market competition of the satellite industry will be fierce and subject to price downward pressure. Nevertheless, the transponder utilisation rates of the Group's satellites, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9, as the premium satellite resources, will continue to be at satisfactorily high level, which will strengthen the Group's ability of sustained and stable growth.

## FINANCIAL REVIEW

As at 31 December 2016, the Group's financial position remains very strong. The table below sets out the financial performance for the years ended 31 December 2016 and 31 December 2015:

### Financial Highlights

| | **2016** | 2015 | |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | Changes |
| Revenue | **1,229,933** | 1,194,411 | +3.0% |
| Gross profit | **737,345** | 728,513 | +1.2% |
| Profit before taxation | **607,303** | 626,135 | -3.0% |
| Profit attributable to equity shareholders | **493,608** | 513,831 | -3.9% |
| Basic earnings per share *(HK cents)* | **52.92** | 55.09 | -3.9% |
| EBITDA *(note 1)* | **1,018,793** | 897,618 | +13.5% |
| EBITDA Margin *(%)* | **82.8%** | 75.2% | +7.6 percentage points |

| | **At 31 December** | | |
|---|---|---|---|
| | **2016** | 2015 | |
| | ***HK$'000*** | *HK$'000* | Changes |
| Total cash and bank balance | **802,982** | 1,253,155 | -35.9% |
| Total assets | **6,463,035** | 6,141,254 | +5.2% |
| Total liabilities | **1,613,841** | 1,690,889 | -4.6% |
| Net assets per share *(HK$)* | **5.20** | 4.77 | +9.0% |
| Gearing ratio *(%)* | **25.0%** | 27.5% | -2.5 percentage points |
| Liquidity ratio | **2.86 times** | 3.28 times | -0.42 times |

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

**Revenue**

| | **2016** | 2015 | |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | Changes |
| Income from provision of satellite transponder capacity and related services | **1,190,819** | 1,156,114 | +3.0% |
| Income from provision of satellite-based broadcasting and telecommunications services | **20,258** | 26,490 | –23.5% |
| Service income | **18,856** | 11,807 | +59.7% |
| Total | **1,229,933** | 1,194,411 | +3.0% |

For the year ended 31 December 2016, total revenue increased by 3.0% to HK$1,229,933,000. The growth in revenue was mainly due to the income generating from the new utilisation contracts on APSTAR-9, which entered commercial service in December 2015. This resulted in an increase in the average transponder utilisation rate of the Group's satellites as comparing to 2015. The profit attributable to equity shareholders decreased by 3.9% to HK$493,608,000. The decrease was mainly due to the recognition of loss on changes in fair value of financial instruments of HK$15,723,000 as compared with loss of HK$3,686,000 in the previous year.

**Other net income**

| | **2016** | 2015 | |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | Changes |
| Interest income on bank deposits and other interest income | **13,784** | 47,013 | –70.7% |
| Foreign currencies exchange loss | **(5,177)** | (39,552) | –86.9% |
| Rental income in respect of properties less direct outgoing expenses | **1,153** | 1,146 | +0.6% |
| Other service income | **3,993** | 58,442 | –93.2% |
| Gain on disposal of investment | **–** | 1,461 | –100% |
| Other income | **450** | 400 | +12.5% |
| Total | **14,203** | 68,910 | –79.4% |

Total other net income for the year ended 31 December 2016 decreased by 79.4% to HK$14,203,000. The decrease was mainly because during the year ended 31 December 2015, the Group received a refund of prepayment ("the Refund") from a fellow subsidiary related to the Launch Service Contract as set out in the Company's announcement dated 17 August 2012. In accordance with that Launch Service Contract, the amount of the Refund equals to the prepayment amount paid by the Group plus US$7,000,000 (equivalent to HK$54,600,000). The amount of HK$54,600,000 was recognised as other service income during the year ended 31 December 2015.

**Impairment loss in respect of property, plant and equipment**

During the year ended 31 December 2015, the Group conducted a review on its property, plant and equipment and determined that the recoverable amount of data centre equipment is estimated to be less than its carrying amount. Based on the results of the review, an impairment loss of HK$12,219,000 in respect of the data centre equipment was recognised. Based on the Group's further assessment, no further impairment loss or a reversal of impairment loss in respect of property, plant and equipment is required in 2016.

**Finance costs**

Finance costs for the year ended 31 December 2016 decreased to HK$9,283,000, as compared to finance costs of HK$18,039,000 in 2015. The decrease was primarily due to the finance costs of HK$5,010,000 capitalised for payments in respect of APSTAR-5C and APSTAR-6C during the year.

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

Based on the market price as at 31 December 2016, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$23,939,000, with fair value loss of HK$15,723,000 recognised in profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 15 of this announcement.

**Income tax**

Income tax expenses for the year ended 31 December 2016 increased to HK$113,695,000, as compared to HK$112,304,000 in 2015. The increase was mainly due to the increase in provision for Hong Kong Profits Tax for the current year. The details of income tax of the Group are set out in note 8 of this announcement.

**EBITDA**

As a result of the increase in revenue, EBITDA for the year ended 31 December 2016 increased by 13.5% to HK$1,018,793,000, with the margin increased from 75.2% to 82.8%.

## CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2016, the Group's capital expenditure incurred for property, plant and equipment was HK$511,243,000 (2015: HK$640,696,000). 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.

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 with a maximum loan amount of US$200,000,000. During the year, the Group repaid all of the outstanding principal balance amounting to US$92,000,000 (equivalent to HK$717,600,000) against the 2010 Facility. There was no outstanding principal balance of the 2010 Facility at 31 December 2016.

On 14 June 2016, the Group entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate amount of US$215,600,000 (equivalent to HK$1,681,680,000) (the "2016 Facility"). The 2016 Facility comprises three components, including term loan facilities of up to US$130,000,000 (equivalent to HK$1,014,000,000) (the "Term Loan Facility"), revolving loan facility of up to US$70,000,000 (equivalent to HK$546,000,000) and a facility of up to US$15,600,000 (equivalent to HK$121,680,000) on certain commercial arrangements. The 2016 Facility is to be applied to finance the operation of APT HK including but not limited to the repayment of its existing bank borrowings, the procurement of satellites, the launch services of the satellites and the working capital in relation to such projects. The 2016 Facility is secured by insurance claim proceeds relating to APSTAR-6C. At 31 December 2016, US$65,302,000 (equivalent to HK$509,356,000) has been drawn down against the Term Loan Facility under the 2016 Facility. The Term Loan Facility is repayable by way of seven semi-annual instalments commencing from the 24$^{th}$ month after the Term Loan Facility was first drawdown.

In addition, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US$10,000,000 (equivalent to HK$78,000,000). At 31 December 2016, US$10,000,000 (approximately HK$78,000,000) has been drawn down against the facility. The facility is repayable within one year from the date of drawdown of the facility.

As at 31 December 2016, the total borrowings (net of unamortised finance cost) amounted to approximately HK$582,241,000 (2015: approximately HK$714,757,000). The Group recorded a decrease of approximately HK$132,516,000 in the total borrowings during the year ended 31 December 2016, which were due to the decrease of borrowing amount after the full repayment of the 2010 Facility.

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

| **Term of repayment** | *HK$* |
|---|---|
| Repayable within one year or on demand | 78,000,000 |
| Repayable after one year but within five years | 504,241,000 |
| | 582,241,000 |

As at 31 December 2016, the Group's total liabilities were HK$1,613,841,000, a decrease of HK$77,048,000 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 25.0%, representing a 2.5 percentage points decrease as compared to 31 December 2015.

For the year ended 31 December 2016, the Group recorded a net cash outflow of HK$327,318,000 (2015: outflow of HK$27,959,000) which included net cash inflow of HK$430,947,000 generated from operating activities. This was offset by net cash outflow of HK$512,124,000 used in investing activities and HK$231,110,000 used in financing activities. The cash flow used in financing activities consisted of HK$717,600,000 for repayment of 2010 Facility.

As at 31 December 2016, the Group has approximately HK$802,982,000 of cash and bank balances, 97.1% of which were denominated in United States Dollar, 2.0% in Renminbi and 0.9% in Hong Kong Dollar and other currencies which comprising HK$253,553,000 cash and cash equivalents, HK$549,390,000 bank deposits with original maturity beyond 3 months and HK$39,000 pledged bank deposits. Together with cash inflow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the future years.

**Capital structure**

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

**Foreign exchange exposure**

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

**Charges on group assets**

At 31 December 2016, the pledged bank deposits of HK$39,000 (2015: HK$15,672,000) are related to certain commercial arrangements made during the year. All pledged deposits in relation to the 2010 Facility were discharged by bank as at 31 December 2016.

At 31 December 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$3,491,000 (2015: HK$3,607,000).

**Capital commitments**

As at 31 December 2016, the Group has outstanding capital commitments mainly related to APSTAR-5C, APSTAR-6C and investment in an associate which is not provided for in the Group's financial statements. Among which HK$194,667,000 (2015: HK$235,019,000) commitments were authorised but not contracted for and HK$1,780,815,000 (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 a final dividend. Further details are disclosed in note 9 of this announcement.

## FINANCIAL HIGHLIGHTS

**Consolidated statement of profit or loss**
*for the year ended 31 December 2016*
*(Expressed in Hong Kong dollars)*

| | *Note* | **2016** **$'000** | 2015 $'000 |
|---|---|---|---|
| **Revenue** | 4 | **1,229,933** | 1,194,411 |
| Cost of services | | **(492,588)** | (465,898) |
| **Gross profit** | | **737,345** | 728,513 |
| Other net income | 6 | **14,203** | 68,910 |
| Valuation loss on investment properties | | **(531)** | (238) |
| Impairment loss in respect of property, plant and equipment | | **–** | (12,219) |
| Impairment loss in respect of club memberships | | **–** | (5,157) |
| Administrative expenses | | **(118,732)** | (131,949) |
| **Profit from operations** | | **632,285** | 647,860 |
| Fair value changes on financial instrument designated at fair value through profit or loss | 15 | **(15,723)** | (3,686) |
| Finance costs | 7(a) | **(9,283)** | (18,039) |
| Share of profit of an associate | | **24** | – |
| **Profit before taxation** | 7 | **607,303** | 626,135 |
| Income tax | 8 | **(113,695)** | (112,304) |
| **Profit for the year and attributable to equity shareholders of the Company** | | **493,608** | 513,831 |
| **Earnings per share** | | | |
| Basic and diluted | 10 | **52.92 cents** | 55.09 cents |

## Consolidated statement of comprehensive income

*for the year ended 31 December 2016*
*(Expressed in Hong Kong dollars)*

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Profit for the year** | **493,608** | 513,831 |
| **Other comprehensive income for the year (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 foreign operations | **(8,687)** | (446) |
| | **(8,687)** | (446) |
| **Other comprehensive income for the year** | **(8,687)** | 3,203 |
| **Total comprehensive income for the year** | **484,921** | 517,034 |

**Consolidated statement of financial position**
*at 31 December 2016*
*(Expressed in Hong Kong dollars)*

| | Note | **2016** **$'000** | 2015 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **4,395,237** | 4,284,194 |
| Investment properties | | **10,686** | 11,217 |
| Intangible asset | 12 | **133,585** | 133,585 |
| Interests in joint ventures | | **490** | 491 |
| Interest in an associate | | **167,509** | – |
| Club memberships | | **380** | 380 |
| Prepaid expenses | 13 | **768,897** | 247,941 |
| Deferred tax assets | | **325** | 393 |
| | | **5,477,109** | 4,678,201 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 15 | **23,939** | 39,662 |
| Loan receivables | 14 | **–** | 24,180 |
| Trade receivables, net | 16 | **127,170** | 96,321 |
| Deposits, prepayments and other receivables | | **31,835** | 49,735 |
| Pledged bank deposits | | **39** | 15,672 |
| Bank deposits with original maturity beyond 3 months | | **549,390** | 656,612 |
| Cash and cash equivalents | | **253,553** | 580,871 |
| | | **985,926** | 1,463,053 |
| **Current liabilities** | | | |
| Payables and accrued charges | 17 | **105,424** | 132,580 |
| Rentals received in advance | | **99,333** | 101,231 |
| Dividend payable | | **–** | 473 |
| Secured bank borrowings due within one year | | **78,000** | 170,533 |
| Current taxation | | **61,620** | 40,641 |
| | | **344,377** | 445,458 |
| **Net current assets** | | **641,549** | 1,017,595 |
| **Total assets less current liabilities carried forward** | | **6,118,658** | 5,695,796 |

**Consolidated statement of financial position (continued)**
*at 31 December 2016*
*(Expressed in Hong Kong dollars)*

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Total assets less current liabilities brought forward** | | **6,118,658** | 5,695,796 |
| **Non-current liabilities** | | | |
| Secured bank borrowings due after one year | | **504,241** | 544,224 |
| Deposits received | | **78,619** | 79,346 |
| Deferred income | | **89,658** | 104,705 |
| Deferred tax liabilities | | **596,946** | 517,156 |
| | | **1,269,464** | 1,245,431 |
| **Net assets** | | **4,849,194** | 4,450,365 |
| **Capital and reserves** | | | |
| Share capital | 18 | **93,101** | 93,271 |
| Share premium | | **1,236,081** | 1,242,722 |
| Contributed surplus | | **511,000** | 511,000 |
| Revaluation reserve | | **4,017** | 4,017 |
| Exchange reserve | | **(6,964)** | 1,723 |
| Other reserves | | **442** | 442 |
| Accumulated profits | | **3,011,517** | 2,597,190 |
| **Total equity** | | **4,849,194** | 4,450,365 |

## Consolidated statement of changes in equity

*for the year ended 31 December 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 2015: | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 513,831 | 513,831 |
| Other comprehensive income | – | – | – | 3,649 | (446) | – | – | 3,203 |
| Total comprehensive income | – | – | – | 3,649 | (446) | – | 513,831 | 517,034 |
| Bonus issue *(note 18(b))* | 31,090 | (31,090) | – | – | – | – | – | – |
| Dividend approved in respect of the previous year *(note 9(ii))* | – | – | – | – | – | – | (43,526) | (43,526) |
| Dividend declared in respect of the current year *(note 9(i))* | – | – | – | – | – | – | (32,645) | (32,645) |
| Balance at 31 December 2015 | 93,271 | 1,242,722 | 511,000 | 4,017 | 1,723 | 442 | 2,597,190 | 4,450,365 |
| Balance at 1 January 2016 | **93,271** | **1,242,722** | **511,000** | **4,017** | **1,723** | **442** | **2,597,190** | **4,450,365** |
| Changes in equity for 2016: | | | | | | | | |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **493,608** | **493.608** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **(8,687)** | **–** | **–** | **(8,687)** |
| Total comprehensive income | **–** | **–** | **–** | **–** | **(8,687)** | **–** | **493,608** | **484,921** |
| Dividend approved in respect of the previous year *(note 9(ii))* | **–** | **–** | **–** | **–** | **–** | **–** | **(46,636)** | **(46,636)** |
| Dividend declared in respect of the current year *(note 9(i))* | **–** | **–** | **–** | **–** | **–** | **–** | **(32,645)** | **(32,645)** |
| Purchase of own shares *(note 18(c))* | **(170)** | **(6,641)** | **–** | **–** | **–** | **–** | **–** | **(6,811)** |
| Balance at 31 December 2016 | **93,101** | **1,236,081** | **511,000** | **4,017** | **(6,964)** | **442** | **3,011,517** | **4,849,194** |

*(Expressed in Hong Kong dollars)*
*Notes:*

## 1 GENERAL INFORMATION

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

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

## 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, but are extracted from those consolidated financial statements.

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

## 3 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:

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

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

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.

## 4 REVENUE

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Income from provision of satellite transponder capacity and related services | **1,190,819** | 1,156,114 |
| Income from provision of satellite-based broadcasting and telecommunications services | **20,258** | 26,490 |
| Service income | **18,856** | 11,807 |
| | **1,229,933** | 1,194,411 |

## 5 SEGMENTAL REPORTING

**Operating segments**

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2016 and 2015 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Whilst the Group's customer base is diversified, it includes two customers with whom transactions have each exceeded 10% of the Group's revenue. For the year ended 31 December 2016, revenue of approximately $265,163,000 (2015: $302,328,000) were derived from these customers and attributable to the provision of satellite transponder capacity and related services.

**Geographical segments**

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

The Group is domiciled in Hong Kong. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the year ended 31 December 2016 were $137,456,000, $310,034,000, $557,898,000 and $224,545,000 respectively (2015: $117,863,000, $310,149,000, $529,092,000 and $237,307,000 respectively).

## 6 OTHER NET INCOME

Other net income primarily includes the following:

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interest income on bank deposits | **11,844** | 41,639 |
| Other interest income | **1,940** | 5,374 |
| Foreign currencies exchange loss | **(5,177)** | (39,552) |
| Rental income in respect of properties less direct outgoing expenses | **1,153** | 1,146 |
| Other service income | **3,993** | 58,442 |
| Gain on disposal of investment | **–** | 1,461 |
| Other income | **450** | 400 |
| | **14,203** | 68,910 |

## 7 PROFIT BEFORE TAXATION

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(a) Finance costs** | | |
| Interest on bank borrowings | **9,993** | 15,980 |
| Other borrowing costs | **4,300** | 2,059 |
| | **14,293** | 18,039 |
| Less: borrowing costs capitalised into prepaid expenses and construction in progress* | **(5,010)** | – |
| | **9,283** | 18,039 |

* The borrowing costs have been capitalised at a rate of 1.53% – 1.97% per annum (2015: Nil).

| | 2016 | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(b) Other items** | | |
| Auditors' remuneration | | |
| – audit and related services | **1,135** | 1,288 |
| – tax services | **134** | 134 |
| – other services | **14** | 14 |
| Depreciation | **400,110** | 301,054 |
| Loss on disposal of property, plant and equipment | **69** | – |
| Operating lease charges: minimum lease payments | | |
| – land and buildings and equipment | **633** | 566 |
| – satellite transponder capacity | **39,587** | 123,812 |
| Impairment loss on trade and other receivables (reversed)/recognised | **(1,853)** | 18,708 |

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 2016 | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **17,826** | – |
| **Current tax – Outside Hong Kong** | | |
| Provision for the year | **18,507** | 26,132 |
| Over-provision in respect of prior years | **(2,496)** | (6,195) |
| | **16,011** | 19,937 |
| **Deferred taxation – Hong Kong** | **79,858** | 92,367 |
| **Actual tax expense** | **113,695** | 112,304 |

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

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% of the estimated assessable profits for the year. No provision has been made for Hong Kong Profits Tax in 2015 as the Company and its subsidiaries either had tax losses available for offset or had no estimated assessable profits for that year.

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

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

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2015: 16.5%) of the estimated temporary differences for the year.

## 9 DIVIDENDS

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interim dividend declared and paid of 3.50 cents (2015: 3.50 cents) per ordinary share | **32,645** | 32,645 |
| Final dividend proposed after the end of the reporting period of 5.00 cents (2015: 5.00 cents) per ordinary share | **46,540** | 46,636 |
| | **79,185** | 79,281 |

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

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of 5.00 cents (2015: 4.67 cents) per ordinary share | **46,636** | 43,526 |

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $493,608,000 (2015: $513,831,000) and the weighted average of 932,701,000 ordinary shares (2015: 932,711,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

| | **2016** | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **932,711** | 621,807 |
| Effect of bonus issue *(note 18(b))* | **–** | 310,904 |
| Effect of shares repurchased *(note 18(c))* | **(10)** | – |
| Weighted average number of ordinary shares at 31 December | **932,701** | 932,711 |

### (b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2016 and 2015.

## 11 PROPERTY, PLANT AND EQUIPMENT

### (a) Additions and transfer of construction in progress

Additions of construction in progress for the year ended 31 December 2016 primarily related to the progress payments in respect of communication satellites, APSTAR-6C, of $466,483,000 (2015: $42,166,000). On 17 October 2015, APT HK entered into a satellite procurement contract for manufacturing of APSTAR-6C. APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the first half of 2018.

Additions of construction in progress for the year ended 31 December 2015 also included progress payments in respect of APSTAR-9 of $580,653,000. As APSTAR-9 was successfully launched to the designated orbit on 17 October 2015, the cost of APSTAR-9 amounting to $1,651,437,000 was transferred to communication satellites during 2015 accordingly.

**(b) Effect of cost adjustment**

Pursuant to an agreement entered into by a wholly-owned subsidiary of the Company, APT HK, with a third party manufacturer of APSTAR-6 on 8 December 2001 and its subsequent amendment on 21 April 2010, the Group is entitled to construction cost reimbursement from the manufacturer for the use of APSTAR-6 design in other satellite projects of the manufacturer, for a period of 10 years from 2010, subject to a ceiling amount. During the year ended 31 December 2015, $5,200,000 was received and recorded as a reduction to the cost of property, plant and equipment – communication satellites. There was no cost adjustment on communication satellites in 2016.

**(c) Impairment loss**

During the year ended 31 December 2015, the Group conducted a review of its property, plant and equipment and determined that the recoverable amount of data centre equipment is estimated to be less than its carrying amount. Based on the results of the review, an impairment loss of $12,219,000 in respect of data centre equipment was recognised in "impairment loss in respect of property, plant and equipment". The recoverable amount of the data centre equipment is estimated based on value-in-use calculation. There was no impairment loss recognised in respect of property, plant and equipment in 2016.

## 12 INTANGIBLE ASSET

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Orbital slot | **133,585** | 133,585 |

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

No impairment of the intangible asset was recorded as at 31 December 2016 and 2015.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projections based on budget and business plan approved by management for the year ending 31 December 2017. Cash flows beyond 2016 are derived based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at a growth rate generally expected for the industry and achievable by the Group. The discount rate used for cash flow projection is 10.72% (2015: 10.34%).

## 13 PREPAID EXPENSES

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Non-current prepaid expenses balance at 1 January | **247,941** | 110,926 |
| Movements during the year: | | |
| – additions | **534,356** | 147,311 |
| – reclassified to current portion (included in deposits, prepayments and other receivables under current assets) | **(13,400)** | (10,296) |
| Non-current prepaid expenses at 31 December | **768,897** | 247,941 |

On 23 December 2015, APT HK entered into a satellite transponder agreement with a third party for the lifetime leasing of 36.204 transponders on APSTAR-5C at a lease price of US$118,826,696 (equivalent to $926,848,000). APSTAR-5C, which is currently under construction, is the replacement satellite for APSTAR-5. During the year, additional prepaid expense of US$63,069,000 (equivalent to $491,939,000) (2015: US$11,286,000 (equivalent to $88,030,000)) was made in respect of APSTAR-5C. Total APSTAR-5C prepaid expense of US$74,355,000 (equivalent to $579,969,000) was recognised as at 31 December 2016 (2015: US$11,286,000 (equivalent to $88,030,000)).

## 14 LOAN RECEIVABLES

As at 31 December 2015, loan receivables of $24,180,000 from a third party were unsecured and interest bearing at London Inter-Bank Offered Rate plus 5% per annum. The loans were repaid during the year ended 31 December 2016.

## 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2016, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of $23,939,000 (2015: $39,662,000), based on the market price at the end of the reporting period, with fair value loss of $15,723,000 (2015: $3,686,000) recognised in profit or loss.

## 16 TRADE RECEIVABLES, NET

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 30 days | **38,716** | 41,691 |
| 31–60 days | **19,070** | 14,911 |
| 61–90 days | **11,557** | 12,589 |
| 91–120 days | **8,661** | 8,764 |
| Over 120 days | **49,166** | 18,366 |
| | **127,170** | 96,321 |

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

## 17 PAYABLES AND ACCRUED CHARGES

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

| | **2016** | 2015 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 3 months | **46,546** | 80,494 |
| | **46,546** | 80,494 |
| Accrued expenses | **58,878** | 52,086 |
| At 31 December | **105,424** | 132,580 |

## 18 SHARE CAPITAL

### (a) Authorised and issued share capital

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **No. of shares** | | No. of shares | |
| | ***'000*** | ***$'000*** | *'000* | *$'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 | **932,711** | **93,271** | 621,807 | 62,181 |
| Bonus issue | **–** | **–** | 310,904 | 31,090 |
| Shares repurchased | **(1,702)** | **(170)** | – | – |
| At 31 December | **931,009** | **93,101** | 932,711 | 93,271 |

### (b) Bonus issue

On 27 May 2015, an amount of approximately $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.

### (c) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

| **Month/year** | **Number of shares repurchased** | **Highest price paid per share** | **Lowest price paid per share** | **Aggregate price paid** |
|---|---|---|---|---|
| | | *$* | *$* | *$'000* |
| December 2016 | 1,702,000 | 4.09 | 3.90 | 6,811 |
| | | | | 6,811 |

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

## 19 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK. The extent of such banking facilities utilised by APT HK at 31 December 2016 amounted to $587,356,000 (2015: $717,600,000).

## 20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of $46,540,000. Further details are disclosed in note 9 of this announcement.

## CORPORATE GOVERNANCE

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

## HUMAN RESOURCES

As at 31 December 2016, the Group had 120 employees. The Group continues to provide on 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.

## AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting held on Tuesday, 21 March 2017, the Group's Audit and Risk Management Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited financial report for the year ended 31 December 2016. The Audit and Risk Management Committee has also reviewed the result and statement of the Board in relation to effectiveness of the internal control system and the independence of the Company's auditors.

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

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 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:

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

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has repurchased and cancelled 1,702,000 shares of the Company during the year ended 31 December 2016. Other than the above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2016.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 May 2017 to Thursday, 25 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting of the Company to be held on Thursday, 25 May 2017, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 May 2017.

The register of members of the Company will be closed from Tuesday, 6 June 2017 to Wednesday, 7 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2017.

## ANNUAL REPORT PUBLICATION

The Company's 2016 Annual Report for the year ended 31 December 2016 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

## NOTE OF APPRECIATION

In 2016, the Group continued to achieve encouraging and excellent results. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to the directors and all our staff for their valuable contribution to the development of the Group.

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

Hong Kong, 22 March 2017

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

**Executive Directors:**
Cheng Guangren *(President)*
Qi Liang *(Vice President)*

**Non-Executive Directors:**
Yuan Jie *(Chairman)*
Lim Toon
Yin Yen-liang
Zhuo Chao
Fu Zhiheng
Lim Kian Soon
Tseng Ta-mon (alternate director of Yin Yen-liang)

**Independent Non-Executive Directors:**
Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo