APT SATELLITE HOLDINGS LIMITED

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

2014 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014.

This interim result has been reviewed by the Company's Audit Committee and independent auditors.

INTERIM RESULTS

For the first half year of 2014, the Group's turnover and profit attributable to equity shareholders amounted to HK$627,940,000 (six months ended 30 June 2013: HK$559,091,000) and HK$260,361,000 (six months ended 30 June 2013: HK$278,960,000) representing 12.3% increase and 6.7% decrease respectively as compared with corresponding periods in the previous financial year. Basic earnings per share and diluted earnings per share were HK41.87 cents (six months ended 30 June 2013: HK44.86 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.00 cents per share for the six months ended 30 June 2014 (six months ended 30 June 2013: HK5.00 cents per share).

The interim dividend will be paid on or about Monday, 20 October 2014 to shareholders whose names appear on the register of members at the close of business on Thursday, 9 October 2014.

BUSINESS REVIEW

In-Orbit Satellites

For the first half year of 2014, 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 2014, the total transponder utilization rate of the Group's satellites was 79.9%.

The Group's in-orbit satellites, APSTAR 5, APSTAR 6, APSTAR 7, APSTAR 7B and APSTAR 9A, 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

APSTAR 5 is positioned at 138 degree East geostationary orbital slot, with footprints covering Asia, Australia, New Zealand, Pacific Islands and Hawaii, as well as Mainland China, India, Taiwan and Hong Kong. The Group holds 20 C-band transponders and 9 Ku-band transponders of the APSTAR 5. As at 30 June 2014, the utilization rate of APSTAR 5 was 77.7%.

APSTAR 6

APSTAR 6 is positioned at 134 degree East geostationary orbital slot, contains 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 30 June 2014, the utilization rate of APSTAR 6 was 91.8%.

APSTAR 7

APSTAR 7 is positioned at 76.5 degree East geostationary orbital slot with 28 C-band transponders and 28 Ku-band transponders and footprints covering up to 75% of the World's population in Asia Pacific Region, Middle East, Africa and Europe. As of 30 June 2014, the utilization rate of APSTAR 7 was 71.9%.

APSTAR 7B

APSTAR 7B is the backup satellite for APSTAR 7. Subsequent to the successful launch of APSTAR 7 in 2012, APSTAR 7B has already been transferred to China Satellite Communications Company Limited ("China Satcom"), and was launched and positioned at 87.5 degree East geostationary orbital slot with footprints covering Asia Pacific Region, Middle East and Africa. Starting from the second half of 2013, the Group can lease from China Satcom certain transponder capacities of APSTAR 7B and provide transponder services of the satellite to customers.

APSTAR 9A

Commencing from 2014, the Group can lease from China Satcom certain transponders of Chinasat 5A (renamed as APSTAR 9A Satellite) at 142 degree East orbital slot. APSTAR 9A has developed a strong customer base for its replacement satellite, APSTAR 9 Satellite. Meanwhile, APSTAR 9A Satellite will achieve satisfactory growths in business revenue and profit over the coming two years and secure market share. As of 30 June 2014, the utilization rate of APSTAR 9A was 78.5%.

Future Satellite

APSTAR 9

On 22 November 2013, APT Group entered into the APSTAR 9 Satellite In-orbit Delivery Contract with China Great Wall Industry (Hong Kong) Corp. Limited (the "Contractor"), a wholly owned subsidiary of China Great Wall Industry Corporation, in respect of the manufacture, delivery and launch of a high power geostationary communication satellite based on DFH-4 series platform, with 32 C-band transponders and 14 Ku-band transponders. APSTAR 9 is expected to be launched in the fourth quarter of 2015. After the in-orbit delivery of the APSTAR 9 Satellite at 142E degree orbital slot, it will subsequently replace APSTAR 9A. APSTAR 9 Satellite will take up the strong customer-base of APSTAR 9A Satellite upon the completion of the satellite replacement process. The Group believes that APSTAR 9 Satellite will further enhance the Group's capability of transponder services, broadcasting services and telecommunication services in Asia Pacific Region so as to expand the customer base and increase the business revenue and profit. As of 30 June 2014, the construction progress of the satellite has been smooth.

Transponder Lease Services

For the first half year of 2014, with the commencement of APSTAR 9A project, the Group has further expanded the satellite capacity and maintained high utilisation rates. The Group has maintained its original market shares and major customers as well as increased new customers and sales in the Asia Pacific region, Middle East and Africa, and has further enhanced the Group's customer-base and market outreach.

Satellite TV Broadcasting and Uplink Services

The Group's broadcasting service is delivered through its wholly-owned subsidiary, APT Satellite TV Development Limited, which will continue to provide satellite TV broadcasting services under its Non-domestic Television Programme Service Licence. For the first half year of 2014, broadcasting services have again achieved new business growth by means of MCPC Platform Uplink Services.

Satellite-based Telecommunications Services

APT Telecom Services Limited, a wholly-owned subsidiary of the Group, provides satellite-based external telecommunication services such as VSAT, facilities management services, satellite telecommunication and satellite television uplink services under the Fixed Carrier Licence of Hong Kong to telecommunication operators or customers including satellite operators and Internet service providers in the region.

Data Centre Services

APT Datamatrix Limited, a wholly owned subsidiary of the Group, has started the commercial operation and provides data centre services based on the expansion of the existing facilities station from the first quarter of 2013. Data centre service is a newly established telecommunication service for our customers with significant business growth potential and excellent synergic effect with satellite services, broadcasting services and telecommunication services.

BUSINESS PROSPECTS

Looking forward to the whole year of 2014, the supply of transponders has increased rapidly in the Asia Pacific Region, Middle East and African region. The market competition of the satellite industry has become very fierce and the market has encountered price downward pressure. Nevertheless, the transponder utilisation rates of the Group's satellites, APSTAR 5, APSTAR 6, APSTAR 7, APSTAR 7B and APSTAR 9A will be maintained at a high level and will achieve satisfactory revenue and profit. Meanwhile, the Group will continue to achieve synergic effect from various value-added services in TV broadcasting services, telecommunication services and data centre services for fueling business growth.

FINANCE

As at 30 June 2014, the Group's financial position remains very robust and we have achieved continuous improvement in our operating result. 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; and adhere to the business code of ethics, which are applicable to all directors, senior management, and all employees; implement whistleblower protection policy, as well as advocate environmental awareness.

NOTE OF APPRECIATION

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

Lei Fanpei
Chairman

Hong Kong, 25 August 2014

FINANCIAL REVIEW

As at 30 June 2014, the Group's financial position remains very strong and we have achieved continuous improvement in our operating result. The table below sets out the financial performance during the period:

HK$ thousand	**Six months ended 30 June 2014**	Six months ended 30 June 2013	Change
Turnover	**627,940**	559,091	+12.3%
Gross profit	**395,768**	375,509	+5.4%
Profit before taxation	**303,582**	332,258	–8.6%
Profit attributable to shareholders	**260,361**	278,960	–6.7%
Basic earnings per share *(HK cents)*	**41.87**	44.86	–6.7%
EBITDA Margin (%)	**77.8%**	84.8%	–7.0%
	At 30 June 2014	At 31 December 2013	
Total assets	**5,699,551**	5,546,311	+2.8%
Total liabilities	**1,906,335**	1,969,928	–3.2%
Gearing ratio (%)	**33.4%**	35.5%	–2.1%
Liquidity ratio	**4.77 times**	5.28 times	–0.51 times

The Group, with turnover growth of 12.3%, representing an increase of HK$68,849,000, comparing to the same period of 2013. The increase in turnover was mainly due to the higher income generating from the new utilisation contracts for APSTAR 9A. The profit attributable to shareholders decreased by 6.7% to HK$260,361,000. Lower profit was mainly due to fair value loss realised upon conversion of the convertible bonds into shares of CNC Holdings Limited as announced on 30 May 2014. If the fair value loss is excluded, the profit generating from core business increased by 12.1% as comparing to the same period of 2013.

Other net income

Other net income for the period ended 30 June 2014 increased to HK$23,476,000, as compared to other net income of HK$14,039,000 for the same period in last year. The increase was mainly due to the interest income generated from the Renminbi bank deposit.

Finance costs

Finance costs for the period ended 30 June 2014 decreased to HK$13,457,000, as compared to finance costs of HK$14,266,000 for the same period in 2013. 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

In May 2014, the Group converted the convertible bonds issued by CNC Holdings Limited held into 178,571,429 ordinary shares of the issuer and realised a fair value loss of HK$66,683,000 upon conversion. The investment in listed share of CNC Holdings Limited is designated as "financial assets at fair value through profit or loss" with an initial fair value of HK$35,000,000. As at 30 June 2014, the investment in listed securities was remeasured at a fair value of HK$54,464,000, based on the market price as at period end, with fair value gain of HK$19,464,000 credited to profit or loss. The details of financial assets at fair value through profit or loss of the Group are set out in note 13 to this announcement.

Income tax

Income tax expenses for the period ended 30 June 2014 decreased to HK$43,221,000, as compared to HK$53,298,000 for the same period in 2013. The decrease was mainly due to a lower profit before tax and reversal of provision for withholding taxes on overseas income in current period. The details of income tax of the Group are set out in note 5 to this announcement.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK$167,499,000 (six months ended 30 June 2013: HK$17,551,000). The capital expenditure was mainly for the payments for the purchases of APSTAR 9 and other equipment. The above capital expenditures were financed by internally-generated funds.

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 US$14,000,000 (approximately HK$109,200,000) against the 2010 Facility. The outstanding principal balance of the 2010 Facility was US$146,000,000 (approximately HK$1,138,800,000) at 30 June 2014.

As at 30 June 2014, the total borrowings amounted to approximately HK$1,132,967,000 (as at 31 December 2013: approximately HK$1,241,038,000). The Group recorded a decrease of approximately HK$108,071,000 in the total borrowings during the period ended 30 June 2014, which was mainly due to the decrease of borrowing amount after 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	*HK$*
Repayable within one year or on demand	108,044,000
Repayable after one year but within five years	1,024,923,000
Repayable after five years	–
	1,132,967,000

As at 30 June 2014, the Group's total liabilities were HK$1,906,335,000, a decrease of HK$63,593,000 as compared to 31 December 2013, which was mainly due to the loan repayment as described above. As a result, the gearing ratio (total liabilities/total assets) has decreased to 33.4%, representing a 2.1 percentage points decrease as compared to 31 December 2013.

For the period ended 30 June 2014, the Group recorded a net cash outflow of HK$18,431,000 (six months ended 30 June 2013: net cash inflow of HK$86,603,000) which included net cash outflow of HK$105,874,000 used in investing activities, net cash outflow of HK$165,022,000 used in financing activities. This was offset by the net cash inflow from operating activities of HK$252,465,000. As at 30 June 2014, the Group has approximately HK$1,288,985,000 of cash and bank deposits, 26.3% of which were denominated in United States Dollar, 72.7% in Renminbi and 1% in Hong Kong Dollar and other currencies which comprising HK$71,100,000 cash and cash equivalents, HK$1,199,433,000 bank deposits with original maturity beyond 3 months and HK$18,452,000 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 2014.

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

As at 30 June 2014, the pledged bank deposits of HK$18,452,000 (31 December 2013: HK$15,504,000) are related to certain commercial arrangements and 2010 Facility which existed at the balance sheet date.

As at 30 June 2014, 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$3,782,000 (31 December 2013: HK$3,840,000).

Capital commitments

As at 30 June 2014, the Group has outstanding capital commitments of HK$1,324,701,000 (31 December 2013: HK$1,653,799,000), which were mainly contracted but not provided for and there were no authorised but not contracted for which were in the Group's financial statements, mainly in respect of progress payment for the purchase of APSTAR 9.

Contingent liabilities

The details of contingent liabilities of the Group are set out in note 18 of this announcement.

Post balance sheet event

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 19 of this announcement.

Unaudited consolidated income statement

For the six months ended 30 June 2014

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2014	2013
	Note	***$'000***	*$'000*
Turnover	3	**627,940**	559,091
Cost of services		**(232,172)**	(183,582)
Gross profit		**395,768**	375,509
Other net income	4(a)	**23,476**	14,039
Valuation gains on investment property	9	**372**	1,146
Administrative expenses		**(55,358)**	(48,693)
Profit from operations		**364,258**	342,001
Fair value changes on financial instrument designated at fair value through profit or loss	13	**(47,219)**	4,523
Finance costs	4(b)	**(13,457)**	(14,266)
Profit before taxation	4	**303,582**	332,258
Income tax	5	**(43,221)**	(53,298)
Profit for the period and attributable to equity shareholders of the Company		**260,361**	278,960
Earnings per share	7		
– Basic and diluted		**41.87 cents**	44.86 cents

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2014
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Profit for the period	**260,361**	278,960
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss	**–**	–
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(2)**	137
	(2)	137
Other comprehensive income for the period	**(2)**	137
Total comprehensive income for the period	**260,359**	279,097

Unaudited consolidated balance sheet
At 30 June 2014
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2014** ***$'000***	At 31 December 2013 *$'000*
Non-current assets			
Property, plant and equipment	8	**3,203,005**	3,183,673
Investment property	9	**5,731**	5,359
Intangible asset	10	**133,585**	133,585
Interest in joint venture		**490**	490
Club memberships		**5,537**	5,537
Loan receivable	11	**24,180**	–
Prepaid expenses	12	**733,410**	459,741
Deferred tax assets		**10,133**	–
		4,116,071	3,788,385
Current assets			
Investment in convertible bonds	13	**–**	101,683
Trade receivables, net	14	**120,027**	60,511
Loan receivable	11	**24,180**	–
Deposits, prepayments and other receivables		**95,824**	31,591
Financial assets at fair value through profit or loss	13	**54,464**	–
Pledged bank deposits	15	**18,452**	15,504
Bank deposits with original maturity beyond 3 months		**1,199,433**	1,459,106
Cash and cash equivalents		**71,100**	89,531
		1,583,480	1,757,926
Current liabilities			
Payables and accrued charges	16	**73,382**	117,049
Rentals received in advance		**113,634**	61,812
Secured bank borrowings due within one year	17	**108,044**	107,980
Current taxation		**36,937**	46,045
		331,997	332,886
Net current assets		**1,251,483**	1,425,040
Total assets less current liabilities carried forward		**5,367,554**	5,213,425

Unaudited consolidated balance sheet (continued)
At 30 June 2014
(Expressed in Hong Kong dollars)

	Note	At 30 June 2014 $'000	At 31 December 2013 $'000
Total assets less current liabilities brought forward		**5,367,554**	5,213,425
Non-current liabilities			
Secured bank borrowings due after one year	17	**1,024,923**	1,133,058
Deposits received		**93,978**	88,350
Deferred income		**79,904**	92,132
Deferred tax liabilities		**375,533**	323,502
		1,574,338	1,637,042
NET ASSETS		**3,793,216**	3,576,383
Capital and reserves			
Share capital		**62,181**	62,181
Share premium		**1,273,812**	1,273,812
Contributed surplus		**511,000**	511,000
Revaluation reserve		**368**	368
Exchange reserve		**2,476**	2,478
Other reserves		**442**	442
Accumulated profits		**1,942,937**	1,726,102
TOTAL EQUITY		**3,793,216**	3,576,383

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2014

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Contributed surplus	Revaluation reserve	Exchange reserve	Other reserves	Accumulated profits	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2013	62,181	1,273,812	511,000	368	2,179	442	1,236,593	3,086,575
Changes in equity for the six months ended 30 June 2013								
Profit for the period	–	–	–	–	–	–	278,960	278,960
Other comprehensive income	–	–	–	–	137	–	–	137
Total comprehensive income	–	–	–	–	137	–	278,960	279,097
Dividend approved in respect of previous year *(note 6(b))*	–	–	–	–	–	–	(24,872)	(24,872)
Balance at 30 June 2013	62,181	1,273,812	511,000	368	2,316	442	1,490,681	3,340,800
Balance at 1 January 2014	**62,181**	**1,273,812**	**511,000**	**368**	**2,478**	**442**	**1,726,102**	**3,576,383**
Changes in equity for the six months ended 30 June 2014								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**260,361**	**260,361**
Other comprehensive income	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(2)**	**–**	**260,361**	**260,359**
Dividend approved in respect of previous year *(note 6(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**(43,526)**	**(43,526)**
Balance at 30 June 2014	**62,181**	**1,273,812**	**511,000**	**368**	**2,476**	**442**	**1,942,937**	**3,793,216**

Notes:
(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

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 25 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements (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.

The 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 the Company's auditors, 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 2013 that is included in the interim financial report as being previously reported 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2014.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRS and one new interpretation that are first effective for the current accounting period of the Group and the Company. 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. Of these, the following developments are relevant to the Group's interim financial report:

– Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, *Investment entities*

– Amendments to IAS/HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to IAS/HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

The impacts of the developments are discussed below:

Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS/HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS/HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS/HKAS 32 clarify the offsetting criteria in IAS/HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS/HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS/HKAS 36 modify the disclosure requirements for impaired non- financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments do not have any material impact on the fair value measurement of the Group's assets and liabilities.

3. SEGMENTAL REPORTING

Operating segment

The Group identifies operating segments and prepares segment information based on the 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 2014 and 2013 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 but 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 2014 are $63,562,000, $141,907,000, $257,274,000 and $165,197,000 respectively (six months ended 30 June 2013: $50,486,000, $139,128,000, $203,174,000 and $166,303,000 respectively).

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(a) Other net income		
Interest income on bank deposits	**17,999**	7,971
Interest income on convertible bonds	**708**	875
Other interest income	**1,432**	200
Foreign currency exchange gain	**–**	2,555
Rental income in respect of properties	**333**	245
Other service income	**1,960**	1,933
Gain on disposal of property, plant and equipment	**–**	49
Other income	**300**	211
Reversal of impairment loss on trade and other receivables recognised	**744**	–
	23,476	14,039

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(b) Finance costs		
Interest on bank borrowings	**12,266**	13,182
Other borrowing costs	**1,191**	1,084
	13,457	14,266

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(c) Other items		
Depreciation	**148,099**	147,041
Foreign currency exchange loss	**2,371**	–
Loss on disposal of property, plant and equipment	**55**	–

5. INCOME TAX

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Current tax – Outside Hong Kong		
Provision for the period	**9,265**	8,254
Over-provision in respect of prior years	**(7,941)**	(3,182)
	1,324	5,072
Deferred taxation – Hong Kong	**41,897**	48,226
Actual tax expense	**43,221**	53,298

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 2013: 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	
	2014	2013
	$'000	*$'000*
Interim dividend declared after the balance sheet date of 5.00 cents (2013: 5.00 cents) per ordinary share	**31,090**	31,090

As the interim dividend is declared after the balance sheet date, such dividend has not been recognised as a liability as at 30 June 2014.

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the period, of 7.00 cents (2013: 4.00 cents) per ordinary share	**43,526**	24,872

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 $260,361,000 (six months ended 30 June 2013: $278,960,000) and the weighted average of 621,807,000 ordinary shares (30 June 2013: 621,807,000 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 2014 and 2013.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at a total cost of $167,499,000 (six months ended 30 June 2013: $17,551,000). Property, plant and equipment with a net book value of $66,000 was disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: $nil), resulting in a loss on disposal of $55,000 (six months ended 30 June 2013: gain of $49,000).

(b) Impairment loss

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2014 and 2013. It was concluded that no impairment would be required.

9. INVESTMENT PROPERTY

The investment property was revalued at 30 June 2014 at $5,731,000 (31 December 2013: $5,359,000) 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 property being valued. A valuation gain of $372,000 (six months ended 30 June 2013: $1,146,000) has been recognised in the profit or loss during the six months ended 30 June 2014.

There was no addition, disposal or transfer of investment property during the six months ended 30 June 2014 and 2013.

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 2014 and 2013, the Group conducted a review for impairment of the intangible asset and concluded no impairment would be required.

11. LOAN RECEIVABLE

Loan receivable of $48,360,000 from a third party (see note 12) is unsecured and interest bearing at London Inter Bank Offered Rate plus 5% per annum. A sum of $24,180,000 out of the loan receivable is due after one year but within five years from the balance sheet date and is neither past due nor impaired.

12. PREPAID EXPENSES

Prepaid expenses represent the advance payment of launch services 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 2014	At 31 December 2013
	$'000	*$'000*
Balance at 31 December	**459,741**	461,854
Add: additions	**274,449**	409
Less: current portion (included in deposits, prepayments and other receivables under current assets)	**(780)**	(2,522)
Non-current portion	**733,410**	459,741

During the six months ended 30 June 2014, APT Satellite Company Limited ("APT HK"), a subsidiary of the Company, entered into a license agreement with a third party for the exclusive right to use certain orbital positions at an upfront premium of US$28,000,000. The Company has paid US$15,000,000 during the period regarding this agreement.

The Group has also advanced a loan of $48,360,000 to the third party (see note 11).

13. INVESTMENT IN CONVERTIBLE BONDS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In May 2014, the Group converted the convertible bonds issued by CNC Holdings Limited into 178,571,429 ordinary shares of the issuer and realised a fair value loss of $66,683,000 upon conversion. The investment in listed shares of CNC Holdings Limited is designated as "financial assets at fair value through profit or loss" with an initial fair value of $35,000,000. As at 30 June 2014, the investment in listed securities was remeasured at a fair value of $54,464,000, based on the market price as at period end, with fair value gain of $19,464,000 credited 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 balance sheet date:

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
1 – 30 days	**47,568**	24,783
31 – 60 days	**19,791**	8,412
61 – 90 days	**18,137**	5,920
91 – 120 days	**12,189**	3,455
Over 120 days	**22,342**	17,941
	120,027	60,511

The Group normally allows a credit period of 30 days from the date of revenue recognition to its trade customers. The trade receivables are expected to be recovered within one year from the balance sheet date.

15. PLEDGE OF ASSETS

At 30 June 2014, pledged bank deposits of $18,452,000 (31 December 2013: $15,504,000) are primarily related to certain commercial arrangements and secured bank borrowings made during the period.

At 30 June 2014, 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 $3,782,000 (31 December 2013: $3,840,000).

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 balance sheet date.

17. SECURED BANK BORROWINGS

	At 30 June 2014 *$'000*	At 31 December 2013 *$'000*
Secured bank borrowings (net of unamortised finance costs) are repayable as follows:		
Within one year or on demand	**108,044**	107,980
After one year but within five years	**1,024,923**	1,133,058
After five years	**–**	–
	1,132,967	1,241,038

The secured bank borrowings is 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 2014, the Group complied with all of the above covenants.

18. CONTINGENT LIABILITIES

The Company has given bank guarantees in respect of secured banking facilities granted to APT HK (see note 17). The extent of such facilities utilised by the subsidiary at 30 June 2014 amounted to $1,138,800,000 (31 December 2013: $1,248,000,000).

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

19. POST BALANCE SHEET EVENT

Subsequent to the end of the current interim period, the directors declared an interim dividend of $31,090,000. Further details are disclosed in note 6.

HUMAN RESOURCES

As at 30 June 2014, the Group had 110 employees (2013: 103). 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 2014, 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 Tuesday, 7 October 2014 to Thursday, 9 October 2014 (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 Monday, 6 October 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2014, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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

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

A6.7: Mr. Lei Fanpei, being Chairman of the Board of Directors and Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao and Fu Zhiheng, being Non-executive Directors, were unable to attend the Annual General Meeting held on 26 May 2014 as they were on business trips or attending important matters in overseas. However, other members of the Board including all Executive Directors and Independent Non-executive Directors attended the meeting to answer any possible questions in relation to the Group's affairs.

AUDIT COMMITTEE

In the meeting on 22 August 2014, the Audit 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 2014, and discussed auditing and internal control matters. The Audit Committee comprises four independent non-executive directors, Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

INTERIM REPORT

The unaudited financial information set out above does not constitute the Company's 2014 interim financial report for the six months ended 30 June 2014, but represents an extract from the interim financial report

The Company's 2014 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.

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:
Lei Fanpei (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 Liguo and Meng Xingguo