APSTAR
by APT Satellite

APT SATELLITE HOLDINGS LIMITED

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

INTERIM REPORT 2017

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, have become very important satellite resources of the Asia Pacific region.

APSTAR SYSTEMS

Satellite	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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CONTENT

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 (up to 28 August 2017)
Li Zhongbao (from 29 August 2017)
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

Tsang Chi Tat

AUTHORISED REPRESENTATIVES

Cheng Guangren
Tsang Chi Tat

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

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

LEGAL ADVISORS

Sit, Fung, Kwong & Shum, Solicitors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton, HM 12
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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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183 Queen's Road East
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REGISTERED OFFICE

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Hamilton, HM 11
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STOCK CODE

1045

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017.

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

INTERIM RESULTS

For the first half year of 2017, the Group's revenue amounted to HK$598,881,000 (six months ended 30 June 2016: HK$603,467,000), representing 0.8% decrease as compared with corresponding period in the previous financial year. Profit attributable to equity shareholders amounted to HK$241,951,000 (six months ended 30 June 2016: HK$242,120,000) representing 0.1% decrease as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were HK25.99 cents (six months ended 30 June 2016: HK25.96 cents).

For the first half year of 2017, the Group's satellites maintained relatively high utilisation rates. The Group recorded a slight decrease in revenue during the first half year. However, due to oversupply of transponders in the market, the Group continued to sustain transponder price downward pressure. The increase of loss on changes in fair value of financial instruments for the period has also led to a slight decrease in profit attributable to equity shareholders.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.50 cents per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK3.50 cents per ordinary share). The details of interim dividend of the Group are set out in note 7 of this report.

The interim dividend will be paid on or about Thursday, 19 October 2017 to shareholders whose names appear on the register of members at the close of business on Tuesday, 3 October 2017.

BUSINESS REVIEW

In-Orbit Satellites

During the first half year of 2017, 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 30 June 2017, the total transponder utilisation rate of the Group's satellites was 67.4%, representing a decrease of 2.1 percentage points as compared with the total transponder utilisation rate at the end of 2016.

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 the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group holds 20 C-band transponders and 9 Ku-band transponders of this satellite. The Group has commissioned APSTAR-5C as the replacement satellite programme for APSTAR-5.

APSTAR-6 Satellite

APSTAR-6, positioned at 134 degree East geostationary orbital slot, is equipped with 38 C-band transponders and 12 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii. The Group has commissioned APSTAR-6C as the replacement satellite programme for APSTAR-6.

APSTAR-7 Satellite

APSTAR-7, positioned at 76.5 degree East geostationary orbital slot, is equipped with 28 C-band transponders and 28 Ku-band transponders with footprints covering the regions in Asia Pacific region, Middle East, Africa and Europe.

APSTAR-9 Satellite

APSTAR-9, positioned at 142 degree East geostationary orbital slot, is equipped with 32 C-band transponders and 14 Ku-band transponders with footprints covering the regions in Asia, Australia, New Zealand, Pacific Islands and Hawaii.

Future Satellites

APSTAR-5C Satellite

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, for the continuity of the business and sustaining reliable services to existing APSTAR-5 customers. APSTAR-5C is scheduled to replace APSTAR-5 in the second half of 2018, which will carry additional transponders in expanded coverages, including satellite payload with 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, including the manufacturing, launching and delivery of APSTAR-6C. The satellite, which is based on a DFH-4 series platform having 26 C-band transponders, 19 Ku-band/Ka-band transponders, is a high power geostationary communications satellite. APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the first half of 2018.

APSTAR-6D Satellite

The Group has been actively looking for opportunities to improve the Group's market competitiveness. On 23 July 2016 and 12 August 2016, the Group entered into an investors' agreement and a supplemental agreement respectively with the Chinese investors to jointly develop the high-throughput satellite business in Asia Pacific region and Mainland China. The Group committed to invest RMB600 million in the joint project, which represents 30% interest in the joint project. APSTAR-6D project is an advanced broadband satellite communication system in China and adjacent region, and is scheduled to 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 satellite in order to maintain business continuity of the Group's customers and to enhance its edge in market competition over the region and to tap business growth with both conventional and high-throughput transponder capacities.

Transponder Lease Services

During the first half year of 2017, amid the fierce market competition due to oversupply situation in transponder market has resulted in the significant pressure in the transponder utilisation rate and the transponder lease price. As at 30 June 2017, the Group's satellites overall average transponder utilisation rate achieved 67.4%, representing approximately a decrease of 2.1 percentage points and the revenue of core business decreased by 0.7%. The Group has maintained satisfactorily high utilisation rates which ensure promising contribution for continuous profitability.

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 forward to the whole year of 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.

FINANCE

As at 30 June 2017, the Group's financial position remains very strong. Please refer to financial section for detailed analysis.

CORPORATE GOVERNANCE

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

NOTE OF APPRECIATION

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

Yuan Jie
Chairman

Hong Kong , 29 August 2017

FINANCIAL REVIEW

As at 30 June 2017, the Group's financial position remains very strong. The table below sets out the financial performance for the six-month periods ended 30 June 2017 and 30 June 2016:

Financial Highlights

	Six months ended 30 June 2017 HK$'000	2016 HK$'000	Change
Revenue	**598,881**	603,467	-0.8%
Gross profit	**363,495**	357,413	+1.7%
Profit before taxation	**299,764**	297,092	+0.9%
Profit attributable to shareholders	**241,951**	242,120	-0.1%
Basic earnings per share ***(HK cents)***	**25.99**	25.96	+0.1%
EBITDA ***(note)***	**505,086**	499,159	+1.2%
EBITDA Margin ***(%)***	**84.3%**	82.7%	+1.6 percentage points

	At 30 June 2017 HK$'000	At 31 December 2016 HK$'000	Change
Total cash and bank balance	**722,613**	802,982	-10.0%
Total assets	**6,872,613**	6,463,035	+6.3%
Total liabilities	**1,817,632**	1,613,841	+12.6%
Net assets per share ***(HK$)***	**5.43**	5.20	+4.4%
Gearing ratio ***(%)***	**26.4%**	25.0%	+1.4 percentage points
Liquidity ratio	**2.18 times**	2.86 times	-0.68 times

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

Revenue

	Six months ended 30 June 2017 HK$'000	2016 HK$'000	Change
Income from provision of satellite transponder capacity and related services	**580,575**	584,577	-0.7%
Income from provision of satellite-based broadcasting and telecommunications services	**12,527**	9,749	+28.5%
Service income	**5,779**	9,141	-36.8%
Total	**598,881**	603,467	-0.8%

For the first half year of 2017, the Group's revenue amounted to HK$598,881,000 (six months ended 30 June 2016: HK$603,467,000), representing 0.8% decrease as compared with the corresponding period in the previous financial year. The increase in gross profit was mainly due to the decrease in in-orbit insurance of APSTAR-9. The profit attributable to shareholders decreased by 0.1% to HK$241,951,000. The decrease was mainly due to the recognition of loss on changes in fair value of financial instruments of HK$11,474,000 as compared with loss on changes in fair value of financial instruments of HK$4,249,000 in the same period of last year.

Other net income

	Six months ended 30 June		
	2017	2016	
	HK$'000	HK$'000	Change
Interest income on bank deposits and other interest income	**5,264**	8,096	-35.0%
Foreign currencies exchange loss	**(812)**	(5,030)	-83.9%
Rental income in respect of properties	**624**	619	+0.8%
Other service income	**–**	1,722	-100%
Other income	**500**	1,323	-62.2%
Reversal of impairment loss on trade and other receivables recognised, net	**–**	5,331	-100%
Total	**5,576**	12,061	-53.8%

Total other net income for the period ended 30 June 2017 decreased by 53.8% to HK$5,576,000. The decrease was mainly because during the period ended 30 June 2016, the Group has credited a net reversal of impairment loss on trade and other receivables of HK$5,331,000.

Finance costs

There was no finance costs recognised during the period ended 30 June 2017, as compared to finance costs of HK$9,286,000 for the same period of last year. The decrease was primarily due to the finance costs of HK$6,894,000 capitalised for payment in respect of APSTAR-5C and APSTAR-6C during the period.

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

Based on the market price as at 30 June 2017, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$12,465,000, with fair value loss of HK$11,474,000 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 14 of this report.

Income tax

Income tax expenses for the period ended 30 June 2017 increased to HK$57,813,000, as compared to HK$54,972,000 for the same period of last year. The increase was mainly due to the increase in provision for Hong Kong Profits Tax for the current period. The details of income tax of the Group are set out in note 6 of this report.

EBITDA

As a result of the decrease in cost of services, EBITDA for the period ended 30 June 2017 increased by 1.2% to HK$505,086,000, with the margin increased from 82.7% to 84.3%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK$253,082,000 (six months ended 30 June 2016: HK$216,125,000). The capital expenditure was mainly for the payment for the construction of the APSTAR-6C, the payment of leasehold improvements and addition of equipments. The above capital expenditures were financed by internally-generated funds, cash flows from operating activities and borrowings from banks.

On 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate amount of US$215,600,000 (equivalent to HK$1,681,680,000) (the "2016 Facility"). The 2016 Facility comprises three components, including term loan facilities of up to US$130,000,000 (equivalent to HK$1,014,000,000) (the "Term Loan Facility"), revolving loan facility of up to US$70,000,000 (equivalent to HK$546,000,000) and a facility of up to US$15,600,000 (equivalent to HK$121,680,000) on certain commercial arrangements. The 2016 Facility is to be applied to finance the operation of APT HK including but not limited to the repayment of its existing bank borrowings, the procurement of satellites, the launch services of the satellites and the working capital in relation to such projects. The 2016 Facility is secured by the insurance claim proceeds relating to APSTAR-6C. At 30 June 2017, US$71,602,000 (equivalent to HK$558,496,000) (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, on 14 June 2016, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a revolving loan facility up to US$10,000,000 (equivalent to HK$78,000,000). At 30 June 2017, US$10,000,000 (equivalent to HK$78,000,000) (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 30 June 2017, the total borrowings (net of unamortised finance cost) amounted to approximately HK$632,062,000 (31 December 2016: approximately HK$582,241,000). The Group recorded an increase of approximately HK$49,821,000 in the total borrowings during the period ended 30 June 2017, which were due to the increase of borrowing amount.

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

	HK$
Term of repayment	
Repayable within one year or on demand	89,170,000
Repayable after one year but within five years	542,892,000
	632,062,000

As at 30 June 2017, the Group's total liabilities were HK$1,817,632,000, an increase of HK$203,791,000 as compared to 31 December 2016, mainly due to the increase of bank loan with regards to the Term Loan Facility. The gearing ratio (total liabilities/total assets) has increased to 26.4%, representing a 1.4 percentage points increase as compared to 31 December 2016.

For the period ended 30 June 2017, the Group recorded a net cash inflow of HK$72,971,000 (six months ended 30 June 2016: outflow of HK$167,550,000) which included net cash inflow of HK$245,317,000 generated from operating activities. This was offset by net cash outflow of HK$167,778,000 used in investing activities and HK$4,568,000 used in financing activities.

As at 30 June 2017, the Group has approximately HK$722,613,000 of cash and bank deposits, 94.5% of which were denominated in United States Dollar, 4.7% in Renminbi and 0.8% in Hong Kong Dollar and other currencies which comprising HK$327,153,000 cash and cash equivalents and HK$395,460,000 bank deposits with original maturity beyond 3 months. Together with cash flow to be generated from operations, the Group could meet with ease all the debt repayments scheduled in the coming few years.

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE

The Group's revenue and operating expenses are mainly denominated in United States Dollar and Renminbi. Capital expenditures are denominated in United States Dollar. The effect of exchange rate fluctuation in the United States Dollar is insignificant as the Hong Kong Dollar is pegged to the United States Dollar. The foreign exchange rate of the Renminbi has appreciated against the Hong Kong Dollar during the period ended 30 June 2017.

INTEREST RATE EXPOSURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2017, no pledged bank deposits relating to commercial arrangements have been made during the period (31 December 2016: HK$39,000).

As at 30 June 2017, 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$3,433,000 (31 December 2016: HK$3,491,000).

CAPITAL COMMITMENTS

As at 30 June 2017, 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 (31 December 2016: HK$194,667,000) commitments were authorised but not contracted for and HK$1,240,499,000 (31 December 2016: HK$1,780,815,000) was contracted for.

CONTINGENT LIABILITIES

The details of contingent liabilities of the Group are set out in note 22 of this report.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 25 of this report.

HUMAN RESOURCES

As at 30 June 2017, the Group had 115 employees (30 June 2016: 121). The Group continues to provide on the job training to employees, which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2017 $'000**	2016 $'000
Revenue	3, 4	**598,881**	603,467
Cost of services		**(235,386)**	(246,054)
Gross profit		**363,495**	357,413
Other net income	5(a)	**5,576**	12,061
Valuation gain/(loss) on investment properties	10	**530**	(310)
Administrative expenses		**(58,357)**	(58,537)
Profit from operations		**311,244**	310,627
Fair value changes on financial instrument designated at fair value through profit or loss	14	**(11,474)**	(4,249)
Finance costs	5(b)	**–**	(9,286)
Share of loss of an associate		**(6)**	–
Profit before taxation	5	**299,764**	297,092
Income tax	6	**(57,813)**	(54,972)
Profit for the period and attributable to equity shareholders of the Company		**241,951**	242,120
Earnings per share	8		
– Basic and diluted		**25.99 cents**	25.96 cents

The notes on pages 18 to 30 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Profit for the period	**241,951**	242,120
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss	**–**	–
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	**11,115**	(261)
	11,115	(261)
Other comprehensive income for the period	**11,115**	(261)
Total comprehensive income for the period	**253,066**	241,859

The notes on pages 18 to 30 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017
(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current assets			
Property, plant and equipment	9	**4,448,228**	4,395,237
Investment properties	10	**11,216**	10,686
Intangible asset	11	**133,585**	133,585
Interest in a joint venture		**490**	490
Interest in an associate	12	**345,481**	167,509
Club memberships		**380**	380
Prepaid expenses	13	**903,533**	768,897
Deferred tax assets		**417**	325
		5,843,330	5,477,109
Current assets			
Financial assets at fair value through profit or loss	14	**12,465**	23,939
Trade receivables, net	15	**257,777**	127,170
Deposits, prepayments and other receivables	13	**36,428**	31,835
Pledged bank deposits	16	**–**	39
Bank deposits with original maturity beyond 3 months		**395,460**	549,390
Cash and cash equivalents	17	**327,153**	253,553
		1,029,283	985,926
Current liabilities			
Payables and accrued charges	18	**179,558**	105,424
Rentals received in advance		**104,793**	99,333
Secured bank borrowings due within one year	19	**89,170**	78,000
Current taxation		**99,066**	61,620
		472,587	344,377
Net current assets		**556,696**	641,549
Total assets less current liabilities carried forward		**6,400,026**	6,118,658

The notes on pages 18 to 30 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Total assets less current liabilities brought forward		**6,400,026**	6,118,658
Non-current liabilities			
Secured bank borrowings due after one year	19	**542,892**	504,241
Deposits received		**80,654**	78,619
Deferred income		**106,250**	89,658
Deferred tax liabilities		**615,249**	596,946
		1,345,045	1,269,464
Net assets		**5,054,981**	4,849,194
Capital and reserves			
Share capital	20	**93,081**	93,101
Share premium		**1,235,362**	1,236,081
Contributed surplus		**511,000**	511,000
Revaluation reserve		**4,017**	4,017
Exchange reserve		**4,151**	(6,964)
Other reserves		**442**	442
Accumulated profits		**3,206,928**	3,011,517
Total equity		**5,054,981**	4,849,194

The notes on pages 18 to 30 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(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 2016	93,271	1,242,722	511,000	4,017	1,723	442	2,597,190	4,450,365
Changes in equity for the six months ended 30 June 2016:								
Profit for the period	–	–	–	–	–	–	242,120	242,120
Other comprehensive income	–	–	–	–	(261)	–	–	(261)
Total comprehensive income	–	–	–	–	(261)	–	242,120	241,859
Dividend approved in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	(46,636)	(46,636)
Balance at 30 June 2016	93,271	1,242,722	511,000	4,017	1,462	442	2,792,674	4,645,588
Balance at 1 January 2017	**93,101**	**1,236,081**	**511,000**	**4,017**	**(6,964)**	**442**	**3,011,517**	**4,849,194**
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**241,951**	**241,951**
Other comprehensive income	**–**	**–**	**–**	**–**	**11,115**	**–**	**–**	**11,115**
Total comprehensive income	**–**	**–**	**–**	**–**	**11,115**	**–**	**241,951**	**253,066**
Dividend approved in respect of the previous year *(note 7(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**(46,540)**	**(46,540)**
Purchase of own shares *(note 20(b))*	**(20)**	**(719)**	**–**	**–**	**–**	**–**	**–**	**(739)**
Balance at 30 June 2017	**93,081**	**1,235,362**	**511,000**	**4,017**	**4,151**	**442**	**3,206,928**	**5,054,981**

The notes on pages 18 to 30 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2017 $'000	2016 $'000
Operating activities			
Cash generated from operations		**247,474**	121,817
Overseas tax paid		**(2,157)**	(1,595)
Net cash generated from operating activities		**245,317**	120,222
Investing activities			
Payment for purchase of property, plant and equipment		**(158,004)**	(210,994)
Proceeds from disposal of property, plant and equipment		**148**	–
Payment for investment in an associate		**(167,485)**	–
Decrease in loan receivable		**–**	24,180
Decrease in bank deposits with original maturity beyond 3 months		**153,930**	188,612
Other cash flows arising from investing activities		**3,633**	24,637
Net cash (used in)/generated from investing activities		**(167,778)**	26,435
Financing activities			
Dividend paid to equity shareholders of the company		**(46,540)**	(47,109)
Proceeds from bank borrowings		**49,140**	462,556
Repayment of bank borrowings		**–**	(717,600)
Payment of loan arrangement fee		**–**	(6,591)
Payment for repurchase of shares		**(739)**	–
Other cash flows arising from financing activities		**(6,429)**	(5,463)
Net cash used in financing activities		**(4,568)**	(314,207)
Net increase/(decrease) in cash and cash equivalents		**72,971**	(167,550)
Cash and cash equivalents at 1 January	17	**253,553**	580,871
Effect of foreign exchange rates changes		**629**	(6,093)
Cash and cash equivalents at 30 June	17	**327,153**	407,228

The notes on pages 18 to 30 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report of APT Satellite Holdings Limited (the "Company") and its subsidiaries (the "Group") and the Group's interests in an associate and joint venture has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB") and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 35 to 36.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2017.

2. CHANGES IN ACCOUNTING POLICIES

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

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

3. SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the six months ended 30 June 2017 and 2016 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Geographical information

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

The Group is domiciled in Hong Kong. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the six months ended 30 June 2017 are $64,153,000, $145,999,000, $282,416,000, and $106,313,000 respectively (six months ended 30 June 2016: $65,268,000, $155,448,000, $275,724,000 and $107,027,000 respectively).

4. SEASONALITY OF OPERATIONS

The Group's operations are not subject to significant seasonality fluctuations.

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	$'000	$'000
(a) Other net income		
Interest income on bank deposits	**5,144**	6,424
Other interest income	**120**	1,672
Foreign currency exchange loss	**(812)**	(5,030)
Rental income in respect of properties	**624**	619
Other service income	**–**	1,722
Other income	**500**	1,323
Reversal of impairment loss on trade and other receivables recognised, net	**–**	5,331
	5,576	12,061

	Six months ended 30 June	
	2017	2016
	$'000	$'000
(b) Finance costs		
Interest on bank borrowings	**6,429**	5,396
Other borrowing costs	**465**	3,890
	6,894	9,286
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	**(6,894)**	–
	–	9,286

* The borrowing costs have been capitalised at a rate of 1.53% – 2.55% per annum (six months ended 30 June 2016: Nil)

	Six months ended 30 June	
	2017	2016
	$'000	$'000
(c) Other items		
Depreciation	**199,767**	200,225
Loss on disposal of property, plant and equipment	**181**	58
Impairment loss on trade and other receivables recognised, net	**6,378**	–

6. INCOME TAX

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**31,293**	–
Current tax – Outside Hong Kong		
Provision for the period	**8,445**	9,164
Over-provision in respect of prior periods	**(136)**	(1,247)
	8,309	7,917
Deferred taxation – Hong Kong	**18,211**	47,055
Actual tax expense	**57,813**	54,972

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% of the estimated assessable profits for the period. No provision was made for Hong Kong Profits Tax in 2016 as the Company and its subsidiaries either had tax losses available for offset or had no estimated assessable profits for that period.

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

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

7. DIVIDENDS

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

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Interim dividend declared after the end of the reporting period of 3.50 cents (2016: 3.50 cents) per ordinary share	**32,578**	32,645

As the interim dividend is declared after the end of the reporting period, such dividend has not been recognised as a liability as at 30 June 2017.

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

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 5.00 cents (2016: 5.00 cents) per ordinary share	**46,540**	46,636

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $241,951,000 (six months ended 30 June 2016: $242,120,000) and the weighted average of 930,853,000 ordinary shares (30 June 2016: 932,711,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2017 and 2016.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired property, plant and equipment, including construction-in-progress at a total cost of $253,082,000 (six months ended 30 June 2016: $216,125,000). Items of property, plant and equipment with a net book value of $329,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: $58,000), resulting in a loss on disposal of $181,000 (six months ended 30 June 2016: $58,000).

(b) Impairment loss

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2017 and 2016 and did not identify any indication of impairment.

10. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2017 at $11,216,000 (31 December 2016: $10,686,000) 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 gain of $530,000 (six months ended 30 June 2016: loss of $310,000) has been credited in the profit or loss during the six months ended 30 June 2017.

11. INTANGIBLE ASSET

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

During the six months ended 30 June 2017 and 2016, the Group conducted a review for impairment of the intangible asset and concluded no impairment would be required.

12. INTEREST IN AN ASSOCIATE

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

The principal activities of APT Mobile are the construction and development of global high-throughput satellite communication system. As at 30 June 2017, APT Mobile was at the initial set up stage and the capital contribution made by the Group amounted to RMB300 million (equivalent to $345 million) (31 December 2016: RMB150 million (equivalent to $175 million)). The above associate is accounted for using the equity method in the consolidated financial statements.

13. PREPAID EXPENSES

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

	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current prepaid expenses balance at 1 January	**768,897**	247,941
Movements during the period/year:		
– additions	**139,784**	534,356
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	**(5,148)**	(13,400)
Non-current prepaid expenses at 30 June/31 December	**903,533**	768,897

On 23 December 2015, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, entered into a satellite transponder agreement with a third party for the lifetime leasing of 36.204 transponders on APSTAR-5C at a lease price of US$118,826,696 (equivalent to $926,848,000). APSTAR-5C is the replacement satellite for APSTAR-5 which is currently under construction. During the period ended 30 June 2017, additional prepaid expense of US$17,921,000 (equivalent to $139,784,000) (31 December 2016: US$63,069,000 (equivalent to $491,939,000)) was made in respect of APSTAR-5C. Total APSTAR-5C prepaid expense of US$92,276,000 (equivalent to $719,753,000) was recognised as at 30 June 2017 (31 December 2016: US$74,355,000 (equivalent to $579,969,000)).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2017, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of $12,465,000 (31 December 2016: $23,939,000), based on the quoted price as at the period end, with a fair value loss of $11,474,000 (six months ended 30 June 2016: $4,249,000) charged to profit or loss.

15. TRADE RECEIVABLES, NET

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

	At 30 June 2017 $'000	At 31 December 2016 $'000
Within 30 days	**49,854**	38,716
31 – 60 days	**45,855**	19,070
61 – 90 days	**37,578**	11,557
91 – 120 days	**25,373**	8,661
Over 120 days	**99,117**	49,166
	257,777	127,170

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

16. PLEDGE OF ASSETS

As at 30 June 2017, no pledged bank deposits relating to commercial arrangements have been made during the period (31 December 2016: $39,000).

As at 30 June 2017, 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 $3,433,000 (31 December 2016: $3,491,000).

17. CASH AND CASH EQUIVALENTS

	At 30 June 2017 $'000	At 31 December 2016 $'000
Deposits with bank and other financial institutions with maturity less than 3 months	**192,522**	156,000
Cash at bank and on hand	**134,631**	97,553
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**327,153**	253,553

18. PAYABLES AND ACCRUED CHARGES

Trade payables are all aged within three months based on due date, and all payables and accrued charges are expected to be settled within one year from the end of the reporting period.

19. SECURED BANK BORROWINGS

	At 30 June 2017 $'000	At 31 December 2016 $'000
Secured bank borrowings (net of unamortised finance cost) are repayable as follows:		
Within one year or on demand	**89,170**	78,000
After one year but within five years	**542,892**	504,241
	632,062	582,241

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 30 June 2017, US$71,602,000 (equivalent to $558,496,000) (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 30 June 2017, US$10,000,000 (equivalent to $78,000,000) (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 2016 Facility is subject to the fulfillment of covenants related to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the six months ended 30 June 2017, the Group has complied with all of the above covenants.

20. SHARE CAPITAL

(a) Authorised and issued share capital

	At 30 June 2017		At 31 December 2016	
	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	**931,009**	**93,101**	932,711	93,271
Shares repurchased	**(200)**	**(20)**	(1,702)	(170)
At 30 June/31 December	**930,809**	**93,081**	931,009	93,101

(b) Purchase of own shares

During the interim period, 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
January 2017	200,000	3.68	3.67	739
				739

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

21. FAIR VALUE MEASUREMENT

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	At 30 June 2017			At 31 December 2016		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Investment properties *(note 10)*	**–**	**–**	**11,216**	–	–	10,686
Financial assets at fair value through profit or loss *(note 14)*	**12,465**	**–**	**–**	23,939	–	–

During the six months ended 30 June 2017 and year ended 31 December 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 30 June 2017 and 31 December 2016.

22. CONTINGENT LIABILITIES

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 19). The extent of such banking facilities utilised by APT HK at 30 June 2017 amounted to $636,496,000 (31 December 2016: $587,356,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 16.

In June 2017, APT HK received a summons and complaint filed by a third party in the Supreme Court of the State of New York, County of New York, The United States of America, in respect of an action for trademark infringement during the provision of transponder service to a customer. The total compensation sought under this claim amounted to US$12,200,000 (equivalent to $95,160,000). APT HK rebuts any liability in respect of this claim and, based on legal advice obtained, the directors of the Company do not believe it probable that the court will find against APT HK. In addition, based on the service agreement entered into between APT HK and this customer, in the unlikely event that the court finds against APT HK, APT HK will be able to seek indemnity from the customer relating to any losses or damages due to claims resulted from the services rendered. No provision has therefore been made in respect of this claim.

23. COMMITMENTS

(a) Capital commitments

At 30 June 2017, the Group had the following outstanding capital commitments not provided for at the end of the reporting period:

	At 30 June 2017 $'000	At 31 December 2016 $'000
Contracted for	**1,240,499**	1,780,815
Authorised but not contracted for	**194,667**	194,667
	1,435,166	1,975,482

(b) Operating lease commitments

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings, and equipment $'000	**Satellite transponders capacity $'000**	**Total $'000**
At 30 June 2017			
Within one year	**471**	**3,329**	**3,800**
After one year but within five years	**127**	**7,485**	**7,612**
	598	**10,814**	**11,412**
At 31 December 2016			
Within one year	459	6,078	6,537
After one year but within five years	239	9,114	9,353
	698	15,192	15,890

24. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**76,642**	81,335
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**21,413**	22,598
Management fees paid to a fellow subsidiary *(note (ii))*	**(196)**	(230)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (iii))*	**(16,316)**	(9,322)

Notes:

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

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

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

25. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the directors declared an interim dividend of $32,578,000. Further details are disclosed in note 7.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, according to the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"), 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	54.68
China Satellite Communications Company Limited	2	495,450,000	53.23
APT Satellite International Company Limited	3	481,950,000	51.78
Temasek Holdings (Private) Limited	4	51,300,000	5.51
Singapore Telecommunications Limited	4	51,300,000	5.51
Singasat Private Limited	4	51,300,000	5.51
International Value Advisers, LLC		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 (i) 99.75% interest in China Satellite Communications Company Limited ("China Satcom"), which in turn holds 42.86% interest in APT Satellite International Company Limited ("APT International") and (ii) 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interest) of the Company;

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

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

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

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

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

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

4. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the shares of the Company by virtue of its 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% interest in APT International and directly holds 51,300,000 shares (approximately 5.51% interest) of the Company.

Save as disclosed above, as at 30 June 2017, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTOR AND CHIEF EXECUTIVE

As at 30 June 2017, the interests of each Director and the Chief Executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

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

Note:

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

Save as disclosed above, as at 30 June 2017, 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 of Hong Kong Limited pursuant to the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

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:

– Mr. Cheng Guangren, Mr. Qi Liang, Mr. Yuan Jie, Mr. Lim Toon, Dr. Yin Yen-Liang, Mr. Fu Zhiheng, Mr. Lim Kian Soon, Mr. Zhuo Chao (resigned), Mr. Tseng Ta-Mon (alternate director to Dr. Yin Yen-Liang) no longer served as directors of APT Satellite Investment Company Limited, a former subsidiary of the Company, since the date of its dissolution on 8 June 2017.

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.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2017, the Company has met the code provisions ("Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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

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

MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code ("Model Code") contained in the Appendix 10 of the Listing Rules.

Having made specific enquiry of all directors, the Company's directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from 1 January 2017 to 30 June 2017.

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

During six months ended 30 June 2017, the Company repurchased a total of 200,000 of its own ordinary shares on the Stock Exchange of Hong Kong Limited, which were then cancelled on 10 February 2017. Details of movement of the share capital of the Company are set out in note 20 to the financial statements.

Except for the repurchase of the Company's own ordinary shares as set out in note 20 to the financial statements, there was no purchase, sale or redemption of the Company's own shares by the Company, or any subsidiaries of the Company during the six months ended 30 June 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 28 August 2017, the Audit and Risk Management Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2017, and discussed auditing and internal control matters. The Audit and Risk Management Committee comprises four independent non-executive directors, Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo.

KPMG

REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 30 which comprises the consolidated statement of financial position of APT Satellite Holdings Limited (the "Company") as of 30 June 2017 and the related consolidated statement of profit or loss, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standard Board ("IAS 34") or Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"), depending on whether the issuer's annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs") respectively. As the annual financial statements of the Company are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial report in accordance with both IAS 34 and HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting" or Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 August 2017