Annual Report

2016

APSTAR

by APT Satellite

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

COMPANY PROFILE

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

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

The advanced APSTAR Systems of APT Group, supported with the comprehensive and high quality services, has become an advanced and outstanding satellite operator in the Asia Pacific region.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-9	CASC DFH-4	142˚E	32	Asia Pacific region, Southeast Asia	14	West Pacific to the East Indian Ocean Region, steerable coverage
APSTAR-7	Thales Alenia Space SB-4000C2	76.5˚E	28	Europe, Asia, Africa, Australia	28	China (including Hong Kong, Macau and Taiwan), Middle East, Africa, steerable coverage
APSTAR-6	Thales Alenia Space SB-4000C1	134˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR-5	SS/L FS-1300	138˚E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	16	China (including Hong Kong, Macau and Taiwan), India

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Email: investors@apstar.com (Investors Relations)
aptmk@apstar.com (Marketing & Sales)
Web-site: www.apstar.com

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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 to Yin Yen-liang)

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

COMPANY SECRETARY

Lo Kin Hang, Brian (up to 31 December 2016)
Tsang Chi Tat (from 1 January 2017)

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lo Kin Hang, Brian (up to 31 December 2016)
Tsang Chi Tat (from 1 January 2017)

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

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

LEGAL ADVISORS

Sit, Fung, Kwong & Shum

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Tai Po Industrial Estate
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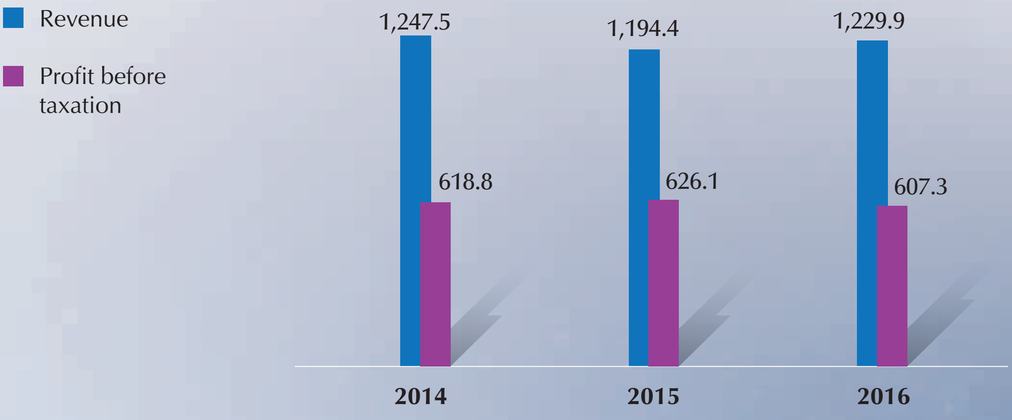
	investors@apstar.com (Investor Relations)

STOCK CODE

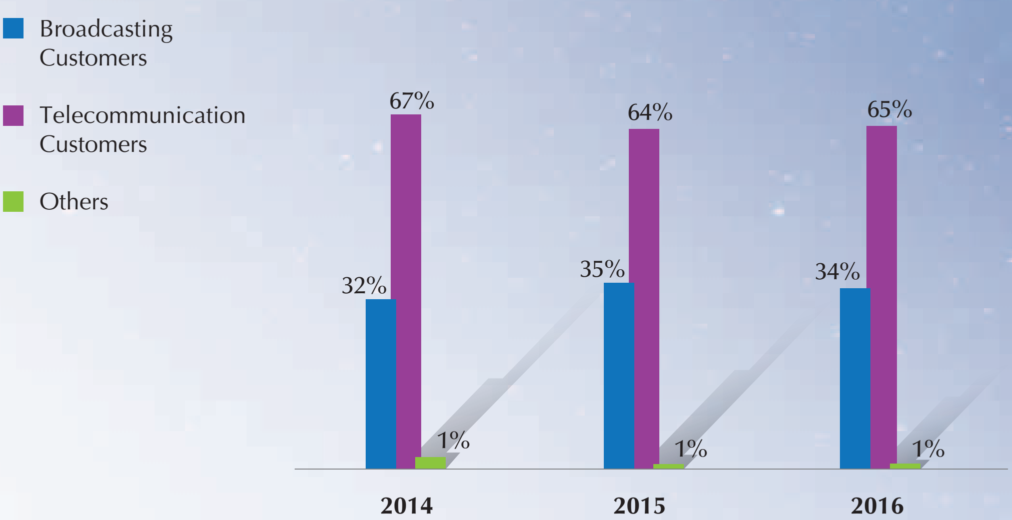
1045

FINANCIAL HIGHLIGHTS

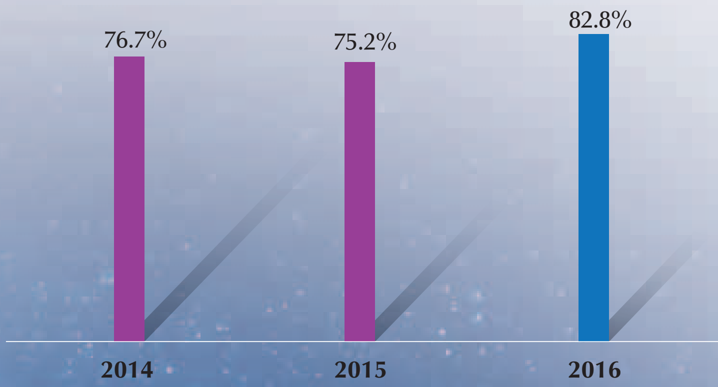
REVENUE & PROFIT BEFORE TAXATION
(HK$ Million)



REVENUE BREAKDOWN BY BUSINESS
(Percentage)



EBITDA MARGIN
(Percentage)



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).

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 DFH-4 series platform having 26 C-band transponders and 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 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.

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.

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

BUSINESS REVIEW

Corporate strategies & positioning

The Group endeavours to become one of the leading regional satellite operators in the Asia Pacific region. It commenced its operation in 1992 and currently operates in-orbit satellites, namely, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9 in geostationary orbital slots at 138, 134, 76.5 and 142 degree East covering regions in Asia, Europe, Africa, and Australia, approximately 75% of the world's population with its reliable and high-standard quality transponder, broadcasting, telecommunication and data-centre services.

Financial performance

Despite the fact that the Group has encountered fierce market competition due to oversupply situation in transponder market and significant price pressure, the Group has maintained its profitability in the year 2016. The Group's revenue in 2016 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. The Group's profit attributable to equity shareholders amounted to HK$493,608,000 in 2016 (2015: HK$513,831,000). Basic earnings per share and diluted earnings per share were both HK52.92 cents in 2016 (2015: HK55.09 cents).

Utilisation rates

Despite of the supply over demand situation in the transponder market, the overall average transponder utilisation rate of the Group's satellites as at 31 December 2016 increased to 70.5% representing an increase of 4.6 percentage points. The Group has maintained satisfactorily high utilisation rates which ensure promising contribution for continuous profitability of the Group.

Utilisation Rates of APSTAR Satellites

Satellites	**2016**	2015	Changes (percentage points)
APSTAR-5	**80.5%**	75.2%	+5.3
APSTAR-6	**77.8%**	80.8%	-3.0
APSTAR-7	**67.4%**	65.0%	+2.4
APSTAR-9	**61.8%**	47.8%	+14.0
Overall	**70.5%**	65.9%	+4.6

New satellite developments

In an effort to ensure the sustainability and continuity of the Group's business and income growth in the coming years, the Group has committed the replacement satellite projects, namely APSTAR-5C and APSTAR-6C, for its existing APSTAR-5 and APSTAR-6 respectively in 2015.

APSTAR-5C

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

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 to replace the in-orbit satellite APSTAR-6. The satellite, which is based on DFH-4 series platform having 26 C-band transponders and 19 Ku-band/Ka-band transponders, is a high power geostationary communications satellite. APSTAR-6C 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 joint project, which represents 30% interest in the joint project. This satellite is an advanced high throughput broadband satellite communication system of China and adjacent region, laying a solid foundation for the Group's future development. APSTAR-6D will be launched in 2019.

Rental received and liquidity

Despite the fact that the Group is in the progress of developing two replacement satellites, APSTAR-5C and APSTAR-6C (the "Replacement Satellites") and invests in an associate company concurrently, with total capital commitment in aggregate of US$253,267,000 (equivalent to HK$1,975,482,000), the financial position and cash flow situation of the Group over the coming years will remain to be sound owing to the facts that (a) the Group had approximately HK$802,982,000 of cash and bank balances as at 31 December 2016; (b) the Group has operating cash inflow arising from the transponder lease services during the year ended 31 December 2016; (c) the Group has available unutilised bank loan facilities approximately US$134,698,000 (equivalent to HK$1,050,644,000); and (d) the Group has been at a fairly low gearing position which allows it to raise external borrowings in the future, when necessary.

Principal risks and uncertainties

The Group, being one of the leading regional satellite operators in the Asia Pacific region operating four in-orbit satellites, may encounter various types of risks at different levels and in various forms. It is the responsibility of the Board of Directors of the Company to oversee and manage the risks and uncertainties to be encountered by the Group. The Board of Directors at the listed company level has already expanded the existing Audit Committee, which has expanded its Terms of Reference to include Risk Management and been renamed as the Audit and Risk Management Committee in March 2016, so as to specifically assign such additional scope of responsibilities in respect of risk control and management to this subcommittee of the Board of Directors.

The Group has established and maintained its effective internal control systems in accordance with Section C.2 of the Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") based on internal control system framework as proposed by the Committee of Sponsoring COSO Organizations of the Treadway Commission ("COSO"). The Board of Directors of the Group oversees the Group's risk management and internal control systems on an ongoing basis, ensures that a review of the effectiveness of the Group's risk management and internal control systems to be conducted periodically (at least once annually) and reports to shareholders in its Corporate Governance Report. The review(s) was conducted with reference to the COSO Framework covering, among others, the following aspects of the Group's operation:

(1) all material controls, including financial, operational and compliance controls;

(2) the changes on the risk environment, the nature and extent of significant risks and the Group's ability to respond to such changes;

(3) the scope and quality of Group's ongoing monitoring of risks and of the internal control systems;

(4) the work of its internal audit function and other applicable assurance;

Principal risks and uncertainties (Continued)

(5) the reporting channels of internal control, internal audit and risk management function within the Group;

(6) any significant failings or weakness which have been identified during the period and the extent of which they have caused corporate governance concerns or material impact on the Group's financial performance; and

(7) the effectiveness of the Group's processes for financial reporting and regulatory compliances.

The principal risks and uncertainties identified and faced by the Group are elaborated below:

1. *Project Development and Technical Risks*

   (a) Satellite Launch Risks

   Two replacement satellites, namely APSTAR-5C and APSTAR-6C, are scheduled to be launched in the first half of 2018. APSTAR-6D will be launched in 2019. A number of factors such as construction quality, the performance of the launch vehicle used, the delay or failure of the launch of the Replacement Satellites, the technology which the Replacement Satellites have adopted, and operational life of the satellites to be replaced will affect the implementation of the replacement project and the Group's performance of operation and/or financial condition.

   In line with the industry practice, the launch risks of the new satellites will be covered by their respective launch insurance policies, which will be taken out in due course such that the total project costs including the insurance premium of the new satellite projects will be fully covered by the respective insurance policies. In the unlikely event of any launch failure, the loss or damages of the satellite will be recovered by the insurance indemnity under the respective insurance policy. The Group will also have reasonable backup satellite arrangements, which will be put into effect once the unlikely event of launch failure occurs, so as to ensure that the satellites to be replaced will be succeeded before their end of life.

Principal risks and uncertainties (Continued)

1. *Project Development and Technical Risks (Continued)*

    (b) Satellite In-orbit Failure Risks

    Any in-orbit failure of the Group's operational satellites or their transponders will have an adverse effect on the Group's net asset value and financial performance.

    The Group will, in line with the industry practice, take out in-orbit insurance policies to cover the risks of operational failure of the Group's in-orbit satellites. The insurance will cover the net book values of the in-orbit satellites. In the unlikely event of failure or loses of in-orbit satellite, the Group will be able to recover such loses or damages by the insurance indemnity under the respective insurance policies.

2. *Market Risks*

    Major market risks will stem from:

    (i) oversupply situation of transponders due to advancement of satellite telecommunication technology and newly launched satellites;

    (ii) price pressure as a result of fierce market competition in subsequent to oversupply situation of transponders in the market;

    (iii) default of contracts due to the collapses of certain businesses caused by gradual economic downturn in certain economies and sectors; and

    (iv) business risks attributable to the fact of being relying on a few key customers or markets.

    The Group is implementing the above Replacement Satellites projects, and shall provide the market with advanced technology and better performance of satellite resource, so as to enhance the competitive edge and to satisfy the diverse market demand for satellite applications, to strive to expand the market and customer base while maintaining the existing market share, and to achieve the diversification and reduction of market risks.

Principal risks and uncertainties (Continued)

3. *Financial Risks*

Major financial risks will stem from the following situations:

(i) Most of the payments under the Group's transponder utilisation agreements are denominated in US Dollars. Part of the revenue from the Mainland China market is denominated in Renminbi. The fluctuation of Renminbi exchange rate against Hong Kong dollars may adversely affect our operating results. On the other hand, the Group's risk exposure due to fluctuation of the United States Dollar exchange rate against Hong Kong dollars is insignificant as the Hong Kong Dollar is pegged to the United States Dollar.

In the light of the revenue from the Mainland China market being denominated in RMB, the Group considers that the Group's risk exposure due to fluctuation of exchange rates is not significant. The Group reviews the Group's risk exposure due to fluctuation of exchange rates regularly and recognises hedging as one of the measures to mitigate the currency risk.

(ii) As of 31 December 2016, the Group's outstanding bank loans consisted of variable interest rate loans only. The Group noted the imminent gradual increase of interest rate from low interest level in the past. The Group will assess the effectiveness of hedging instruments continuously and regularly.

(iii) The change of tax regime in the countries from which the revenue is derived. To reduce the tax risk, the Group has sought advice from tax consultants for review and assessment of the global tax impact.

(iv) The liquidity risk as a result of the commitment of significant capital investment on the developments of the Replacement Satellites and APSTAR-6D projects, which may increase cash flow pressure to a certain extent.

As mentioned in earlier paragraphs, the financial position and cash flow situation of the Group over the coming years will remain to be sound. In view of the existing internal resources of the Group as well as the cash inflow from the transponder lease service and the external borrowings in the future, the Group can comfortably cope with any long-term or short-term financial and cash-flow commitment without difficulties.

Principal risks and uncertainties (Continued)

4. *Regulatory Risks*

 The regulatory and conformance risks may stem from the change of the statutes, rules, codes or regulatory regime in Hong Kong or overseas where the Group's services are performed.

 The Group will apply for the necessary licences and permits for the Replacement Satellites and APSTAR-6D in a timely manner for their respective operations and commit to comply with all relevant laws and regulations.

 The Group has reviewed the changes and updates of those relevant laws, regulations and standards including the Listing Rules, the Hong Kong Companies Ordinance (Cap. 622), the Securities and Futures Ordinance (Cap. 571), the Competition Ordinance (Cap. 619), Companies Act 1981 of Bermuda (as amended) and the International/Hong Kong Financial Reporting Standards which may have significant effect on the Group's financial reporting, compliance and operation. The Group has not encountered any significant risk on regulatory compliance during the period.

5. *Litigation Risks*

 There was no litigation or claim of material significance known to the Group to be pending or threatened by or against the Company or any member of the Group during the year.

6. *Financial Reporting Risks*

 During the year, the Group has maintained effective internal control systems and independent internal audit function. The Group has maintained the Whistle-blower Protection Policy. The Group has not received any concern or report through the whistle-blowing system.

The Board of Directors and the Audit and Risk Management Committee have reviewed the above risks identified and are of the view that they will not cause imminent and material adverse effect or impact to the financial and normal operation of the Group, and that these risks are under control. The Board of Directors is of the view that the internal control system of the Group has remained effective in 2016.

Key financial performance

Financial Highlights	2016 HK$'000	2015 HK$'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 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 HK$'000	2015 HK$'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 HK$'000	2015 HK$'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%

Revenue (Continued)

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 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 HK$'000**	2015 HK$'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 finance costs of HK$5,010,000 capitalised for payment 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 16 of this report.

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 5 of this report.

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.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

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 loan 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. As 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 24th 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). As at 31 December 2016, US$10,000,000 (equivalent to HK$78,000,000) has been drawn down against the facility. The facility is repayable within one year from the date of drawdown of the facility.

As at 31 December 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 was 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.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

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 EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (Continued)

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 31 of this report.

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 40 of this report.

Compliance Confirmation

The Board of Directors confirms that throughout the year 2016, the Group has conformed in all material respects with all the requirements under relevant statutes, rules, standards, codes, licences in respect of its operation, financial reporting, or disclosures in Hong Kong or other applicable jurisdictions.

Environmental Protection and Stakeholders' Rights

The Group recognises and respects: (i) the importance of environmental protection; (ii) the lawful rights of stakeholders, broadly to be categorised as employees, customers, suppliers, members of communities, and (iii) corporate social responsibilities of the Group as a member of the society. A specific report on these issues is covered in the Environmental, Social and Governance Report of this Annual Report.

CORPORATE GOVERNANCE REPORT

Pursuant to Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the board of directors (the "Board") of APT Satellite Holdings Limited (the "Company") presents this Corporate Governance Report for the accounting period covered by this annual report.

CORPORATE GOVERNANCE PRACTICES

The Board remains committed in maintaining high standard of corporate governance in the Company and its subsidiaries (collectively the "Group").

Throughout the year ended 31 December 2016, albeit few exceptions as explained below, the Board upholds the compliance of the code provisions ("Code Provision") as well as some Recommended Best Practices ("Best Practices") set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

To comply with the Code Provision and some Best Practices and to ensure the standard of corporate governance, the Board has maintained the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee having respective Terms of Reference.

At the management level, in order to further strengthen the management and control of risks and compliance matters, the Company has also established the Internal Control, Audit and Risk Management Committee and an internal audit team, which report directly to the Audit and Risk Management Committee on its findings and recommendations.

Furthermore, in order to promote honest and ethical business conduct throughout the Group, the Board has also adopted a series of codes and measures, including the Code of Ethics for the directors and officers of the Company; the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules; the Code of Ethics for all employees; the Complaint Handling Procedure and the Whistleblower Protection Policy.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2016, the Company has complied with the Code Provisions 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 such that it would help the Company in maintaining its consistency of making business decisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules. The Board has also adopted the newly amended Model Code which came into effect in 2009.

Having made specific enquiries of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its Code of Conduct regarding directors' securities transactions throughout the accounting period covered by this annual report of the Company.

For details of the Directors' interests in shares of the Company, please refer to the section headed "Directors' and Chief Executive's Interests in Shares" in the "Directors' Report" of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for determining the overall strategy; reviewing and approving the work plan of the Group; and overseeing the corporate governance of the Group. The management of the Company is responsible for proposing and implementing the work plan of the Group, executing the day-to-day operation of the Group and undertaking any further responsibilitites as delegated by the Board from time to time.

The Board comprises two Executive Directors, six Non-executive Directors and four Independent Non-executive Directors ("INEDs"). Biographical information, including the relationships, if any, among members of the Board, is set out in the section headed "Directors' and Senior Management's Profiles and Changes" of this annual report.

In respect of the Listing Rules requirements regarding sufficient number of INEDs and one INED with appropriate qualifications, the Company has met these requirements. The Company has received from each of the INEDs an annual confirmation as regards their independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Board having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

BOARD OF DIRECTORS (Continued)

Composition of the Board (Continued)

The Board held four board meetings and two general meetings in 2016 and the following table shows the individual attendance of each director during their term of office in 2016:

Name of the Director	Number of board meetings entitled to attend during the director's term of office in 2016	Number of meeting(s) attended#	Number of general meetings entitled to attend during the director's term of office in 2016	Number of meeting(s) attended#
Executive Directors:				
Cheng Guangren *(President)*	4	4	2	1
Qi Liang *(Vice President)*	4	4	2	2
Non-executive Directors:				
Yuan Jie *(Chairman)*	4	4	2	1
Lim Toon	4	4	2	0
Yin Yen-liang	4	2	2	0
Zhuo Chao	4	3	2	0
Fu Zhiheng	4	4	2	0
Lim Kian Soon	4	3	2	0
Tseng Ta-mon *(Alternate Director to Yin Yen-liang)*	4	2	2	0
Independent Non-executive Directors:				
Lui King Man	4	4	2	1
Lam Sek Kong	4	4	2	2
Cui Liguo	4	4	2	2
Meng Xingguo	4	4	2	1

Note:

Including meetings attended by the director via telephone conferences.

Chairman and Chief Executive Officer

Mr. Yuan Jie is the Chairman and a Non-executive Director of the Board, while Mr. Cheng Guangren is the President of the Company and is an Executive Director of the Board.

The roles of the Chairman and the President are segregated. The Chairman's main role is to lead the Board in discharging its powers and duties, while the President's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group.

BOARD OF DIRECTORS (Continued)

Appointment, Retirement and Re-election of Directors

Non-executive Directors of the Company are not appointed for a specific term but shall retire from office by rotation once every three years (as referred to the Bye-Law 87 of the Company which provides that at each annual general meeting one-third of the Directors of the Company shall retire from office by rotation).

To maintain the consistency of making business decisions of the Company, the Chairman and the Executive Director and President shall not be subject to retirement by rotation, whilst holding such office, as provided in the Bye-Law 87(1) of the Company.

All the appointment and re-appointment of Directors of the Board are subject to review by the Company's Nomination Committee, while all the Directors' remuneration is subject to review by the Company's Remuneration Committee.

The Board adopted the Board Diversity Policy on 26 August 2013, pursuant to which the Group recognises the benefits of having a diverse Board and views increasing diversity at the Board level as an essential element in maintaining the Group's competitive advantage.

The Board believes that these policies, checks and balances mechanism, among other things, are well in place ensuring good corporate governance of the Company. The Board as a whole will continue to oversee every aspect of the Company's corporate governance and endeavours maintain high standard corporate governance throughout the Group.

Directors' Training

Upon appointment to the Board, the Directors will receive training in respect of the directors' duty and a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's business by senior executives. The package includes, among others, a copy of "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong. The Group also provides briefings and other training to develop and refresh Directors' knowledge and skills, the Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practice. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS (Continued)

Directors' Training (Continued)

During the year ended 31 December 2016, participation of Directors in continued professional development are as follows:

Directors	Topics of Training ESG Report
Cheng Guangren	✓
Qi Liang	✓
Yuan Jie	✓
Lim Toon	✓
Yin Yen-liang	✓
Zhuo Chao	✓
Fu Zhiheng	✓
Lim Kian Soon	✓
Tseng Ta-mon *(alternate director to Yin Yen-liang)*	✓
Lui King Man	✓
Lam Sek Kong	✓
Cui Liguo	✓
Meng Xingguo	✓

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee comprises five members, including four Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo, and one Executive Director, Mr. Qi Liang.

The Remuneration Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference and it is mainly responsible for making recommendations to the Board on policy for all remuneration of Directors and senior management taking into account of certain determining factors, including the Company's operation objective and development plan; the managerial organisation structure; the financial budget of the Company; the performance and expectation of the relevant person; and the supply and demand situation of the human resources market.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request from the Company's Investor Relations.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee held two meetings in 2016 and the following table shows the individual attendance of each member during their term of office in 2016:

Name of the member of the Remuneration Committee	Number of committee meeting entitled to attend during the member's term of office in 2016	Number of meeting(s) attended*
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Meng Xingguo	2	2
Executive Director:		
Qi Liang	2	2

Note:

* Including the meetings attended by the member via telephone conference.

The works performed by the Remuneration Committee in 2016 are summarised as follows:

– reviewing the standard of directors' fees payable to Directors in 2016;

– reviewing the results of incentive scheme of the management for 2015; and

– reviewing the adjustment of the remuneration structure of part of senior management.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee comprises five members, including four Independent Non-executive Directors of the Company, namely Dr. Lam Sek Kong (Chairman), Dr. Lui King Man, Mr. Cui Liguo and Dr. Meng Xingguo and one Executive Director, Mr. Qi Liang.

The Nomination Committee is established by the Board and shall be accountable to the Board. Its duties are clearly set out in its written Terms of Reference and it is mainly responsible for making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President in accordance with its adopted nomination procedure, process and criteria. On receiving nomination notice for candidate of director, the Nomination Committee will review and approve assessment of the candidate before giving recommendation to the Board. The criteria of assessment include the qualification and experience of the candidate; the development need of the Company; the expected candidate's contribution to the Company's performance; the mutual expectations between the candidate and the Company; compliance with relevant rules and requirements; and the candidate's capability of making independent decision in the Board.

For details of its Terms of Reference, please refer to the Company's website (www.apstar.com) under the section headed "Corporate Governance" and it is also available on request from the Company's Investor Relations.

The Nomination Committee held one meeting in 2016 and the following table shows the individual attendance of each member during their term of office in 2016:

Name of the member of the Nomination Committee	**Number of committee meeting entitled to attend during the member's term of office in 2016**	**Number of meeting(s) attended***
Independent Non-executive Directors:		
Lam Sek Kong *(Chairman)*	1	1
Lui King Man	1	1
Cui Liguo	1	1
Meng Xingguo	1	1
Executive Director:		
Qi Liang	1	1

Note:

* Including meeting attended by the member via telephone conference.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The works performed by the Nomination Committee in 2016 are summarised as follows:

– reviewing the re-election of directors in accordance with the Bye-Laws of the Company; and

– reviewing the independence of the INEDs.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises four Independent Non-executive Directors of the Company, namely Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

The Audit and Risk Management Committee is established by the Board and shall be accountable to the Board. Its members shall be appointed by the Board from amongst the Non-executive Directors of the Company who are independent from the management of the Company and are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgement. Its duties are clearly set out in its written Terms of Reference. For details, please refer to its Terms of Reference, which is contained in the Company's website (www.apstar.com) under the section headed "Corporate Governance", and is also available on request from the Company's Investor Relations.

The Audit and Risk Management Committee held two meetings in 2016 and the following table shows the individual attendance of each member in 2016:

Name of the member of the Audit and Risk Management Committee	Number of committee meeting entitled to attend during the member's term of office in 2016	Number of meeting(s) attended*
Independent Non-executive Directors:		
Lui King Man *(Chairman)*	2	2
Lam Sek Kong	2	2
Cui Liguo	2	2
Meng Xingguo	2	2

Note:

* Including meetings attended by the member via telephone conference.

BOARD COMMITTEES (Continued)

Audit and Risk Management Committee (Continued)

The works performed by the Audit and Risk Management Committee in 2016 are summarised as follows:

– making recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services;

– reviewing the independence and objectivity of external auditors and the effectiveness of the audit process through discussion with the external auditors as to the nature and scope of the audit and reporting obligation;

– monitoring integrity of and reviewing significant financial reporting judgements of the half-year and annual financial statements of the Company;

– reviewing the Company's statement on financial controls, internal control system and risk management systems; and

– reviewing the internal audit team's work progress and findings.

AUDITOR'S REMUNERATION

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditor to the Group during 2016:

	HK$
Audit of the Group's financial statements including interim review	1,134,990
Review of the Group's continuing connected transactions	13,800
Tax services	134,000
Total	1,282,790

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code (the "CG Code").

During the year ended 31 December 2016, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct and Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND INTERNAL CONTROL

Financial Reporting

The management reports to the Board the Group's financial situations on a regular basis, and this reporting regime extends to the annual and interim results announcement of the Company, thereby enabling the Board from time to time to have a continued, balanced, clear and understandable assessment of the Group's situations for determining strategy and fulfilling relevant compliance requirements.

The Board acknowledges that it is the Board's responsibility for preparing the financial statements of the Company. As at 31 December 2016, the Directors of the Board were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

For the responsibilities of the Company's auditor in respect of auditing the Company's financial statements, please refer to the section headed "Independent Auditor's Report" of this annual report.

Internal Controls and Risk Management

It is the Board's responsibility to ensure the Company maintains sound and effective internal controls and risk management, whereby safeguarding its shareholders' investment and the Company's assets.

The Group aims at establishing and maintaining its internal control system and risk management. In 2016, annual review of the effectiveness of the system of internal control and risk management of the Group was conducted by the Internal Audit Team and the Board through the Company's Internal Control and the Audit and Risk Management Committee, which is led by the top management of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions; and the results of the review have been reviewed by the Company's Audit and Risk Management Committee and reported to the Board of Directors of the Company.

There was no significant incidence of control failures in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2016. The top management, the Internal Control and the Audit and Risk Management Committee and the Internal Audit team will continue to monitor and review regularly the effectiveness of the internal control system and risk management of the Company and from time to time take action whenever there is any weakness in the financial reporting process, and perform periodical review on various corporate governance and internal control policies and related procedures, including but not limited to: corporate governance code, whistleblower protection, employee trainings, director trainings, shareholders' rights or investors relations, etc.

ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

Internal Controls and Risk Management (Continued)

Details about the risk management and internal control systems, the procedure to review the effectiveness of the risk management and internal control systems and the role of the Board of Directors of the Group for the risk management and internal control systems and its review of their effectiveness, are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 22 of this Annual Report. The risk management system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Inside Information

The Group is fully aware of the obligation in dissemination and disclosure of inside information in accordance with the relevant laws and regulations. The Group has performed a review of the procedures and internal controls for the handling and dissemination of inside information, and is now formulating the relevant policy, so as to ensure an equal, timely and effective disclosure of inside information to the public in accordance with the applicable laws and regulations.

Whistleblower Protection

A whistleblower protection policy and Audit and Risk Management Committee Complaints Handling Procedures have been established and published on the Group's website to deal with employees' complaints on any suspected, fraudulent, dishonest conduct and any acts relating to violation of applicable laws and regulations of Group's Code of Ethics and Code of Conduct. The Group will keep the whistleblowers' personal information strictly confidential to protect his/her rights and carefully verify and investigate issues reported.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these channels. In addition, shareholders can contact Tricor Tengis Limited, the Hong Kong Branch Share Registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS (Continued)

Pursuant to the Code Provisions, the chairman of the Board should attend the annual general meeting ("AGM") and arrange for the respective chairman of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee (as appropriate) or in the absence of the chairman of such committees, other member of the committee to be available to answer questions at the AGM. The chairman of the independent board committee (if applicable) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders, in addition to the compliance with Bye-Law 59(1), at least 20 clear business days before the meeting, as in the case of AGM, or at least 10 clear business days, in the case of all other special general meetings, in complying with the requirement of Listing Rules. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

According to Bye-law 58 of the Bye-laws of the Company, the Board may whenever it thinks fit call special general meetings, and members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Constitutional Documents

In 2016, there was no change in the Company's constitutional documents.

By order of the Board
Yuan Jie
Chairman

Hong Kong, 22 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group recognises and respects the lawful rights of stakeholders and is highly concerned about environmental protection, social responsibility and corporate governance. The Corporate Governance Report is separately incorporated in this Annual Report. This report provides the relevant efforts and work in environmental, social and sustainability parameters which have been integrated in the strategic development and operation of the Group.

1. Human Resources

Employment

The Group values the employees as one of the important key-success factors for its long-term development. The Group adopts an open employment policy based on which we recruit the most suitable and capable staff for their posts regardless of gender, race, nationality and religion.

97% of the employees employed by the Group are located in Hong Kong. The Group strictly complies with the requirements of the Hong Kong Labour Legislations such as the Employment Ordinance, the Occupational Safety and Health Ordinance, the Employee's Compensation Ordinance and the Minimum Wage Ordinance, to provide comprehensive protection and benefits to the employees, and does not contravene the relevant rules and regulations.

Key Human Resources Parameters are tabulated below:

		2016		2015	
		Number of People	**(%)**	Number of People	(%)
1	**Employees breakdown by nationality/region**				
	HK (HKSAR)	**105**	**87.5%**	105	87.5%
	PRC (Mainland)	**5**	**4.2%**	5	4.2%
	United Kingdom	**3**	**2.5%**	3	2.5%
	Malaysia	**1**	**0.8%**	1	0.8%
	Indonesia	**2**	**1.7%**	2	1.7%
	Philippine	**1**	**0.8%**	1	0.8%
	India	**2**	**1.7%**	2	1.7%
	Pakistan	**1**	**0.8%**	1	0.8%
	Sub-total	**120**	**100%**	120	100%
2	**Employees breakdown by gender**				
	Man	**83**	**69%**	83	69%
	Woman	**37**	**31%**	37	31%
	Sub-total	**120**	**100%**	120	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

1. Human Resources (Continued)

Employment (Continued)

Key Human Resources Parameters are tabulated below: (Continued)

		2016		2015	
		Number of People	**(%)**	Number of People	(%)
3	**Employment Contract**				
	Permanent	**120**	**100%**	120	100%
	Temporary	**0**	**0%**	0	0%
	Sub-total	**120**	**100%**	120	100%
4	**Age distribution of employees**				
	18-29	**26**	**21.7%**	28	23.3%
	30-39	**44**	**36.7%**	52	43.3%
	40-49	**37**	**30.8%**	26	21.7%
	50 & above	**13**	**10.8%**	14	11.7%
	Sub-total	**120**	**100%**	120	100%

Labour Standards

The Group prohibits employment of child, forced or compulsory labour. All employees have the right to leave their jobs in accordance with the employment contracts. As at 31 December 2016, the employee turnover rate of the Group was 7.5%. The high stability of workforce benefits in the reduction of human resources cost.

Health and Safety

To enhance the Group's care to the employees and to encourage employees' awareness on healthiness, the Group provides annual body check-up benefit and organises different recreation activities for participation by employees. In 2016, the Group participated in the badminton competition and the apoplexy prevention physical exercise activity organised by our friendly business partners. The Group also organised office health care talk to enhance employees' health awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

1. Human Resources (Continued)

Development and Training

The Group emphasises the internal and external training needs of employees. The Group arranges annual training programs to provide various types of internal and external trainings and to enhance the competency, knowledge and the professional qualification of employees necessary for their work. In 2016, there were in total of 697 person-time of employees who participated in 44 external trainings and 26 internal trainings throughout the year.

In addition, in order to ensure that the employees understand the new satellite projects and to enhance their professional knowledge in satellite manufacture and satellite controlling and monitoring system, the Group dispatched technical employees to participate in satellite-related training programs in the Mainland China, so as to contribute our effort on cultivating local talents in the satellite industry.

Anti-Corruption

The Group respects integrity and prevents immoral activities by implementing effective whistleblowing policies to enable employees to report fraud and corruption. We encourage employees to report suspicious business irregularities and establish clear whistleblowing channel and protection methods for whistleblowers.

2. Environmental and Community Indicator

Emissions

The Group values environmental protection and strictly complies with Hong Kong legislation in relation to environmental protection, such as the Air Pollution Control Ordinance, the Waste Disposal Ordinance, the Water Pollution Control Ordinance and the Noise Control Ordinance. The Group measures its carbon emissions on a regular basis and endeavors to consume less energy by improving its efficiency. The Group monitors and reduces the number of employees' business trips to lower emissions from transportation. The Group also enhances the equipment performance to reduce the carbon emission from generating electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

2. Environmental and Community Indicator (Continued)

Emissions (Continued)

The Carbon Emission Report for the two half yearly periods in 2016 and the two half yearly periods in 2015 are tabulated as below:

Carbon Emission

Scope	Description	**H1/2016 Equivalent CO^2 Emissions (Kg CO^2 – eq)**	**%**	**H2/2016 Equivalent CO^2 Emissions (Kg CO^2 – eq)**	**%**	H1/2015 Equivalent CO^2 Emissions (Kg CO^2 – eq)	%	H2/2015 Equivalent CO^2 Emissions (Kg CO^2 – eq)	%
1	Direct Emission	**61,050**	**2.85**	**45,419**	**2.19**	30,669	1.41	28,651	1.23
2	Energy Indirect Emissions	**1,924,143**	**89.84**	**1,969,383**	**95.26**	1,884,334	86.69	2,087,234	89.63
3	Other Indirect Emissions	**156,459**	**7.31**	**52,680**	**2.55**	258,644	11.90	212,740	9.14
	Total	**2,141,652**	**100**	**2,067,482**	**100**	2,173,647	100	2,328,625	100
	Equivalent CO^2 Emissions/ (Million HK$) revenue	**3.5**		**3.3**		3.6		3.9	

Use of Resources

The Group values the economisation and efficient utilisation of resources including energy, water, electricity and other resources. The Group has installed water efficient faucets and other installations and facilities in the office and related facilities, and encourages staff to save water. The Group requests its contractors to save water and reduce waste, and monitors sewage disposal during construction period.

The Environment and Natural Resources

The Group values environmental protection and sustainable development. The Group takes measures to minimise, during the period of construction and operation, the negative impact of construction and operation activities on the environment in time and space. The Group takes into account the impact of both construction and operation activities to the environment as part of the entire consideration, and enhances the environmental management system, strengthens the performance appraisal, enhances the environmental supervision and management, avoids and controls the environmental risks, and strives to minimise the environmental impact of the construction and operation activities.

2. Environmental and Community Indicator (Continued)

Electromagnetic Radiation

The Satellite Control Centre of the Group, via 11 sets of satellite antennae for the Telemetry, Tracking and Control (TT&C), operates APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9 satellites. The Group is highly concerned about the radiation emission level of the satellite antennae. The Group conducts radiation emission measurements regularly to monitor the radiation emission level of the antennae so as to ensure that radiation emission level is always lower than the threshold limit as provided under the national standards, including GB8702-88, HJ/T2.1-2011, HJ/T10.3-1996, HJ/T10.2-1996 and GB13615-92 (collectively the "Standards") and such electromagnetic radiation, will not produce any harmful effect.

According to the 2016 report of electromagnetic radiation measurement and assessment, which was released in October 2016 (the "Radiation Report"), (a) according to the calculations in the Radiation Report, the electromagnetic radiation emissions of all the satellite antennae of the Group conform to the theoretical threshold safety requirements as required by the Standards; and (b) according to the actual measurements conducted, as mentioned in the Radiation Report, the highest figures of the maximum and average values in electromagnetic radiation emissions from the satellite antennae at 58 locations (test-points) within sensitive regions are 0.0021 W/m^2 and 0.002 W/m^2 respectively, which are significantly lower than the threshold value of 0.4 W/m^2 as required under the Standards. The Group will ensure that its operation will be safe and environmental friendly to the employees and the neighboring community.

3. Community Engagement

Donation

The Group concerns about and supports social community activities. In 2016, the Group participated in the elderly home visit volunteer activity organised by the Senior Citizen Home Safety Association in Mid-Autumn Festival and made donation of HK$15,000 to express our care to the elderly.

Community Activity

The Group also values the fulfillment of social responsibility, and is actively engaged in social activities by organising the Open Day for China Aerospace Science in which the primary and secondary school students and the community were invited to visit the Group's earth station and satellite operation facilities, and the knowledge of aerospace and satellite were introduced and promoted.

EXECUTIVE DIRECTORS

Mr. CHENG Guangren, aged 54, Doctor, has been appointed as the Executive Director and President of the Company since June 2008. Mr. Cheng is also the authorised representative of the Company. He is responsible for the overall operation and management of the Company. Mr. Cheng has been engaging senior management work in the field of satellite operation since 1994. He had been the Director of Board and President of Sino Satellite Communications Company Limited and the Board Chairman of China Direct Broadcast Satellite Company Limited. Mr.Cheng is a Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited, APT Telecom Services Limited and APT Satellite Global Company Limited, which are subsidiaries of the Company. Mr. Cheng is also a Director of APT Satellite International Company Limited ("APT International"), the substantial shareholder of the Company, and the Non-executive Director of China Satellite Communications Company Limited ("China Satcom"), which is a shareholder of APT International.

Mr. QI Liang, aged 55, has been appointed as a Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi is also a member of each of the Nomination Committee and Remuneration Committee of the Company. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the Postgraduate of Monetary and Banking, Finance Department from the Chinese Academy of Social Sciences since 1998 and accredited as Senior Economist. Currently, he is the Deputy Chief Accountant for China Satcom. Before joining the Company, he had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited. Mr. Qi is also a Director of APT Satellite Company Limited, APT Satellite Investment Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, APT Telecom Services Limited and APT Satellite Global Company Limited, which are subsidiaries of the Company, and the Chairman of APT Satellite Communications (Shenzhen) Company Limited, a subsidiary of the Company. Mr. Qi is also a Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS

Mr. YUAN Jie, aged 52, has been appointed as a Non-Executive Director and the Chairman of the Company with effect from 27 January 2015. Mr. Yuan graduated with university degree in aircraft systems engineering at National University of Defense Technology in 1986. He is a master degree holder, researcher and academician of the International Academy of Astronautics. He was winner of the special government allowances issued by the State Council. Mr. Yuan has long been working in China Aerospace Industry and was appointed consecutively as Deputy Officer and Deputy Director of the Ministry of Aerospace Industry 805 Institution of the Eighth Academy (the "Eighth Academy"), Assistant to President, Vice President and the President of the Eighth Academy. Currently, he is the Deputy General Manager of China Aerospace Science and Technology Corporation ("CASC") and the Chief Information Officer of China Aerospace. Mr. Yuan has also been appointed as Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company, and Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. LIM Toon, aged 74, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as a Non-Executive Director of the Company in October 1996. Mr. Lim graduated from the University of Canterbury and University of Singapore. He had worked for Singapore Telecommunications Limited ("SingTel") since 1970. In SingTel, he served in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He had been the Chief Operating Officer of SingTel since April 1999 until he retired in February 2006 and served as SingTel's Advisor. Mr. Lim is also a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Lim is also the Director of APT International, the substantial shareholder of the Company.

Dr. YIN Yen-liang, aged 67, has been appointed as a Non-Executive Director of the Company since January 2003. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the Ph.D. Degree in Business Administration from National Chengchi University in 1987. He had been the President of the Ruentex Group, the holding company of one of the shareholders of APT International, since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd. Dr. Yin is also a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Dr. Yin is also a Director of APT International, the substantial shareholder of the Company.

Mr. ZHUO Chao, aged 54, has been appointed as a Non-Executive Director of the Company commencing 10 December 2010. Mr. Zhuo, graduated from the Science & Technology University for National Defense in 1983 specialising in Radiation Physics, and obtained a Master of Business Administration degree from the Beijing Institute of Technology in 2002, a Research Fellow. Mr. Zhuo is currently the Director and General Manager of China Satcom. Mr. Zhuo is concurrently the General Manager of China Telecommunications Broadcast Satellite Corporation; the Chairman & General Manager of China Direct Broadcast Satellite Company Limited; the Chairman of China Orient Telecomm Satellite Company Limited; and the Deputy Chairman of China DBStar Company Limited. From 1983 to 2006, Mr. Zhuo had been working in the 14th Institute of the China Academy of Launch Vehicle Technology ("CALT") of CASC as the Deputy Director, then the Director of the 14th Institute; the Director of the Science and Technology Commission. From 2006 to 2009, he had been the Assistant to the Director, then the Deputy Director of CALT. From 2009 to 2010, Mr. Zhuo had been the Head of the Aerospace Technology Application Division of CASC. Since July 2010, he has been appointed as the Director & General Manager of China Satcom. Mr. Zhuo has extensive experience in corporate management. Mr. Zhuo has also been appointed as a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Zhuo has also been appointed as a Director of APT International, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. FU Zhiheng, aged 48, was appointed as a Non-Executive Director of the Company with effect from 20 March 2012. Mr. Fu graduated from the Northwestern Polytechnic University, Xian, China, with a Bachelor of Engineering degree in 1991. He then obtained his Master of Business Administration degree from China University of Mining Technology (Beijing) in 2004. Mr. Fu is currently the Vice President of China Great Wall Industry Corporation ("CGWIC") in charge of launch services business. He has been working with CGWIC since 1993, taking various positions in marketing and program management for international space programs. Before he joined CGWIC, he had worked for China Academy of Launch Vehicle Technology for two years. Mr. Fu is currently a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. He is also the Director of APT International, the substantial shareholder of the Company.

Mr. LIM Kian Soon, aged 53, graduated with a Bachelor of Computer Engineering from University of Tsukuba, Japan and obtained MBA from University of Leeds, UK. Mr. Lim had worked for Singapore Telecommunications Limited ("SingTel") since 1997, serving in various appointments. Currently, Mr. Lim is the Head of Satellite for SingTel overseeing the fixed and mobile satellite business and infrastructure and also the Director of SingaSat Private Limited ("SingaSat"), a wholly owned subsidiary of SingTel. Apart from his current appointment in SingTel, Mr. Lim has also been a board member of Asia Pacific Satellite Communications Council, headquartered in Seoul, Korea, since 2013. Mr. Lim is also a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company. Mr. Lim is also a Director of APT International, the substantial shareholder of the Company.

Mr. TSENG Ta-mon, aged 59, has been appointed as an Alternate Director to Dr. Yin Yen-liang, a Non-Executive Director of the Company, since September 2004. He had been a Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT Satellite International Company Limited ("APT International"). Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, a Director of APT Satellite Company Limited and APT Satellite Investment Company Limited, which are subsidiaries of the Company and APT International, the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI King Man, aged 62, has been appointed as an Independent Non-Executive Director of the Company since August 2004. Dr. Lui is the Chairman of the Audit and Risk Management Committee and the Remuneration Committee of the Company. He is also the member of the Nomination Committee of the Company. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K.M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Institute Of Certified Public Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 29 years of experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organisations.

Dr. LAM Sek Kong, aged 57, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Dr. Lam is a member of the Nomination Committee of the Company and since 1 January 2010 has been the Chairman of the Nomination Committee. Dr. Lam is also a member of each of the Audit and Risk Management Committee and the Remuneration Committee of the Company. Dr. Lam graduated from the University of Hong Kong in 1984. He is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK) and a fellow of the Hong Kong Institute of Arbitrators. Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University. Dr. Lam is currently an Independent Non-executive Director of Hengtai Securities Co., Ltd. (a corporation listed on The Stock Exchange of Hong Kong Limited (Stock code: 01476)).

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. CUI Liguo, aged 47, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Mr. Cui is also a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991, and commenced his legal practice in PRC in 1993. He founded the Guantao Law Firm in 1994, and is acting as a Founding Partner and the officer of its Management Committee. Mr. Cui has over 20 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as CNNC SUFA Technology Industry Co., Ltd. (a corporation listed on the Shenzhen Securities Exchange in China), CNNC International Limited (a corporation listed on The Stock Exchange of Hong Kong Ltd.), and China National Software & Service Co. Ltd. (a corporation listed on the Shanghai Securities Exchange in China). He is also a member of the Finance & Securities Committee of All China Lawyers Association; a vice general secretary of the Chamber of Financial Street; and the legal counselor in the internal control group of securities issuing of Guodu Securities Co., Ltd., Bohai Securities Co., Ltd. and China Investment Securities Co., Ltd.

Dr. MENG Xingguo, aged 62, has been appointed as an Independent Non-Executive Director and a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company with effect from 5 July 2012. Dr. Meng graduated from the Remin University of China with a Bachelor of Economics degree in 1982. He then obtained his Master of Finance degree from the Graduate Institute of The People's Bank of China in 1985. He also graduated from the School of Business of Temple University in 1994, with doctorate degree in Business Management. Dr. Meng had worked consecutively in the Reinsurance department of the headquarters of The People's Insurance Company (Group) of China Limited, branch and the headquarters of The People's Bank of China since 1985. He has also been the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. (currently known as the "Allianz China Life Insurance Company Limited") and senior vice president of Sun Life Everbright Life Insurance Company Limited. Since joining Central Huijin Investment Limited in 2006, Dr. Meng had served as the director of the insurance division in the department of non-banking financial institutions, and was appointed as a Director of China Reinsurance Group Co., Ltd. and a Non-executive Director of New China Life Insurance Company Limited (a corporation concurrently listed on The Stock Exchange of Hong Kong Limited (Stock Code: 01336) and the Shanghai Securities Exchange (Stock Code: 601336)). Dr. Meng is currently a Director of New China Asset Management Co. Ltd., a member of the academic council of Beijing Financial Education Company Limited, and a council member of the China Research Centre for Insurance and Risk Management, Tsinghua University.

SENIOR MANAGEMENT

Mr. HUANG Baozhong, aged 54, Master's Postgraduate, has been the Executive Vice President of the Company since August 2010, being responsible for the Marketing and Sales of the company. Mr. Huang graduated from Harbin Institute of Technology and has been engaging in satellite and other space related activities since 1987. Before joining the Company, he was the Vice President of China Satellite Communications Company Limited.

Mr. CHEN Xun, aged 46, Executive Vice President, Mr. Chen is responsible for technical operations and engineering of the Company, he has over 22 years' experience in satellite and telecommunications industry. Mr. Chen jointed the Company in year 2000. He holds a Bachelor's degree in computer and telecommunications from Chongqing Institute of Post & Telecommunications and a MBA degree from the University of South Australia. Before joining the Company, he worked for China Telecommunications Broadcast Satellite Corporation.

Mr. QI Kezhi, aged 55, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for the management of IDC business of the Company. Mr. Qi graduated from the Tsinghua University, Beijing and Postgraduate Academy of Public Administration Speyer, Germany. Mr. Qi joined the Company in November 1999 and has been the Deputy Director and Director of International Business Department.

Mr. ZHANG Shilin, aged 49, is appointed as the Vice President of the Company in April 2013. Mr. Zhang is responsible for capacity management and technical support of the Company. Mr. Zhang graduated from Beijing Institute of Posts and Telecommunications with a Master Degree in Electromagnetic Field Theory and Microwave Technology. Mr. Zhang joined the Company in October 2010 and has served as Director of Marketing Department. Mr. Zhang has over 20 years' experience in satellite communication.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change and update in Directors' biographical details is as follows:

– Dr. MENG Xingguo no longer served as the Non-executive Director of New China Life Insurance Company Limited (a corporation concurrently listed on The Stock Exchange of Hong Kong Limited (Stock Code: 01336) and the Shanghai Securities Exchange (Stock Code: 601336)) with effect from 18 March 2016.

Save as the change disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

The board of directors ("Directors") of the Company is pleased to present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services. Discussion and analysis of these activities pursuant to Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) including a discussion of the principal risks and uncertainties which may be faced by the Group and an indication of the forward looking developments in the Group's business are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 22 of this Annual Report forming part of this Directors' Report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2016 and the state of the Group's affairs as at that date are set out in the financial statements on pages 62 to 133.

During the year, the Company has declared and paid an interim dividend in cash of HK3.50 cents per share. The Board has resolved to declare a final dividend in cash of HK5.00 cents per share to shareholders whose names appear on the register of members at the close of business on 7 June 2017.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 134 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2016 are set out in note 11 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year, the Company repurchased a total of 1,702,000 of its own ordinary shares on the Stock Exchange of Hong Kong Limited. Details of movement of the share capital of the Company are set out in note 28 to the financial statements.

Except for the repurchase of the Company's own ordinary shares as set out in note 28(d) to the financial statements, there was no purchase, sale or redemption of the shares by the Company, or any subsidiaries of the Company during the year.

RESERVES

Details of movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 66.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 28 to the financial statements.

BORROWINGS

Details of the Group's bank borrowings are set out in note 24 to the financial statements.

FIXED CHARGE

Details of the Group's fixed charge are set out in note 21 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$15,000 (2015: HK$200,000).

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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 to Yin Yen-liang)*

Independent Non-executive Directors

Lui King Man
Lam Sek Kong
Cui Liguo
Meng Xingguo

DIRECTORS (Continued)

No Director is required to retire pursuant to Bye-law 86(2) in the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Company's Bye-Laws, Messrs. Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Fu Zhiheng, and Dr. Lam Sek Kong will retire by rotation at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The remaining Directors of the Company continue in office.

The biographical details of the Directors and changes are set out in the section "Directors' and Senior Management's Profiles and Changes" of this annual report.

DIRECTORS' SERVICE CONTRACT

No service contract was entered into between the Directors and the Company or any of its subsidiaries that is exempt under rule 13.69 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' EMOLUMENTS

The emoluments of the Directors on a named basis are set out in note 6 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation as regards their independence pursuant to rule 3.13 of the Listing Rules and in the opinion of the Directors having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2016, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

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

Notes:

(1) Dr. Meng's wife held 438,000 shares of the Company. By virtue of his spouse's interests, Dr. Meng was deemed to be interested in the same parcel of shares held by his wife pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, as at 31 December 2016, none of the Directors or the Chief Executives of the Company had or was interested, or was deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

The Company has not approved any new share option scheme after the lapse of its last share option scheme on 21 May 2012. During the year, no option was granted.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

INTERESTS IN COMPETING BUSINESS

As at 31 December 2016, the following director of the Company was also director in other business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Name of company	Principal Activity
Lim Kian Soon	Singapore Telecommunications Limited	Provision of satellite capacity for telecommunication and video broadcasting services

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, according to the register of interests in shares and short positions kept by the Company under section 336 of the SFO, the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	*Note*	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	508,950,000	54.67
China Satellite Communications Company Limited	2	495,450,000	53.22
APT Satellite International Company Limited	3	481,950,000	51.77
Temasek Holdings (Private) Limited	4	51,300,000	5.51
Singapore Telecommunications Limited	4	51,300,000	5.51
Singasat Private Limited	4	51,300,000	5.51
International Value Adviser, LLC		47,641,500	5.12

Notes:

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

    (a) CASC holds 99.75% interest of China Satellite Communications Company Limited ("China Satcom"), which in turn holds (i) 42.86% of APT Satellite International Company Limited ("APT International"); and (ii) 100% in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interests) of the Company;

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

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

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

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

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

3. APT International directly holds 481,950,000 shares (approximately 51.77% interests) of the Company.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 31 December 2016, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the date of this report, Messrs. Mr. Cheng Guangren, Mr. Qi Liang, Mr. Yuan Jie, Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Zhuo Chao, Mr. Fu Zhiheng, Mr. Lim Kian Soon and Mr. Tseng Ta-mon (alternate director to Dr. Yin Yen-liang), Directors of the Company, are also directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company's issued share capital at 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, the aggregate revenue attributable to the Group's five largest customers was 38% (2015: 38%) of the total revenue. In 2016, the largest customer accounted for 11% of the Group's revenue and the largest supplier represented 18% of the Group's total purchases.

One of the five largest customers was China Satellite Communication Company Limited ("China Satcom"). China Satcom is a subsidiary of China Aerospace Science & Technology Corporation, the controlling shareholder of the Company. Mr. Cheng Guangren, Mr. Qi Liang and Mr. Zhuo Chao have interests to the extent that they have been concurrently directors or senior officers of China Satcom.

The aggregate purchase attributable to the Group's five largest suppliers was less than 67% of total purchases (2015: 89%). One of the five largest suppliers was China Satcom.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Company's five largest customers or suppliers.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

According to a facility agreement entered into on 14 June 2016, China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, is required to maintain control of or hold directly or indirectly not less than 30% shareholdings of the Company and remain as the single largest shareholder of the Company. As at 31 December 2016, the amount of the facility subject to such an obligation was HK$509,356,000. The facility will expire on 28 June 2021.

CONNECTED TRANSACTIONS

Certain connected transactions also fall under related party transactions in accordance with the International/Hong Kong Accounting Standards, details are set out in note 35 to the financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

FUTURE SATELLITE

APSTAR-6C

On 17 October 2015, APT HK, a wholly-owned subsidiary of the Company, entered into a Satellite Contract with China Great Wall Industry (Hong Kong) Corp. Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CGWIC, in respect of, inter alia, the manufacturing, launching and delivery of the APSTAR-6C Satellite, a DFH-4 series platform having 26 C-band transponders, 19 Ku-band/Ka-band transponders 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-6C Satellite is developed and launched by the Group as the replacement satellite of APSTAR-6, an existing in-orbit satellite. The new satellite will be built with the latest technology and versatile footprint coverage to replace the existing satellite in order to maintain business continuity of the Group's customers and to enhance its competitive advantage in the region with both conventional and high throughput transponder capacities.

The total contract price for the in-orbit delivery of the APSTAR-6C and the performance of the services by the Contractor under the Satellite Contract is US$180,000,000.

CONSULTANCY CONTRACT

On 18 August 2014, APT HK entered into a consultancy contract ("Consultancy Contract") with 中國亞太移動通信衛星有限責任公司 ("China APMT") in respect of the provision of advisory and consultancy services for the construction of LAOSAT-1 Satellite by APT HK to China APMT on terms and conditions stipulated in the Consultancy Contract. The aggregate consultancy fee is HK$3,300,000 including incentive payment, and the term of the contract commenced from 1 August 2014 and will expire on the date of completion of the in-orbit acceptance of LAOSAT-1 Satellite, or on 31 March 2016, whichever is earlier. LAOSAT-1 Satellite has been launched to designated orbit on 20 November 2015 and its completion of in-orbit acceptance occurred on 9 March 2016. The Consultancy Contract expired on the same day.

FORMATION OF APT MOBILE SATCOM LIMITED

Pursuant to an Investors' Agreement dated 23 July 2016 and a Supplemental Agreement dated 12 August 2016, APT Satellite Communications (Shenzhen) Co. Ltd. ("APT (Shenzhen)"), a wholly-owned subsidiary of the Company,北京船舶通信導航有限公司 ("Beijing Marine Communication Navigation Company"), 國新(深圳)投資有限公司 ("Guo Xin (Shenzhen)"), 深圳市昊創投資集團有限公司 ("Shenzhen Hao Chuang"), 航天投資控股有限公司 ("China Aerospace Investment Holdings Ltd."), 國華軍民融合產業發展基金管理有限公司 ("Guohua Junmin"), 海航生態科技集團有限公司 ("HNA EcoTech") and 深圳市創新投資集團有限公司 ("Shenzhen Capital") agreed to establish a company namely APT Mobile Satcom Limited ("APT Mobile"). The total registered capital of APT Mobile was RMB2,000 million, of which APT (Shenzhen) committed to invest RMB600 million (representing 30% of the equity interest in APT Mobile). At 31 December 2016, APT (Shenzhen) has paid RMB150,000,000 and a further investment of RMB90,000,000 was paid after the reporting period. The scope of business of APT Mobile includes construction and operation of satellite communication system, satellite space segment services, satellite fixed and mobile telecommunication services, internet access, integration of networks and systems and technical consultancy services etc.

CONTINUING CONNECTED TRANSACTIONS

On 27 October 2014, the Company entered into the Transponder Service Master Agreement ("Existing Master Agreement") with China Satcom of validity until 31 December 2017 thereby subject to the terms and conditions of the Existing Master Agreement, the Group and China Satcom, on an ongoing basis, provide to each other (including their respective associates) services (the "Continuing Connected Transactions") that (a) in the Mainland China market, the Group shall provide its satellite transponder capacity on a preferential basis to China Satcom (the "Service in Mainland China"); and that (b) in the market outside Mainland China, either the Group or China Satcom shall provide on a preferential basis its own satellite transponder capacity and satellite telecommunication value-added services and other related professional service to the other party (the "Service Outside Mainland China"). Since China Satcom is a subsidiary of CASC, and CASC and its associates hold approximately 57.14% interest of APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.77% (51.67% as at 31 December 2015) of the issued share capital of the Company. China Satcom is therefore a connected party of the Company under the Listing Rules.

As approved by the independent shareholders of the Company on 5 December 2014, the maximum annual aggregate value (the "Caps") in respect of the Service in the Mainland China and the Service Outside the Mainland China for the year ended 31 December 2016 are as follows:

(a)	the Caps in respect of the provision of the Service in the Mainland China by the Group to China Satcom	HK$295,000,000
(b)	the Caps in respect of the provision of the Service Outside the Mainland China by the Group to China Satcom	HK$22,000,000
(c)	the Caps in respect of the provision of the Service Outside the Mainland China by China Satcom to the Group	HK$200,000,000

The Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that:

(i) the Continuing Connected Transactions have been entered into under the usual and ordinary course of business of the Group;

(ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and

(iii) the Continuing Connected Transactions have been entered into in accordance with the Existing Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Directors have received a letter from the auditors of the Company, KPMG, which was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" both issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which has been provided by the Company to the Stock Exchange in accordance with Listing Rules 14A.56 where confirming the Continuing Connected Transactions:

(i) have been approved by the Board of Directors;

(ii) were in all material respects, in accordance with the pricing policies of the Group;

(iii) were in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and

(iv) have not exceeded the respective Caps set out above for the year ended 31 December 2016.

The Company has provided a copy of the said letter to the Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" contained in this annual report.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

BUSINESS REVIEW

The Business Review of the Group is set out in the "Management Discussion and Analysis (Business Review)" on pages 10 to 22 of this annual report. The details of the relationships with the Group's stakeholders are set out in the "Environmental, Social and Governance Report" on pages 35 to 39 of this annual report. These discussions form part of this Directors' Report.

By order of the Board
Yuan Jie
Chairman

Hong Kong, 22 March 2017

KPMG

Independent auditor's report to the shareholders of
APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of APT Satellite Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 62 to 133, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Annual impairment assessment of cash generating unit which included an intangible asset with indefinite useful life

Refer to note 13 to the consolidated financial statements and the accounting policies on page 78.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's intangible asset with indefinite useful life ("the IA"), representing the right to use an orbital slot, amounted to HK$133.6 million as at 31 December 2016. The orbital slot was solely occupied by a satellite of the Group as the IA generates cash inflows together with this satellite, the Group performs annual impairment assessment of the IA and the satellite together, by comparing the aggregate carrying value of the IA and the satellite against their aggregate recoverable amount, based on the discounted cashflow forecast prepared by Group management to determine the amount of impairment loss to be recognised, if any. We identified the potential impairment of IA as a key audit matter because the impairment assessment conducted by Group management is complex and contain certain judgemental assumptions, particularly the discount rate and revenue growth rate.	Our audit procedures to assess potential impairment of the IA included the following: • evaluating the appropriateness of the Group's identification of the cash generating unit comprising the IA and the satellite solely using the IA; • with the assistance of our internal valuation specialists, assessing the methodology used in the cashflow forecast prepared by Group management and whether the discount rate adopted in the cashflow forecast is within the normal range used by other market participants; • comparing the revenue growth rate adopted in the cashflow forecast with past growth rates achieved by the Group as well as with those of comparable companies and other available external market data, taking into account recent developments in the commercial satellite industry and the Group's future operating plans; • comparing the revenue included in the cashflow forecast prepared by Group management in the prior year with the current year actual performance of the Group to assess accuracy of the prior year's cashflow forecast, and making enquiries of Group management as to the reasons for any significant variations identified; • obtaining from Group management sensitivity analyses of both discount rate and revenue growth rate as adopted in the cashflow forecast prepared by the Group and assessing the impact of changes in these key assumptions to the conclusion reached in the impairment assessment and whether there was any indicator of management bias.

KEY AUDIT MATTERS (Continued)

Recoverability of trade receivables

Refer to note 20 to the consolidated financial statements and the accounting policies on page 78.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group's trade receivables amounted to HK$127.2 million, after netting off allowances for doubtful debts of HK$26.1 million. Balances overdue but not impaired amounted to HK$82.7 million at that date. The Group's customers operate in a number of sectors and geographical locations, all of them having different credit profiles. The timing of trade receivable settlement can be influenced by sector/geographical norms. At the end of each reporting period, a considerable level of management judgement is therefore required to determine whether there is objective evidence of impairment and if such evidence is determined to exist, the amount required to write down the balance of trade receivables to their recoverable amount. We identified the impairment of trade receivables as a key audit matter because of the significance of the potential reduction in the recoverable amount of trade receivables, particularly the high value individual items, to the Group's results for the year and because the impairment assessment is inherently subjective and requires significant management judgement which increases the risk of error or potential management bias.	Our audit procedures to assess recoverability of trade receivables included the following: • evaluating the methodology adopted by the Group to identify the potentially non-recoverable balances. This included assessing the design and operating effectiveness of the Group's credit control process and, on a sample basis, testing whether items in the trade receivable report were classified within the appropriate ageing brackets; • enquiring Group management of the significant or long overdue balances with reference to recent history of settlement, default or disputes and the ageing profile of the relevant trade debtors; • reviewing Group management's assessment of delinquent debtors' financial condition and estimated date of settlement with reference to recent communications with the relevant trade debtors; • assessing the accuracy of allowance for doubtful debts recorded in the prior year, on a sample basis, by examining reversals of previously recorded allowances during the current year and write-offs of trade receivables not previously provided for; and • assessing the reasonableness of Group recorded provisions, by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms given to and receipts in advance from the relevant trade debtors.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

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

22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	2016 $'000	2015 $'000
Revenue	3&10	**1,229,933**	1,194,411
Cost of services		**(492,588)**	(465,898)
Gross profit		**737,345**	728,513
Other net income	4(a)	**14,203**	68,910
Valuation loss on investment properties	12	**(531)**	(238)
Impairment loss in respect of property, plant and equipment	11(a)	**–**	(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	16	**(15,723)**	(3,686)
Finance costs	4(b)	**(9,283)**	(18,039)
Share of profit of an associate		**24**	–
Profit before taxation	4	**607,303**	626,135
Income tax	5(a)	**(113,695)**	(112,304)
Profit for the year and attributable to equity shareholders of the Company		**493,608**	513,831
Earnings per share	9		
Basic and diluted		**52.92 cents**	55.09 cents

The notes on pages 68 to 133 form part of these financial statements.

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

The notes on pages 68 to 133 form part of these financial statements.

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(a)	**4,395,237**	4,284,194
Investment properties	12	**10,686**	11,217
Intangible asset	13	**133,585**	133,585
Interests in joint ventures	14	**490**	491
Interest in an associate	15	**167,509**	–
Club memberships		**380**	380
Prepaid expenses	18	**768,897**	247,941
Deferred tax assets	27(b)	**325**	393
		5,477,109	4,678,201
Current assets			
Financial assets at fair value through profit or loss	16	**23,939**	39,662
Loan receivables	19	**–**	24,180
Trade receivables, net	20	**127,170**	96,321
Deposits, prepayments and other receivables		**31,835**	49,735
Pledged bank deposits	21	**39**	15,672
Bank deposits with original maturity beyond 3 months		**549,390**	656,612
Cash and cash equivalents	22(a)	**253,553**	580,871
		985,926	1,463,053
Current liabilities			
Payables and accrued charges	23	**105,424**	132,580
Rentals received in advance		**99,333**	101,231
Dividend payable		**–**	473
Secured bank borrowings due within one year	24	**78,000**	170,533
Current taxation	27(a)	**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

	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	24	**504,241**	544,224
Deposits received	25	**78,619**	79,346
Deferred income	26	**89,658**	104,705
Deferred tax liabilities	27(b)	**596,946**	517,156
		1,269,464	1,245,431
Net assets		**4,849,194**	4,450,365
Capital and reserves			
Share capital	28	**93,101**	93,271
Share premium	29	**1,236,081**	1,242,722
Contributed surplus	29	**511,000**	511,000
Revaluation reserve	29	**4,017**	4,017
Exchange reserve	29	**(6,964)**	1,723
Other reserves	29	**442**	442
Accumulated profits		**3,011,517**	2,597,190
Total equity		**4,849,194**	4,450,365

Approved and authorised for issue by the Board of Directors on 22 March 2017

Cheng Guangren
Director

Qi Liang
Director

The notes on pages 68 to 133 form part of these financial statements.

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 28(c))*	31,090	(31,090)	–	–	–	–	–	–
Dividend approved in respect of the previous year *(note 8(ii))*	–	–	–	–	–	–	(43,526)	(43,526)
Dividend declared in respect of the current year *(note 8(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 8(ii))*	**–**	**–**	**–**	**–**	**–**	**–**	**(46,636)**	**(46,636)**
Dividend declared in respect of the current year *(note 8(i))*	**–**	**–**	**–**	**–**	**–**	**–**	**(32,645)**	**(32,645)**
Purchase of own shares *(note 28(d))*	**(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**

The notes on pages 68 to 133 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	2016 $'000	2015 $'000
Operating activities			
Cash generated from operations	22(b)	**443,803**	867,579
Overseas tax paid		**(12,856)**	(23,805)
Net cash generated from operating activities		**430,947**	843,774
Investing activities			
Payment for the purchase of property, plant and equipment		**(500,057)**	(1,382,651)
Proceeds from repayment of launch service contract		**–**	507,000
Proceeds from disposal of investment		**–**	9,254
Payment for investment in a joint venture		**–**	(1)
Proceeds from disposal of a joint venture		**1**	–
Payment for investment in an associate		**(175,357)**	–
Interest received		**16,254**	60,326
Decrease/(increase) in pledged bank deposits		**15,633**	(4,606)
Decrease in bank deposits with original maturity beyond 3 months		**107,222**	351,262
Decrease in loan receivables		**24,180**	24,180
Net cash used in investing activities		**(512,124)**	(435,236)
Financing activities			
Interest paid		**(7,710)**	(16,039)
Proceeds from bank borrowings		**587,356**	–
Repayment of bank borrowings		**(717,600)**	(312,000)
Payment of loan arrangement fee		**(6,591)**	–
Payment for repurchase of shares		**(6,811)**	–
Dividends paid to equity shareholders of the Company		**(79,754)**	(75,698)
Net cash used in financing activities		**(231,110)**	(403,737)
Net (decrease)/increase in cash and cash equivalents		**(312,287)**	4,801
Cash and cash equivalents at 1 January	22(a)	**580,871**	608,830
Effect of foreign exchange rates changes		**(15,031)**	(32,760)
Cash and cash equivalents at 31 December	22(a)	**253,553**	580,871

The notes on pages 68 to 133 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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, these financial statements also comply with HKFRSs. These 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. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss (see note 1(e)) and investment properties (see note 1(f)) are stated at fair value, as explained in the accounting policies set out below.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs and HKFRSs that have effect on the financial statements and sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in an associate and joint venture are stated at cost less impairment losses (see note 1(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(r).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(r)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

Where other land and buildings are reclassified to investment properties, the cumulative increase in fair value of investment properties at the date of reclassification is included in the revaluation reserve, and will be transferred to accumulated profits upon the retirement and disposal of the relevant properties.

(g) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)):

– land classified as being held under finance leases and buildings thereon (see note 1(h)); and

– other items of plant and equipment.

Satellite under construction includes the manufacturing costs, launch costs and any other relevant direct costs when incurred as construction in progress. When the satellite is put into service, the expenditure is transferred to communication satellites and depreciation will commence.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

– Leasehold improvements	Over the lease term
– Furniture and equipment, motor vehicles, and computer equipment	5 years
– Data centre equipment	5 to 15 years
– Communication satellite equipment (earthbound)	5 to 15 years
– Communication satellites (in-orbit)	13.5 to 18.5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts, to residual values, over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in an associate and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible asset; and

– investments in subsidiaries, an associate and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS/HKAS 34, *Interim financial reporting,* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and (ii)).

(j) Intangible asset

Intangible asset represents the right to operate satellite at an orbital slot with an indefinite useful life and is not amortised. The useful life of an intangible asset is indefinite and is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (Continued)

Certain employees of the Group participate in retirement plans managed by the respective local governments of the municipalities in the Mainland China in which the Group operates. The Group's contributions to the plan are calculated based on fixed rates of the employees' salary costs and charged to profit or loss incurred. In addition to the local governmental defined contribution retirement plans, the Group also participate in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group are required to make contributions to the retirement plans at fixed rates of the relevant employees' salary costs or in accordance with the terms of the plans. The Group's contributions to these plans are charged to profit or loss when incurred. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment benefits of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Transponder utilisation income and related services

Income from provision of satellite transponder capacity and related services is recognised in profit or loss in equal instalments over the accounting periods covered by the contract term, except where an alternative basis is more representative of the pattern of benefits to be derived from the satellite transponder capacity utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

(ii) Service income

Service income in respect of provision of satellite-based broadcasting and telecommunications services and other service is recognised when services are provided.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies (Continued)

The functional currency of the Group's main operations is the United States Dollar which is translated into Hong Kong Dollar for reporting of the financial statements. As Hong Kong Dollar is pegged to the United States Dollar, the impact of foreign currency exchange fluctuations is insignificant to the Group.

The results of foreign operations are translated into Hong Kong Dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong Dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

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

– *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.

3 REVENUE

The principal activities of the Group are the maintenance, operation, and provision of satellite transponder capacity and related services and satellite-based broadcasting and telecommunications services and other services.

Revenue represents income received and receivable from the 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

4 PROFIT BEFORE TAXATION

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

	2016	2015
	$'000	$'000
(a) Other net income		
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 of $50,000 (2015: $51,000)	**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

4 PROFIT BEFORE TAXATION (Continued)

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

		2016 $'000	2015 $'000
(b)	**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 $'000	2015 $'000
(c)	**Staff costs**		
	Staff costs (including directors' emoluments)		
	Retirement scheme contributions	**3,214**	3,171
	Salaries, wages and other benefits	**74,492**	66,642
		77,706	69,813

		2016 $'000	2015 $'000
(d)	**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

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 $'000	2015 $'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.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 **$'000**	2015 $'000
Profit before taxation	**607,303**	626,135
Notional tax on profit before taxation, calculated at the rates applicable to assessable profits in the jurisdictions concerned	**100,207**	103,344
Over-provision in respect of prior years	**(2,496)**	(6,195)
Withholding taxes outside Hong Kong	**18,320**	26,129
Tax effect of non-deductible expenses	**2,454**	4,870
Tax effect of non-taxable income	**(4,895)**	(16,118)
Tax effect of unused tax losses not recognised	**800**	(335)
Tax effect of prior year's unrecognised deferred tax utilised this year	**(695)**	(151)
Tax effect of temporary differences previously not recognised now recognised	**–**	760
Actual tax expense	**113,695**	112,304

(c) There is no tax effect relating to the components of the other comprehensive income for the year (2015: Nil).

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2016 Total $'000
Executive directors					
Cheng Guangren *(note (e))*	50	2,643	2,737	432	5,862
Qi Liang *(note (f))*	50	1,888	1,521	313	3,772
Non-executive directors					
Yuan Jie *(note (a))*	–	–	–	–	–
Lim Toon	100	–	–	–	100
Lim Kian Soon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Zhuo Chao	100	–	–	–	100
Fu Zhiheng *(note (c))*	–	–	–	–	–
Tseng Ta-mon *(note (d))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,300	4,531	4,258	745	10,834

6 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees $'000	Salaries and other benefits $'000	Performance related bonuses $'000	Retirement scheme contributions $'000	2015 Total $'000
Executive directors					
Cheng Guangren *(note (e))*	50	2,665	2,657	432	5,804
Qi Liang *(note (f))*	50	1,910	1,458	313	3,731
Non-executive directors					
Yuan Jie (appointed on 27 January 2015) *(note (a))*	–	–	–	–	–
Lei Fanpei (resigned on 27 January 2015) *(note (b))*	–	–	–	–	–
Lim Toon	100	–	–	–	100
Lim Kian Soon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Zhuo Chao	100	–	–	–	100
Fu Zhiheng *(note (c))*	–	–	–	–	–
Tseng Ta-mon *(note (d))*	–	–	–	–	–
Independent non-executive directors					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,300	4,575	4,115	745	10,735

Notes:

(a) Mr. Yuan Jie, a non-executive director, has waived his director's fees for 2015 and 2016.

(b) Mr. Lei Fanpei, a non-executive director, has waived his director's fees for 2015.

(c) Mr. Fu Zhiheng, a non-executive director, has waived his director's fees for 2015 and 2016.

(d) Mr. Tseng Ta-mon is an alternate director. Alternate directors are not entitled to receive any director's fees.

(e) The performance related bonuses paid to an executive director Mr. Cheng Guangren included bonuses for the year with the amount of $987,000 (2015: $1,140,000) and bonuses paid for previous assessed service years with the amount of $1,750,000 (2015: $1,517,000).

(f) The performance related bonuses paid to an executive director Mr. Qi Liang included bonuses for the year with the amount of $716,000 (2015: $828,000) and bonuses paid for previous assessed service years with the amount of $805,000 (2015: 630,000).

7 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, there are two directors (2015: two) whose emolument is disclosed in note 6. The aggregate of emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 **$'000**	2015 $'000
Salaries and other emoluments	**8,388**	5,620
Performance related bonuses	**5,578**	4,779
Retirement scheme benefits contributions	**510**	510
	14,476	10,909

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
$1,000,001 to $1,500,000	**–**	–
$1,500,001 to $2,000,000	**–**	–
$2,000,001 to $2,500,000	**–**	–
$2,500,001 to $3,000,000	**–**	–
$3,000,001 to $3,500,000	**–**	1
$3,500,001 to $4,000,000	**1**	1
$4,000,001 to $4,500,000	**1**	1
$4,500,001 to $5,000,000	**–**	–
$5,000,001 to $5,500,000	**–**	–
$5,500,001 to $6,000,000	**–**	–
$6,000,001 to $6,500,000	**–**	–
$6,500,001 to $7,000,000	**1**	–
	3	3

8 DIVIDENDS

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

	2016 **$'000**	2015 $'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.

8 DIVIDENDS (Continued)

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

	2016 $'000	2015 $'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

9 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 '000	2015 '000
Issued ordinary shares at 1 January	**932,711**	621,807
Effect of bonus issue *(note 28(c))*	**–**	310,904
Effect of shares repurchased *(note 28(d))*	**(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.

10 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).

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings $'000	Leasehold improvements $'000	Furniture and equipment, motor vehicles, and computer equipment $'000	Communication satellite equipment $'000	Communication satellites $'000	Data centre equipment $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2015	119,539	19,258	52,267	85,857	4,755,204	17,898	1,071,488	6,121,511
Additions	–	833	1,580	11,754	–	466	626,063	640,696
Disposals	–	(55)	(762)	–	–	–	–	(817)
Effect of cost adjustment *(note (i))*	–	–	–	–	(5,200)	–	–	(5,200)
Transfer	–	1,208	–	–	1,651,437	–	(1,652,645)	–
Transfer to investment properties	(2,432)	–	–	–	–	–	–	(2,432)
Exchange adjustments	–	(64)	(91)	–	–	–	–	(155)
At 31 December 2015	117,107	21,180	52,994	97,611	6,401,441	18,364	44,906	6,753,603
At 1 January 2016	117,107	21,180	52,994	97,611	6,401,441	18,364	44,906	6,753,603
Additions	–	1,227	1,021	7,445	–	50	501,500	511,243
Disposals	–	(516)	(672)	–	–	–	–	(1,188)
Exchange adjustments	–	(128)	(76)	–	–	–	–	(204)
At 31 December 2016	117,107	21,763	53,267	105,056	6,401,441	18,414	546,406	7,263,454
Accumulated depreciation:								
At 1 January 2015	40,644	11,136	46,472	60,654	1,994,862	3,703	–	2,157,471
Charge for the year	2,412	893	2,293	8,420	284,888	2,148	–	301,054
Written back on disposal	–	(55)	(762)	–	–	–	–	(817)
Transfer to investment properties	(376)	–	–	–	–	–	–	(376)
Impairment loss *(note (ii))*	–	–	–	–	–	12,219	–	12,219
Exchange adjustments	–	(60)	(82)	–	–	–	–	(142)
At 31 December 2015	42,680	11,914	47,921	69,074	2,279,750	18,070	–	2,469,409
At 1 January 2016	42,680	11,914	47,921	69,074	2,279,750	18,070	–	2,469,409
Charge for the year	2,392	1,446	2,108	10,105	384,008	51	–	400,110
Written back on disposal	–	(515)	(604)	–	–	–	–	(1,119)
Exchange adjustments	–	(120)	(63)	–	–	–	–	(183)
At 31 December 2016	45,072	12,725	49,362	79,179	2,663,758	18,121	–	2,868,217
Net book value:								
At 31 December 2016	**72,035**	**9,038**	**3,905**	**25,877**	**3,737,683**	**293**	**546,406**	**4,395,237**
At 31 December 2015	74,427	9,266	5,073	28,537	4,121,691	294	44,906	4,284,194

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

Notes:

(i) Effect of cost adjustment

Pursuant to an agreement entered into by a wholly-owned subsidiary of the Company, APT Satellite Company Limited ("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.

(ii) 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.

(b) The analysis of net book value of land and buildings carried at cost held by the Group is as follows:

	Land and buildings	
	2016	2015
	$'000	$'000
Medium-term leases in Hong Kong	**72,035**	74,427

(c) Assets under finance leases

As at 31 December 2016, the net book value of communication satellites held under finance leases in connection with APSTAR-5 amounted to $116,623,000 (2015: $180,487,000).

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) 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, a wholly-owned subsidiary of the Company, 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 for in-orbit delivery.

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.

12 INVESTMENT PROPERTIES

In prior years, a property of the Group was held for office purpose and classified as property, plant and equipment. During the year ended 31 December 2015, the directors changed the use of this property from office purpose to rental purpose. Accordingly, this property with carrying amount of $2,056,000 has been transferred from property, plant and equipment to investment properties. The fair value of this property was $5,705,000 at the date of reclassification.

The investment properties were revalued at 31 December 2016 at $10,686,000 (2015: $11,217,000) on an open market value basis by reference to net rental income allowing for reversionary income potential by Savills Valuation and Professional Services Limited, an independent professional property appraiser who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. A valuation loss of $531,000 (2015: $238,000) has been recognised in the profit or loss during the year.

The investment properties, which are situated in Mainland China under medium term leases, are rented out under operating leases and the rental income earned from the investment properties during the year was $781,000 (2015: $727,000).

13 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%).

14 INTERESTS IN JOINT VENTURES

	2016	2015
	$'000	$'000
Unlisted shares, at cost	**490**	491

During 2013, the Group established with a third party and contributed a sum of $490,000 to a joint venture called Beijing Tong Ren Tang Mass Media (Hong Kong) Co. Limited, in exchange for 49% equity interest in the joint venture. The joint venture did not yet have any significant operation during the year.

15 INTEREST IN AN ASSOCIATE

On 23 July 2016, the Group entered into an Investors' Agreement for the establishment of APT Mobile SatCom Limited ("APT Mobile") in Shenzhen, Guangdong Province of the PRC. The total registered capital of APT Mobile is RMB2,000 million, of which the Group has committed to contribute RMB600 million, representing 30% of the equity interest in APT Mobile. Details of which can be referred to in the announcements on 23 July 2016 and 14 August 2016 in relation to the establishment of APT Mobile.

The principal activities of APT Mobile are the construction and development of global high-throughput satellite communication system. As at 31 December 2016, APT Mobile was at the initial set up stage and the capital contribution made by the Group amounted to RMB150 million (equivalent to $175 million). The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of APT Mobile, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2016 **$'000**	2015 $'000
Gross amounts of the associate's		
Current assets	**514,323**	–
Non-current assets	**372**	–
Current liabilities	**(995)**	–
Equity	**513,700**	–
Revenue	**–**	–
Profit from continuing operations	**78**	–
Other comprehensive income	**–**	–
Total comprehensive income	**78**	–
Reconciled to the Group's interest in an associate		
Gross amount of net assets of the associate	**513,700**	–
Capital not yet received by the associate from an investor	**44,663**	–
	558,363	–
Group's effective interest	**30%**	–
Group's share of net assets of the associate and carrying amount in the consolidated financial statements	**167,509**	–

16 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.

17 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment/operation*	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	100%	100%	–	Investment holding
APT Satellite Company Limited ("APT HK")	Hong Kong	Ordinary Class "A" HK$100; Non-voting Deferred Class "B" HK$542,500,000	100%	–	100%	Provision of satellite transponder capacity
APT Satellite Global Company Limited	Cayman Islands	US$2	100%	–	100%	Investment holding
APT Satellite TV Development Limited	Hong Kong	HK$2	100%	–	100%	Provision of satellite television programme services
APT Datamatrix Limited	Hong Kong	HK$2	100%	–	100%	Provision of data centre services
APT Telecom Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of tele-communication services
Ying Fai Realty (China) Limited	Hong Kong/PRC	HK$20	100%	–	100%	Property holding
亞太衛星通信（深圳）有限公司	Wholly-owned foreign enterprises, PRC	Registered capital HK$187,000,000	100%	–	100%	Provision of satellite transponder capacity
Middle East Ventures Limited	British Virgin Islands	US$1	100%	100%	–	Investment holding
Middle East Satellite FZE	Ras Al Khaimah Free Trade Zone, United Arab Emirates	AED300,000	100%	–	100%	Management and project management consultancy

* The place of operation is the place of incorporation/establishment unless otherwise stated.

18 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 $'000	2015 $'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)).

19 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.

20 TRADE RECEIVABLES, NET

	2016 $'000	2015 $'000
Due from third parties	**92,953**	83,206
Due from fellow subsidiaries	**33,861**	11,951
Due from holding company of a shareholder of the Company	**356**	1,164
	127,170	96,321

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

(a) Ageing analysis

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 $'000	2015 $'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 Group's credit policy is set out in note 30(a).

20 TRADE RECEIVABLES, NET (Continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 **$'000**	2015 $'000
At 1 January	**27,970**	7,396
Impairment loss (reversed)/recognised	**(1,853)**	21,708
Uncollectible amounts written off	**–**	(1,134)
At 31 December	**26,117**	27,970

At 31 December 2016, the Group's trade receivables of $26,117,000 (2015: $27,970,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Specific allowances for doubtful debts of $1,853,000 were reversed (2015: $21,708,000 were recognised) in the profit or loss during the year ended 31 December 2016.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016 **$'000**	2015 $'000
Neither past due nor impaired	**44,517**	15,917
Less than 1 month past due	**29,137**	37,774
1 to 3 months past due	**22,330**	23,684
More than 3 months past due	**31,186**	18,946
At 31 December	**127,170**	96,321

20 TRADE RECEIVABLES, NET (Continued)

(c) Trade receivables that are not impaired (Continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

21 PLEDGES OF ASSETS

At 31 December 2016, the pledged bank deposits of $39,000 (2015: $15,672,000) are related to certain commercial arrangements made during the year. All pledged deposits in relation to the bank facility entered in 2010 (the "2010 Facility") (note 28(e)) 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 $3,491,000 (2015: $3,607,000).

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 **$'000**	2015 $'000
Deposits with banks and other financial institutions with maturity less than 3 months	**156,000**	511,643
Cash at bank and on hand	**97,553**	69,228
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**253,553**	580,871

22 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	2016 $'000	2015 $'000
Profit before taxation	**607,303**	626,135
Adjustment for:		
– Depreciation	**400,110**	301,054
– Loss on disposal of property, plant and equipment	**69**	–
– Valuation loss on investment properties	**531**	238
– Gain on disposal of investment	**–**	(1,461)
– Other service income	**–**	(54,600)
– Fair value changes on financial instrument designated at fair value through profit or loss	**15,723**	3,686
– Interest income	**(13,784)**	(47,013)
– Finance costs	**9,283**	18,039
– Impairment loss in respect of property, plant and equipment	**–**	12,219
– Impairment loss in respect of club memberships	**–**	5,157
– Impairment loss for trade and other receivables (reversed)/recognised	**(1,853)**	18,708
– Share of profit of an associate	**(24)**	–
Operating profit before changes in working capital:	**1,017,358**	882,162
– Increase in trade receivables, net	**(28,996)**	(6,021)
– Increase in prepaid expenses	**(520,956)**	(137,015)
– Decrease/(increase) in deposits, prepayments and other receivables	**17,329**	(4,828)
– (Decrease)/increase in payables and accrued charges	**(23,260)**	85,163
– (Decrease)/increase in rentals received in advance	**(1,898)**	37,626
– (Decrease)/increase in deferred income	**(15,047)**	13,794
– Decrease in deposits received	**(727)**	(3,302)
Cash generated from operations	**443,803**	867,579

23 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 $'000	2015 $'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

24 SECURED BANK BORROWINGS

	2016 $'000	2015 $'000
Bank loans	**582,241**	714,757
Less: amount due within one year included under current liabilities	**(78,000)**	(170,533)
	504,241	544,224

Secured bank borrowings (net of unamortised finance cost) are repayable as follows:

	2016 $'000	2015 $'000
Within one year or on demand	**78,000**	170,533
After one year but within five years	**504,241**	544,224
	582,241	714,757

25 DEPOSITS RECEIVED

The amount represents deposits received in respect of the provision of satellite transponder capacity services, satellite-based broadcasting and telecommunications services and other related services.

26 DEFERRED INCOME

Deferred income represents unrecognised revenue in respect of payments received in advance for the provision of transponder utilisation services and related services in future periods. Deferred income is recognised in profit or loss according to the revenue recognition policy for transponder utilisation income and related services as set out in note 1(r)(i).

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016 **$'000**	2015 $'000
Provision for Hong Kong Profits Tax for the year	**17,826**	–
Taxation outside Hong Kong payable	**6,370**	6,609
Balance of provision for taxation outside Hong Kong relating to prior years	**37,424**	34,032
	61,620	40,641

(b) Deferred tax liabilities/(assets) recognised

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation $'000**	**Losses $'000**	**Other temporary differences $'000**	**Total $'000**
At 1 January 2015	520,256	(94,511)	(1,349)	424,396
Charged/(credited) to profit or loss	63,372	29,248	(253)	92,367
At 31 December 2015	583,628	(65,263)	(1,602)	516,763
At 1 January 2016	**583,628**	**(65,263)**	**(1,602)**	**516,763**
Charged to profit or loss	**14,885**	**64,584**	**389**	**79,858**
At 31 December 2016	**598,513**	**(679)**	**(1,213)**	**596,621**

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax liabilities/(assets) recognised (Continued)

	2016	2015
	$'000	$'000
Represented by:		
Deferred tax assets	**(325)**	(393)
Deferred tax liabilities	**596,946**	517,156
	596,621	516,763

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $89,588,000 (2015: $90,224,000) and other deductible temporary differences of $6,664,000 (2015: $7,175,000) as the utilisation of these temporary differences is considered to be less than probable. The tax losses do not expire under current tax legislation.

28 SHARE CAPITAL

(a) Movements in components of equity

At 31 December 2016, the Company's reserves available for distribution amounted to $695,613,000 (2015: $682,649,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

28 SHARE CAPITAL (Continued)

(a) Movements in components of equity (Continued)

	The Company				
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2015	62,181	1,273,812	584,358	80,860	2,001,211
Changes in equity for 2015:					
Profit and total comprehensive income	–	–	–	93,602	93,602
Bonus issue *(note 28(c))*	31,090	(31,090)	–	–	–
Dividend approved in respect of the previous year *(note 8(ii))*	–	–	–	(43,526)	(43,526)
Dividend declared in respect of the current year *(note 8(i))*	–	–	–	(32,645)	(32,645)
Balance at 31 December 2015	93,271	1,242,722	584,358	98,291	2,018,642
Balance at 1 January 2016	**93,271**	**1,242,722**	**584,358**	**98,291**	**2,018,642**
Changes in equity for 2016:					
Profit and total comprehensive income	**–**	**–**	**–**	**92,245**	**92,245**
Dividend approved in respect of the previous year *(note 8(ii))*	**–**	**–**	**–**	**(46,636)**	**(46,636)**
Dividend declared in respect of the current year *(note 8(i))*	**–**	**–**	**–**	**(32,645)**	**(32,645)**
Purchase of own shares *(note 28(d))*	**(170)**	**(6,641)**	**–**	**–**	**(6,811)**
Balance at 31 December 2016	**93,101**	**1,236,081**	**584,358**	**111,255**	**2,024,795**

28 SHARE CAPITAL (Continued)

(b) Authorised and issued share capital

	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Authorised:				
Ordinary shares of $0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January	**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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) 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.

28 SHARE CAPITAL (Continued)

(d) 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.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, and trade and other payables) less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges.

During 2016, the Group's strategy, which remain unchanged from 2015, was to maintain the net debt-to-adjusted capital ratio at a percentage that is below 30%. Pursuant to this practice, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

28 SHARE CAPITAL (Continued)

(e) Capital management (Continued)

The net debt-to-adjusted capital ratio at 31 December 2016 was as follows:

	2016 $'000	2015 $'000
Current liabilities:		
Payables and accrued charges	**105,424**	132,580
Secured bank borrowings due within one year	**78,000**	170,533
	183,424	303,113
Non-current liabilities:		
Secured bank borrowings due after one year	**504,241**	544,224
Total debt	**687,665**	847,337
Less: Cash and cash equivalents	**(253,553)**	(580,871)
Bank deposits with original maturity beyond 3 months	**(549,390)**	(656,612)
Pledged bank deposits	**(39)**	(15,672)
Net debt	**(115,317)**	(405,818)
Total equity	**4,849,194**	4,450,365
Adjusted capital	**4,849,194**	4,450,365
Net debt-to-adjusted capital ratio	**N/A**	N/A

On 9 July 2010, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with a syndicate of banks in respect of term loan facilities not exceeding an aggregate amount of US$200 million (the "2010 Facility"). During the year, APT HK repaid US$92,000,000 (equivalent to $717,600,000) and there was no outstanding principal balance of the 2010 Facility at 31 December 2016.

28 SHARE CAPITAL (Continued)

(e) Capital management (Continued)

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

On 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US$10,000,000 (equivalent to $78,000,000). At 31 December 2016, US$10,000,000 (equivalent to $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.

The 2010 Facility and 2016 Facility are subject to the fulfillment of covenants related to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2016, the Group has complied with all of the above covenants.

29 RESERVES

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Group arose as a result of the Group reorganisation in 1996 and represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration thereof.

The contributed surplus of the Company also arose as a result of the Group reorganisation in 1996 and represented the excess of the value of the subsidiaries acquired over the par value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

(iii) Revaluation reserve

Revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted in note 1(f).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted in note 1(s).

(v) Other reserves

Other reserves represent various reserves set aside by certain subsidiaries in accordance with the relevant laws and regulations. These reserves are not available for distribution.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its financial assets at fair value through profit or loss.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and the Group's financial assets at fair value through profit or loss. The maximum exposure to credit risk is presented by the carrying amount of those financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, periodic credit evaluations are performed on customers' financial condition. The Group generally does not require collateral because it usually receives trade deposits which represent a quarter/a month of utilisation fees payable to the Group. The transponder utilisation agreements are subject to termination by the Group if utilisation payments are not made on a timely basis.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purpose.

At the end of the reporting period, the Group has a certain concentration of credit risk in respect of trade and other receivables as 17% (2015: 11%) and 55% (2015: 45%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, which is subject to approval by the parent company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	105,424	(105,424)	(105,424)	–	–	–
Secured bank borrowings	582,241	(632,255)	(88,597)	(29,746)	(513,912)	–
	687,665	(737,679)	(194,021)	(29,746)	(513,912)	–

	2015					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Payables and accrued charges	132,580	(132,580)	(132,580)	–	–	–
Secured bank borrowings	714,757	(746,470)	(185,880)	(369,665)	(190,925)	–
	847,337	(879,050)	(318,460)	(369,665)	(190,925)	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(c) Interest rate risk

The Group is subject to interest rate risk due to fluctuation in interest rates. As of 31 December 2016, the Group's outstanding bank loans consisted of variable interest rate loans only. During the year ended 31 December 2016, the Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks. Upward fluctuations in interest rates increase the borrowing cost of outstanding loans. As a result, a significant increase in interest rates could have a material adverse effect on the financial position of the Group.

(i) Interest rate profile

During the year, secured bank borrowing had an effective interest rate of 2.02% (2015: 1.99%).

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before taxation and total equity by $5,874,000 (2015: $7,176,000) so far as the effect on interest-bearing financial instruments is concerned. The impact on the Group's profit before taxation (and accumulated profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk at a reasonable level.

(d) Currency risk

The Group's reporting currency is the Hong Kong Dollar. The Group's revenue, premiums for satellite insurance coverage and debt service and substantially all capital expenditures were denominated in United States Dollars or Renminbi. The Group's remaining expenses were primarily denominated in Hong Kong Dollars.

Given the fact that the exchange rate of United States Dollars and Hong Kong Dollars are currently pegged, management does not expect that there will be any significant currency risk associated with financial statement items denominated in United States Dollars.

The Group has not hedged the foreign currency exposure in relation to financial statement items denominated in Renminbi.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies (expressed in Hong Kong Dollars)	
	2016	2015
	Renminbi	Renminbi
	'000	'000
Trade receivables, net	**32,881**	11,826
Deposits, prepayments and other receivables	**362**	1,234
Bank balance with original maturity beyond 3 months	**–**	75,947
Cash and cash equivalents	**16,112**	129,240
Payables and accrued charges	**(1,271)**	(1,114)
Overall net exposure	**48,084**	217,133

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit before taxation (and accumulated profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2016		2015	
	Increase/ decrease in foreign exchange rates	**Effect on profit before taxation and accumulated profits**	Increase/ decrease in foreign exchange rates	Effect on profit before taxation and accumulated profits
	%	**$'000**	%	$'000
Renminbi	**+/-5**	**+/-2,404**	+/-5	+/-10,857

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group entities' profit before taxation measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Equity price risk

The Group is exposed to equity price changes arising from financial asset at fair value through profit and loss as disclosed in note 16. As at 31 December 2016, it is estimated that an increase/decrease of 50% in the share price of the issuer of the listed investments, with all other variables held constant, would have increased/decreased the Group's profit before taxation for the year (and accumulated profits) by $11,970,000, as a result of changes in fair value of the financial asset at fair value through profit and loss.

The sensitivity analysis indicates the instantaneous change in the Group's profit before taxation (and accumulated profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(f) Fair values

IFRS/HKFRS 13, *Fair value measurement*, categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	2016			2015		
	Level 1	**Level 2**	**Level 3***	Level 1	Level 2	Level 3*
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Investment properties *(note 12)*	**–**	**–**	**10,686**	–	–	11,217
Financial assets at fair value through profit or loss *(note 16)*	**23,939**	**–**	**–**	39,662	–	–

During the years ended 31 December 2015 and 2016, there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2015 and 2016.

* Details required under IFRS/HKFRS 13 in respect of investment properties' Level 3 valuations are not particularly disclosed as the value of investment properties is not considered significant to the Group.

31 CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 24). The extent of such banking facilities utilised by APT HK at 31 December 2016 amounted to $587,356,000 (2015: $717,600,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 21.

32 COMMITMENTS

At 31 December 2016, the Group had the following outstanding capital commitments not provided for in the consolidated financial statements:

	2016 **$'000**	2015 $'000
Contracted for	**1,780,815**	2,211,612
Authorised but not contracted for	**194,667**	235,019
	1,975,482	2,446,631

33 LEASING ARRANGEMENTS

The Group as lessee

At 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(i) *Land and buildings:*

	2016 **$'000**	2015 $'000
Within one year	**459**	462
After one year but within five years	**239**	657
	698	1,119

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for a period of one to three years and rentals are fixed for the whole lease term. None of the leases includes contingent rentals.

33 LEASING ARRANGEMENTS (Continued)

The Group as lessee (Continued)

(ii) Satellite transponder capacity:

	2016 **$'000**	2015 $'000
Within one year	**6,078**	60,291
After one year but within five years	**9,114**	293
	15,192	60,584

Operating lease payments represent rentals payable by the Group for the leasing of satellite transponders for a period of one to three years and rentals are fixed for the whole lease term. None of the leases includes contingent rentals.

The Group as lessor

Property rental income earned during the year was $1,212,000 (2015: $1,146,000). At the end of the reporting period, certain properties with an aggregate carrying value of $15,483,000 (2015: $16,174,000) were held for rental purposes and the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to $907,000 (2015: $265,000). Depreciation charged for the year in respect of these properties was $160,000 (2015: $160,000).

34 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Under the scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000 and thereafter contributions are voluntary. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

As stipulated by the regulations of Mainland China, the subsidiaries in Mainland China participate in basic defined contribution pension plans organised by the respective municipal governments under which they are governed. Employees in Mainland China are entitled to retirement benefits equal to a fixed proportion of their salaries at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate on the salaries, bonuses and certain allowances of employees.

Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group is required to make contributions to the retirement plans at fixed rate of the employees' salary cost or in accordance with the terms of the plan.

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2016 **$'000**	2015 $'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))***	**160,499**	166,863
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**44,851**	45,241
Income from a fellow subsidiary for provision of data centre services	**–**	95
Income from a fellow subsidiary for launch service refund *(note (ii))*	**–**	54,600
Income from a fellow subsidiary for training services *(note (iii))*	**741**	–
Management fees paid to a fellow subsidiary *(note (iv))*	**(648)**	(770)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (v))**	**(22,776)**	(105,638)

* These transactions also constitute connected transactions under the Main Board Listing Rules, details of which are set out in the paragraph headed "Connected transactions" in the Directors' Report of the annual report for the year ended 31 December 2016.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Except for the balances disclosed elsewhere in these financial statements, at the end of the reporting period, the Group had the following amounts included in the consolidated statement of financial position in respect of amounts owed by and to related parties:

	Trade receivables		Payables and accrued charges		Rentals in advance and deferred income	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Fellow subsidiaries	**33,861**	11,951	**255**	4,200	**39,355**	51,995
Holding company of a shareholder of the Company *(note (i))*	**356**	1,164	**–**	–	**23,868**	48,494

Notes:

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

(ii) Proceeds from a fellow subsidiary for refund of launch and associated services for a satellite previously paid during the year 2012 were received in 2015.

(iii) Proceeds from a fellow subsidiary for training services provided during the year.

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

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

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2016 $'000	2015 $'000
Short-term employee benefits	**17,125**	14,268
Performance related bonuses	**12,539**	10,580
Retirement scheme contributions	**1,521**	1,503
	31,185	26,351

Total remuneration is included in "staff costs" (see note 4(c)).

Emoluments of the senior managers of the Group fell within the following bands:

	Number of individuals 2016	Number of individuals 2015
$1,000,001 to $1,500,000	–	–
$1,500,001 to $2,000,000	–	–
$2,000,001 to $2,500,000	–	2
$2,500,001 to $3,000,000	1	–
$3,000,001 to $3,500,000	1	1
$3,500,001 to $4,000,000	2	2
$4,000,001 to $4,500,000	1	1
$4,500,001 to $5,000,000	–	–
$5,000,001 to $5,500,000	–	–
$5,500,001 to $6,000,000	1	1
$6,000,001 to $6,500,000	–	–
$6,500,001 to $7,000,000	1	–
	7	7

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 $'000	2015 $'000
Non-current assets			
Investments in subsidiaries	17	**615,862**	615,862
Current assets			
Amounts due from subsidiaries		**1,334,523**	1,409,541
Other receivables and prepayments		**586**	318
Cash and cash equivalents		**81,921**	1,639
		1,417,030	1,411,498
Current liabilities			
Payables and accrued charges		**8,097**	7,786
Amount due to a subsidiary		**–**	459
Dividend payable		**–**	473
		8,097	8,718
Net current assets		**1,408,933**	1,402,780
Net assets		**2,024,795**	2,018,642
Capital and reserves			
Share capital	28	**93,101**	93,271
Share premium	29	**1,236,081**	1,242,722
Contributed surplus	29	**584,358**	584,358
Accumulated profits		**111,255**	98,291
Total equity		**2,024,795**	2,018,642

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2016 to be APT Satellite International Company Limited and China Aerospace Science and Technology Corporation, which are incorporated in the British Virgin Islands and the PRC, respectively. Both entities do not produce financial statements available for public use.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

The financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the end of the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

Notes 12, 16 and 30 contain information about the assumptions and their risk factors relating to the fair value of assets.

(b) Accounting judgement in applying the Group's accounting policies

The following are some of the judgement areas in the application of the Group's accounting policies that currently affect the Group's financial condition and results of operations.

(i) Impairment of intangible assets

The Group assesses the impairment of intangible assets on an annual basis, or whenever events or changes in circumstances indicate that the carrying amount is likely to exceed the recoverable amount. The Group measures for impairment using a projected discounted cash flow method. If the carrying value of the intangible asset is more than its recoverable amount, the carrying amount of the intangible assets is reduced to its recoverable amount. Testing for impairment requires significant subjective judgements by management. Any changes in the estimates used could have a material impact on the calculation of the recoverable amount and result in a different impairment assessment outcome.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(ii) Trade receivables and other receivables

The management of the Group estimates the provision for bad and doubtful debts required for the potential non-collectability of trade receivables and other receivables at the end of each reporting period based on the ageing of its customer accounts and its historical write-off experience, net of recoveries. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group makes specific provision on its trade receivables and other receivables. Hence, the Group continuously monitors collections and payments from customers and maintains allowances for bad and doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the customers of the Group were to deteriorate, actual write-offs would be higher than estimated. For the year ended 31 December 2016, the Group has made reversal in impairment loss on trade receivables and other receivables amounting to $1,853,000 (recognised in 2015: $18,708,000) in the profit or loss.

The Group periodically reviews the carrying amounts of provision for bad and doubtful debts to determine whether there is any indication that the provision needs to be written off. If the Group becomes aware of a situation where a customer is not able to meet its financial obligations due to the cessation of business, bankruptcy or debt re-structuring is completed, or the process of litigation or adjudication is completed, or incapability of debt repayment which is supported by objective evidence, the Group will consider writing off the debt.

(iii) Impairment of property, plant and equipment

The Group periodically reviews internal or external resources to identify indications that the assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In assessing the recoverable amount of these assets, the Group is required to make assumptions regarding estimated future cash flows and other factors to determine the net realisable value. If these estimates or their related assumptions change in the future, the Group may be required to adjust the impairment charges previously recorded. The dynamic economic environment in which the Group operates and judgement relating to the utilisation rate of the assets, price and amount of operating costs to estimate future cash flows impact the outcome of the recoverable amounts. If these estimates or their related assumptions change in the future, the Group may be required to record impairment loss for these assets not previously recorded.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(iii) Impairment of property, plant and equipment (Continued)

The Group periodically reviews the carrying amounts of its property, plant and equipment through reference to its value in use and fair value less cost of disposal as assessed by either the Group or an independent professional property appraiser. If the value in use or fair value less cost of disposal of the property, plant and equipment are lower than their carrying amount, the Group may be required to record additional impairment loss not previously recognised. Details of the impairment loss of property, plant and equipment are disclosed in note 11, if any.

(iv) Depreciation

Depreciation of communication satellites is provided for on the straight-line method over the estimated useful life of the satellite, which is determined by engineering assessment performed at the in-services date and re-evaluated regularly. A number of factors affect the operational lives of satellites, including construction quality, component durability, fuel usage, the launch vehicle used, and the skills over which the satellite is monitored and operated. As the telecommunication industry is subject to rapid technological change and the Group's satellites also have a finite number of years in operation, the Group may be required to revise the estimated useful lives of its satellites and communication equipment or to adjust their carrying amounts. Accordingly, the estimated useful lives of the Group's satellites are reviewed based on latest engineering data. If a significant change in the estimated useful lives of our satellites is identified, the Group accounts for the effects of such change as depreciation expenses on a prospective basis. Details of the depreciation of communication satellites are disclosed in notes 1(g) and 11.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Accounting judgement in applying the Group's accounting policies (Continued)

(v) Contingencies and provisions

Contingencies, representing an obligation that are neither probable nor certain at the date of issue of the financial statements, or a probable obligation for which the cash outflow is not probable, are not recorded.

Provisions are recorded when, at the end of the reporting period, there is an obligation of the Group to a third party which is probable or certain to create an outflow of resources to the third party, without at least an equivalent return expected from the third party. This obligation may be legal, regulatory or contractual in nature.

To estimate the expenditure that the Group is likely to bear in order to settle an obligation, the management of the Group takes into consideration all of the available information at the date of issue of its consolidated financial statements. If no reliable estimate of the amount can be made, no provision is recorded. For details, please refer to note 31 on contingent liabilities.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS/HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS/HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS/HKFRS 9, *Financial Instruments*	1 January 2018
IFRS/HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS/HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS/HKFRS 16, *Leases*	1 January 2019

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2016 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impacts on the Group's financial statements. Further details of the expected impacts are discussed below. As the Group is in the process of making its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS/HKFRS 9, *Financial instruments*

IFRS/HKFRS 9 will replace the current standard on accounting for financial instruments, IAS/HKAS 39, *Financial instruments: Recognition and measurement*. IFRS/HKFRS 9 introduces new requirements for calculation of impairment of financial assets. The new impairment model in IFRS/HKFRS 9 replaces the "incurred loss" model in IAS/HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables. However, a more detailed analysis is required to determine the extent of the impact.

IFRS/HKFRS 16, *Leases*

IFRS/HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS/HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2016 (Continued)

IFRS/HKFRS 16, *Leases* (Continued)

IFRS/HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS/HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS/HKFRS 16 and the effects of discounting.

40 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 8.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Years ended 31 December				
	2012 $'000	2013 $'000	2014 $'000	2015 $'000	**2016** **$'000**
Revenue	900,611	1,138,055	1,247,518	1,194,411	**1,229,933**
Cost of services	(372,363)	(408,075)	(467,690)	(465,898)	**(492,588)**
Gross profit	528,248	729,980	779,828	728,513	**737,345**
Other net income	25,515	43,119	27,681	68,910	**14,203**
Valuation gains/(losses) on investment properties	896	1,568	391	(238)	**(531)**
Impairment loss in respect of property, plant and equipment	–	–	–	(12,219)	**–**
Impairment loss in respect of club memberships	–	–	–	(5,157)	**–**
Administrative expenses	(114,779)	(133,578)	(118,377)	(131,949)	**(118,732)**
Profit from operations	439,880	641,089	689,523	647,860	**632,285**
Fair value changes on financial instrument designated at fair value through profit or loss	(34,211)	34,470	(45,595)	(3,686)	**(15,723)**
Finance costs	(21,250)	(27,928)	(25,139)	(18,039)	**(9,283)**
Share of profit of an associate	–	–	–	–	**24**
Profit before taxation	384,419	647,631	618,789	626,135	**607,303**
Income tax	(29,984)	(102,160)	(110,744)	(112,304)	**(113,695)**
Profit for the year and attributable to equity shareholders of the Company	354,435	545,471	508,045	513,831	**493,608**

ASSETS AND LIABILITIES

	At 31 December				
	2012 $'000	2013 $'000	2014 $'000	2015 $'000	**2016** **$'000**
Total assets	5,027,948	5,546,311	6,564,257	6,141,254	**6,463,035**
Total liabilities	(1,941,373)	(1,969,928)	(2,554,755)	(1,690,889)	**(1,613,841)**
Net assets	3,086,575	3,576,383	4,009,502	4,450,365	**4,849,194**