INTERIM REPORT 2019

APSTAR
by APT Satellite

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

APSTAR
by APT Satellite

COMPANY PROFILE

APT Satellite Holdings Limited (the "Company") is a listed company on The Stock Exchange of Hong Kong Limited (Stock Code 1045), 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-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 ("APSTAR Systems") covering regions in Asia, Europe, Africa, and Australia, representing 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 in these regions.

The advanced APSTAR Systems of APT Group, supported by comprehensive and high quality services, have become very important satellite resources of the Asia Pacific region.

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CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive directors
Cheng Guangren *(President)*
Qi Liang *(Vice President)*

Non-executive directors
Li Zhongbao *(Chairman)*
Lim Toon
Yin Yen-liang
Fu Zhiheng
Lim Kian Soon
Ba Risi
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

Lau Tsui Ling Shirley

AUTHORISED REPRESENTATIVES

Cheng Guangren
Lau Tsui Ling Shirley

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

Estera Management (Bermuda) Limited
Victoria Place 5th Floor
31Victoria Street
Hamilton, HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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2 Church Street
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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 2019.

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 2019, the Group's revenue amounted to HK$564,976,000 (six months ended 30 June 2018: HK$623,343,000), representing 9.4% decrease as compared with corresponding period in the previous financial year, mainly due to non-renewal of contract by a main customer as a result of its own business re-alignment. Profit attributable to equity shareholders amounted to HK$234,666,000 (six months ended 30 June 2018: HK$279,558,000), representing 16.1% decrease as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were both HK25.21 cents (six months ended 30 June 2018: HK30.03 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.50 cents per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK4.00 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 Friday, 11 October 2019 to shareholders whose names appear on the register of members at the close of business on Wednesday, 25 September 2019.

BUSINESS REVIEW

In-Orbit Satellites

For the first half year of 2019, the Group's in-orbit satellites, namely APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9, and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continued to provide reliable and high quality services to the Group's customers.

The Group's in-orbit satellites fleet covers regions in Asia, Australia, Middle East, Africa, Europe and the Pacific Island, which contain approximately 75% of the world's population, and provides super wide and high-quality services to these regions.

APSTAR-5C Satellite

APSTAR-5C was successfully launched on 10 September 2018 on board of Space X Falcon 9 launch vehicle. APSTAR-5C is based on the Space System Loral FS-1300 platform and is equipped with 28 C-band, 35 Ku-band/Ka-band transponders (including conventional and high-throughput ("HTS") payload), providing high power transponder services to customers across the Asia-Pacific region for video broadcasting and distribution, direct-to-home ("DTH") service, VSAT, maritime and broadband telecommunication services. APSTAR-5C carries seven wideband beams and one regional HTS beam. Not only can the Group take up the services provided by APSTAR-5, it can also expand to other service areas with more powerful performance, especially its new HTS capacity for Southeast Asia, and will satisfy the growing market demand for higher quality telecommunication services.

APSTAR-5C has replaced APSTAR-5 and commenced commercial operation on 1 December 2018. APSTAR-5C was jointly built by the Group and Telesat Canada. The Group holds approximately 57% interest in the satellite.

APSTAR-6C Satellite

APSTAR-6C was successfully launched on 4 May 2018 on board of Long March 3B/E launch vehicle. APSTAR-6C is a high-power geostationary communication satellite based on the China Academy of Space Technology DFH-4 series platform carrying 26 C-band transponders, 19 Ku band/Ka-band transponders, which provides high power transponder services to customers across the Asia-Pacific region, for video broadcasting and distribution, VSAT, DTH, cellular backhaul, and in-flight and mobility broadband applications. APSTAR-6C has replaced APSTAR-6 and commenced commercial operation on 1 July 2018.

APSTAR-6 suffered partial power loss due to anomaly of south solar array on 27 May 2018. Since the services were taken up by APSTAR-6C satellite in a timely manner, the partial failure of APSTAR-6 did not impose real impact on the operation of the Group. For the loss caused by this failure, the Group has completed the insurance loss claim process with relevant satellite insurers. The Group has already received most of the indemnity payment from the insurance company and the remaining part of the payment is expected to be received in the second half of the year. At present, APSTAR-6 operates in an inclined orbit.

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 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 Asia, Australia, New Zealand, Pacific Islands and Hawaii.

Future Satellite

APSTAR-6D Satellite

APT Mobile SatCom Limited ("APT Mobile"), an associate of the Group in Mainland China, has been developing APSTAR-6D, a HTS satellite which is aimed to provide services for the rapid-growing satellite broadband mobility services across the Asia Pacific region and Mainland China. APSTAR-6D is expected to be delivered (on ground) in 2020.

Transponder Lease Services

In the first half of 2019, transponder market conditions in the global and Asia Pacific region has continued to be on the downturn. The business growth for satellite broadcasting and satellite telecommunication had been weak and the market environment on oversupply of satellite transponders and decline in transponder lease price remained unchanged. To cope with the fierce market competition, the Group has been actively exploring new markets and businesses. The Group has also continued to enrich its service contents and varieties while providing high quality services to the customers.

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.

Satellite Project Consulting Services

The Group has rich experiences in satellite procurement and project management, which enable the Group to provide satellite technical and project management consulting services to other satellite operators. Apart from the satellite project management service provided to APT Mobile, the Group entered into a satellite project management and consultancy service agreement with a satellite operator in the Asia Pacific Region in 2018.

BUSINESS PROSPECTS

Looking into the second half of 2019, the global and Asia Pacific Region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The Group's satellites, APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9, as the premium satellite resources, will encounter fierce competition and price pressure in the transponder service business. Despite this, the HTS transponder resources on the new APSTAR-5C satellite is in opportune time to meet the growing needs of the emerging markets, which will contribute positively to the future business growth of the Group and fetch up the increasingly saturated conventional satellite services business. The Group will try its best effort to maintain the stable growth of its current business and further explore new businesses and new markets, so as to support the stable and sustainable development of the Group.

FINANCIAL POSITION

As at 30 June 2019, the Group's financial position remains sound. Please refer to the financial review section for more detailed analysis.

CORPORATE GOVERNANCE

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

NOTE OF APPRECIATION

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

Li Zhongbao
Chairman

Hong Kong, 16 August 2019

FINANCIAL REVIEW

As at 30 June 2019, the Group's financial position remains sound. The table below sets out the financial performance for the six-month periods ended 30 June 2019 and 30 June 2018:

Financial Highlights

	Six months ended 30 June		
	2019	2018	
	HK$'000	HK$'000	Change
Revenue	**564,976**	623,343	-9.4%
Gross profit	**303,092**	386,067	-21.5%
Profit before taxation	**277,226**	333,557	-16.9%
Profit attributable to shareholders	**234,666**	279,558	-16.1%
Basic earnings per share *(HK cents)*	**25.21**	30.03	-16.1%
EBITDA *(note)*	**467,326**	523,219	-10.7%
EBITDA Margin *(%)*	**82.7%**	83.9%	-1.2 percentage points

	At 30 June 2019	At 31 December 2018	
	HK$'000	HK$'000	Change
Total cash and bank balance	**548,061**	686,848	-20.2%
Total assets	**6,915,041**	7,154,466	-3.3%
Total liabilities	**1,139,937**	1,506,979	-24.4%
Net assets per share *(HK$)*	**6.20**	6.07	+2.1%
Gearing ratio *(%)*	**16.5%**	21.1%	-4.6 percentage points
Liquidity ratio	**4.35 times**	2.26 times	+2.09 times

Note: EBITDA is defined as profit from operations before other net income, valuation gain/(loss) on investment properties, impairment loss in respect of property, plant and equipment, loss on disposal of property, plant and equipment, interest expenses and other finance costs, taxation, depreciation and amortisation.

Revenue

	Six months ended 30 June		
	2019	2018	
	HK$'000	HK$'000	Change
Income from provision of satellite transponder capacity	**518,264**	593,245	-12.6%
Income from provision of satellite-based broadcasting and telecommunications services	**4,527**	10,775	-58.0%
Other satellite-related service income	**42,185**	19,323	+118.3%
Total	**564,976**	623,343	-9.4%

For the first half year of 2019, the Group's revenue amounted to HK$564,976,000 (six months ended 30 June 2018: HK$623,343,000), representing 9.4% decrease as compared with corresponding period in the previous financial year, mainly due to non-renewal of contract by a main customer as a result of its own business re-alignment. The profit attributable to shareholders decreased by 16.1% to HK$234,666,000. The decrease was mainly due to the recognition of loss on changes in fair value of financial assets of HK$3,683,000 as compared with gain on changes in fair value of financial assets of HK$3,258,000 in the same period of last year.

Other net income

	Six months ended 30 June		
	2019	2018	
	HK$'000	HK$'000	Change
Interest income on bank deposits and other interest income	**4,469**	20,542	-78.2%
Foreign currencies exchange gain	**3,410**	329	+936.5%
Rental income in respect of properties	**775**	731	+6.0%
Insurance compensation	**34,405**	128,700	-73.3%
Other	**7,548**	2,753	+174.2%
Total	**50,607**	153,055	-66.9%

Total other net income for the period ended 30 June 2019 decreased to HK$50,607,000. The decrease was mainly because during the period ended 30 June 2018, the Group has recognised insurance compensation of US$16,500,000 (equivalent to HK$128,700,000) for a partly defunct satellite under its insurance policy. The Group has completed the insurance loss claim process with relevant satellite insurers, and a further insurance compensation of US$4,411,000 (equivalent to HK$34,405,000) was recognised during the period ended 30 June 2019.

Finance costs

Finance costs of HK$6,312,000 were recognised for the period ended 30 June 2019 (30 June 2018: HK$Nil). The increase was primarily due to the finance costs for payments in respect of APSTAR-5C and APSTAR-6C after commencement of their commercial operation.

Fair value changes on financial assets

Based on the market price as at 30 June 2019, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK$5,524,000, with fair value loss of HK$3,683,000 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 2019 decreased to HK$42,560,000, as compared to HK$53,999,000 for the same period of last year. The decrease was mainly due to the decrease in provision for deferred taxation 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 revenue, EBITDA for the period ended 30 June 2019 decreased to HK$467,326,000, with the margin decreased from 83.9% to 82.7%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK$110,723,000 (six months ended 30 June 2018: HK$515,809,000). The capital expenditure was mainly for the addition of leasehold improvement (six months ended 30 June 2018: payment for the construction of APSTAR-6C, leasehold improvement and equipment). The above capital expenditures were financed by internally-generated funds and cash flows from operating activities.

APT Satellite Company Limited ("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 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. During the period, the Group has repaid US$54,782,000 (equivalent to HK$427,300,000) against the 2016 Facility. There was no outstanding balance of the Term Loan Facility (31 December 2018: US$24,782,000 (equivalent to HK$193,300,000) and the revolving loan facility (31 December 2018: US$30,000,000 (equivalent to HK$234,000,000)) at 30 June 2019. 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 and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

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$12,000,000 (equivalent to HK$93,600,000). There was no outstanding balance of the revolving loan at 30 June 2019 (31 December 2018: HK$Nil). The facility is repayable within one year from the date of drawdown of the facility.

During the period, APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with China Construction Bank (Asia) Corporation Limited in respect of a revolving loan facility up to HK$100,000,000. There was no outstanding balance of the revolving loan at 30 June 2019.

There is no outstanding borrowings (net of unamortised finance cost) at 30 June 2019 (31 December 2018: approximately HK$425,438,000). The Group recorded a decrease of approximately HK$425,438,000 in total borrowings during the period ended 30 June 2019, which was due to full settlement of the 2016 Facility.

As at 30 June 2019, the Group's total liabilities were HK$1,139,937,000, a decrease of HK$367,042,000 as compared to 31 December 2018, mainly due to full repayment of bank loan under the 2016 Facility. The gearing ratio (total liabilities/total assets) has decreased to 16.5%, representing a 4.6 percentage points decrease as compared to 31 December 2018.

For the period ended 30 June 2019, the Group recorded a net cash outflow of HK$482,366,000 (six months ended 30 June 2018: net inflow of HK$117,049,000) which included net cash inflow of HK$420,506,000 generated from operating activities. This was offset by net cash outflow of HK$362,505,000 used in investing activities and HK$540,367,000 used in financing activities.

As at 30 June 2019, the Group has approximately HK$548,061,000 of cash and bank deposits, 59.5% of which were denominated in United States Dollar, 37.8% in Renminbi and 2.7% in Hong Kong Dollar and other currencies. The balance comprised of HK$186,264,000 cash and cash equivalents, HK$349,534,000 bank deposits with original maturity beyond 3 months, and HK$12,263,000 pledged bank deposits. Together with the bank loan facilities available to the Group and cash inflow to be generated from operations, the Group could cope with the needs to invest in future satellites and new projects for further business development.

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 remained stable against the Hong Kong Dollar during the period ended 30 June 2019.

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

At 30 June 2019, pledged bank deposits of HK$12,263,000 (31 December 2018: HK$12,262,000) are related to certain commercial arrangements made during the period.

At 30 June 2019, 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$3,200,000 (31 December 2018: HK$3,258,000).

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had outstanding capital commitments which mainly related to investment in an associate, HK$194,667,000 (31 December 2018: HK$194,667,000) of which were authorised but not contracted for, and HK$316,562,000 (31 December 2018: HK$269,064,000) of which 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 2019, the Group had 110 employees (30 June 2018: 110 employees). 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 2019
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2019	2018 (Note)
	Note	**$'000**	$'000
Revenue	3,4	**564,976**	623,343
Cost of services		**(261,884)**	(237,276)
Gross profit		**303,092**	386,067
Other net income	5(a)	**50,607**	153,055
Valuation gain/(loss) on investment properties	10	**91**	(90)
Impairment loss recognised in respect of property, plant and equipment	9(d)	**–**	(150,000)
Administrative expenses		**(66,614)**	(58,453)
Profit from operations		**287,176**	330,579
Fair value changes on financial assets	14	**(3,683)**	3,258
Finance costs	5(b)	**(6,312)**	–
Share of profit/(loss) of an associate		**45**	(280)
Profit before taxation	5	**277,226**	333,557
Income tax	6	**(42,560)**	(53,999)
Profit for the period and attributable to equity shareholders of the Company		**234,666**	279,558
Earnings per share	8		
– Basic and diluted		**25.21 cents**	30.03 cents

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 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 2019
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	$'000
Profit for the period	**234,666**	279,558
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of foreign operations	**(6)**	(5,243)
	(6)	(5,243)
Other comprehensive income for the period	**(6)**	(5,243)
Total comprehensive income for the period	**234,660**	274,315

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in Hong Kong dollars)

	Note	At 30 June 2019 $'000	At 31 December 2018 (Note) $'000
Non-current assets			
Property, plant and equipment	9	**5,223,039**	5,393,820
Investment properties	10	**11,464**	11,373
Intangible assets	11	**308,479**	133,585
Interest in an associate	12	**421,481**	437,028
Club memberships		**380**	380
Prepaid expenses	13	**–**	170,527
Deferred tax assets		**920**	877
		5,965,763	6,147,590
Current assets			
Financial assets measured at fair value through profit or loss	14	**5,524**	9,207
Trade receivables, net	15	**271,453**	159,758
Deposits, prepayments and other receivables		**124,240**	151,063
Pledged bank deposits	16	**12,263**	12,262
Bank deposits with original maturity beyond 3 months		**349,534**	5,758
Cash and cash equivalents	17	**186,264**	668,828
		949,278	1,006,876
Current liabilities			
Payables and accrued charges	18	**71,473**	96,547
Rentals received in advance		**70,943**	57,034
Dividend payable		**2,093**	540
Secured bank borrowings due within one year	19	**–**	261,330
Lease liabilities		**10,773**	–
Current taxation		**62,916**	29,604
		218,198	445,055
Net current assets		**731,080**	561,821
Total assets less current liabilities carried forward		**6,696,843**	6,709,411

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

(Expressed in Hong Kong dollars)

	Note	At 30 June 2019 $'000	At 31 December 2018 (Note) $'000
Total assets less current liabilities brought forward		**6,696,843**	6,709,411
Non-current liabilities			
Secured bank borrowings due after one year	19	**–**	164,108
Deposits received		**67,975**	73,606
Deferred income		**90,551**	84,441
Lease liabilities		**34,553**	–
Deferred tax liabilities		**728,660**	739,769
		921,739	1,061,924
Net assets		**5,775,104**	5,647,487
Capital and reserves			
Share capital	20	**93,081**	93,081
Share premium		**1,235,362**	1,235,362
Contributed surplus		**511,000**	511,000
Revaluation reserve		**4,017**	4,017
Exchange reserve		**(4,566)**	(4,560)
Other reserves		**442**	442
Accumulated profits		**3,935,768**	3,808,145
Total equity		**5,775,104**	5,647,487

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(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 2018	93,081	1,235,362	511,000	4,017	19,822	442	3,436,105	5,299,829
Changes in equity for the six months ended 30 June 2018:								
Profit for the period	–	–	–	–	–	–	279,558	279,558
Other comprehensive income	–	–	–	–	(5,243)	–	–	(5,243)
Total comprehensive income	–	–	–	–	(5,243)	–	279,558	274,315
Dividend approved in respect of the previous year *(note 7(b))*	–	–	–	–	–	–	(97,735)	(97,735)
Balance at 30 June 2018 *(Note)*	93,081	1,235,362	511,000	4,017	14,579	442	3,617,928	5,476,409
Balance at 1 January 2019	**93,081**	**1,235,362**	**511,000**	**4,017**	**(4,560)**	**442**	**3,808,145**	**5,647,487**
Changes in equity for the six months ended 30 June 2019:								
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**234,666**	**234,666**
Other comprehensive income	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**(6)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(6)**	**-**	**234,666**	**234,660**
Dividend approved in respect of the previous year *(note 7(b))*	**-**	**-**	**-**	**-**	**-**	**-**	**(107,043)**	**(107,043)**
Balance at 30 June 2019	**93,081**	**1,235,362**	**511,000**	**4,017**	**(4,566)**	**442**	**3,935,768**	**5,775,104**

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2019 $'000	2018 (Note) $'000
Operating activities			
Cash generated from operations		**440,906**	339,197
Hong Kong profits tax paid		**(16,841)**	–
Overseas tax paid		**(3,559)**	(10,542)
Net cash generated from operating activities		**420,506**	328,655
Investing activities			
Payment for purchase of property, plant and equipment		**(23,197)**	(366,254)
Increase in pledged bank deposits		**(1)**	–
Increase in bank deposits with original maturity beyond 3 months		**(343,776)**	(161,616)
Other cash flows arising from investing activities		**4,469**	12,913
Net cash used in investing activities		**(362,505)**	(514,957)
Financing activities			
Dividend paid to equity shareholders of the company		**(105,490)**	(97,735)
Capital element of lease rentals paid		**(4,209)**	–
Interest element of lease rentals paid		**(887)**	–
Proceeds from bank borrowings		**–**	837,704
Repayment of bank borrowings		**(427,299)**	(421,200)
Other cash flows arising from financing activities		**(2,482)**	(15,418)
Net cash (used in)/generated from financing activities		**(540,367)**	303,351
Net (decrease)/increase in cash and cash equivalents		**(482,366)**	117,049
Cash and cash equivalents at 1 January	17	**668,828**	531,253
Effect of foreign exchange rates changes		**(198)**	(551)
Cash and cash equivalents at 30 June	17	**186,264**	647,751

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 18 to 36 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 (collectively, the "Group") and the Group's interests in an associate has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), 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 16 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by 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 41 to 42.

The financial information relating to the financial year ended 31 December 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2019.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, "Leases", and a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent new HKFRS and 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.

Except for IFRS/HKFRS 16, "Leases", none of the 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.

IFRS/HKFRS 16, *Leases*

IFRS/HKFRS 16 replaces IAS/HKAS 17, "Leases", and the related interpretations, IFRIC/HK(IFRIC) 4, "Determining whether an arrangement contains a lease", HK(SIC) 15, "Operating leases – incentives", and HK(SIC) 27, "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS/HKAS 17 which remain substantially unchanged.

The Group has applied IFRS/HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS/HKAS 17.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS/HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS/HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS/HKAS 17 continue to be accounted for as leases under IFRS/HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executor contracts.

(ii) Lessee accounting

IFRS/HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS/HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS/HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and intangible assets as disclosed in notes 9 and 11.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under IFRS/HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS/HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS/HKAS 40, "Investment properties", to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of satellite transponders as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS/HKAS 17.

Under IFRS/HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS/HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to IFRS/HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was ranging from 3.75%.

To ease the transition of IFRS/HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS/HKFRS 16.

(i) the Group elected not to apply the requirements of IFRS/HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends with 12 months from the date of initial application of IFRS/HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS/HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 23(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (continued)

	1 January 2019 $'000
Operating lease commitments at 31 December 2018:	
– Land and buildings	**1,490**
– Satellite transponders capacity	**32,810**
	34,300
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(8,072)**
Less: total future interest expenses	**(1,686)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	**24,542**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS/HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS/HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and 'intangible assets' and presents lease liabilities separately in the statement of financial position.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (continued)

The following table summarises the impacts of the adoption of IFRS/HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 $'000	Capitalisation of operating lease contracts $'000	Carrying amount at 1 January 2019 $'000
Property, plant and equipment	5,393,820	24,758	5,418,578
Intangible assets	133,585	179,263	312,848
Prepaid expenses	170,527	(170,527)	–
Deposits, prepayments and other receivables	151,063	(8,952)	142,111
Lease liabilities (current)	–	(6,597)	(6,597)
Lease liabilities (non-current)	–	(17,945)	(17,945)

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 2019 and 2018 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. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the geographical revenue information is presented at regional level. 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 2019 are $51,140,000, $206,796,000, $225,021,000, and $82,019,000 respectively (six months ended 30 June 2018: $61,482,000, $163,964,000, $302,075,000, and $95,822,000 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	
	2019	2018
	$'000	$'000
(a) Other net income		
Interest income on bank deposits	**4,456**	17,680
Other interest income	**13**	2,862
Foreign currency exchange gain	**3,409**	329
Rental income in respect of properties less direct outgoing expenses of $28,000 (2018: $48,000)	**775**	731
Insurance compensation	**34,405**	128,700
Other	**7,549**	2,753
	50,607	153,055

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	$'000
(b) Finance costs		
Interest on bank borrowings	**2,168**	25,809
Interest on lease liabilities	**887**	–
Other borrowing costs	**3,257**	916
	6,312	26,725
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	**–**	(26,725)
	6,312	–

* No borrowing costs have been capitalised for the period (six months ended 30 June 2018: borrowing costs have been capitalised at rates ranging from 2.49% to 3.77% per annum)

5. PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2019	2018 (Note)
	$'000	$'000
(c) Other items		
Depreciation	**226,464**	195,501
Amortisation	**4,368**	–
Income from sub-leasing right-of-use assets	**(15,508)**	–
Loss on disposal of property, plant and equipment	**16**	104
Loss allowance for trade and other receivables recognised/(reversed)	**2,427**	(1,704)

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6. INCOME TAX

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**50,618**	17,896
Current tax – Outside Hong Kong		
Provision for the period	**6,614**	9,079
Over-provision in respect of prior periods	**(3,520)**	(127)
	3,094	8,952
Deferred taxation – Hong Kong	**(11,152)**	27,151
Actual tax expense	**42,560**	53,999

6. INCOME TAX (CONTINUED)

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the 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.

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

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.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2018: 16.5%) of the estimated temporary differences for the period.

7. DIVIDENDS

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Interim dividend declared after the end of the reporting period of 4.50 cents (2018: 4.00 cents) per ordinary share	**41,886**	37,232

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 2019.

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 11.50 cents (2018: 10.50 cents) per ordinary share	**107,043**	97,735

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 $234,666,000 (six months ended 30 June 2018: $279,558,000) and the weighted average of 930,809,000 ordinary shares (30 June 2018: 930,809,000 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 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS/HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS/HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of satellite transponder capacities and teleport services, and therefore recognised the additions to right-of-use assets of $24,993,000.

(b) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired property, plant and equipment, including construction-in-progress but excluding right-of-use assets, at a total cost of $60,973,000 (six months ended 30 June 2018: $515,809,000). Items of property, plant and equipment with a net book value of $16,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: $104,000), resulting in a loss on disposal of $16,000 (six months ended 30 June 2018: $104,000).

(c) Transfer of construction in progress

The cost of renovation works amounting to $55,025,000 was transferred from construction in progress to leasehold improvement during the period ended 30 June 2019 upon completion of the renovation.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Impairment loss

During the period ended 30 June 2018, a communication satellite of the Group suffered 50% power loss due to anomaly of south solar array. The Group conducted an impairment assessment of the communication satellite and estimated that the recoverable amount of the communication satellite to be less than its carrying amount. Based on the results of the impairment assessment, an impairment loss of $150,000,000 in respect of communication satellites, representing 50% of the then net book value, was recognised in "impairment loss recognised in respect of property, plant and equipment". The recoverable amount of the communication satellite was supported by value-in-use calculations based on cash flow projections with reference to budget and business plan approved by management. The discount rate used for the cash flow projection was 10.51%. There was no further impairment loss recognised in respect of property, plant and equipment during the six months ended 30 June 2019.

10. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2019 at $11,464,000 (31 December 2018: $11,373,000) 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 $91,000 (six months ended 30 June 2018: loss of $90,000) has been recognised in the profit or loss during the six months ended 30 June 2019.

11. INTANGIBLE ASSETS

Intangible asset with indefinite useful life

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

During the six months ended 30 June 2019 and 2018, the Group conducted a review for impairment of the intangible assets and concluded no impairment would be required.

Leased intangible asset – orbital slots

As discussed in note 2, the Group has initially applied IFRS/HKFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to prepaid expenses for operating leases under IAS/HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in note 2.

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 People's Republic of China. 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 2019, APT Mobile was engaged in a project for the manufacturing, delivery and launching of the APSTAR-6D Satellite and the capital contribution made by the Group amounted to RMB390 million (equivalent to $447 million) (31 December 2018: RMB390 million (equivalent to $447 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 under current assets.

	At 30 June 2019 $'000	At 31 December 2018 $'000
Non-current prepaid expenses balance at 1 January	**170,527**	1,030,819
Movements during the period/year:		
– additions	**–**	128,893
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	**–**	(8,736)
– reclassified to right-of-use assets (note 2)	**(170,527)**	–
– capitalised to communication satellites	**–**	(980,449)
Non-current prepaid expenses at 30 June/31 December	**–**	170,527

APSTAR-5C was successfully launched to the designated orbit on 10 September 2018. The total cost of APSTAR-5C amounting to $980,449,000 was capitalised as communication satellites in 2018.

14. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2019, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of $5,524,000 (31 December 2018: $9,207,000), based on the quoted price as at the end of the reporting period, with fair value loss of $3,683,000 (six months ended 30 June 2018: gain of $3,258,000) recognised in profit or loss.

15. TRADE RECEIVABLES, NET

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

	At 30 June 2019 $'000	At 31 December 2018 $'000
Within 30 days	**150,212**	39,276
31 – 60 days	**44,918**	31,954
61 – 90 days	**23,168**	21,440
91 – 120 days	**18,342**	16,413
Over 120 days	**34,813**	50,675
	271,453	159,758

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

16. PLEDGE OF ASSETS

At 30 June 2019, pledged bank deposits of $12,263,000 (31 December 2018: $12,262,000) related to certain commercial arrangements made during the period.

As at 30 June 2019, a letter of guarantee issued by a bank to a subsidiary of the Company was secured by the Group's land and buildings with a net book value of approximately $3,200,000 (31 December 2018: $3,258,000).

17. CASH AND CASH EQUIVALENTS

	At 30 June 2019 $'000	At 31 December 2018 $'000
Deposits with bank and other financial institutions with maturity less than 3 months	**–**	199,773
Cash at bank and on hand	**186,264**	469,055
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**186,264**	668,828

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 2019 $'000	At 31 December 2018 $'000
Secured bank borrowings (net of unamortised finance cost) are repayable as follows:		
Within one year or on demand	–	261,330
After one year but within five years	–	164,108
	–	425,438

20. SHARE CAPITAL

Authorised and issued share capital

	At 30 June 2019		At 31 December 2018	
	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 and 30 June/31 December	930,809	93,081	930,809	93,081

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

21. FAIR VALUE MEASUREMENT (CONTINUED)

	At 30 June 2019			At 31 December 2018		
	Level 1	**Level 2**	**Level 3***	Level 1	Level 2	Level 3*
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Investment properties *(note 10)*	**–**	**–**	**11,464**	–	–	11,373
Financial assets measured at fair value through profit or loss *(note 14)*	**5,524**	**–**	**–**	9,207	–	–

During the six months ended 30 June 2019 and year ended 31 December 2018, 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 2019 and 31 December 2018.

* 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.

22. CONTINGENT LIABILITIES

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 loan 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. During the period, the Group has repaid US$54,782,000 (equivalent to $427,300,000) against the 2016 Facility. There was no outstanding balances of the Term Loan Facility (31 December 2018: US$24,782,000 (equivalent to $193,300,000) and the revolving loan facility (31 December 2018: US$30,000,000 (equivalent to $234,000,000)) at 30 June 2019. 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 and the revolving loan facility is repayable within one year from the date of drawdown of the facility.

22. CONTINGENT LIABILITIES (CONTINUED)

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$12,000,000 (equivalent to $93,600,000). There was no outstanding balance of the revolving loan at 30 June 2019 (31 December 2018: $Nil). The facility is repayable within one year from the date of drawdown of the facility.

APT HK, as borrower, and the Company, as guarantor, entered into a facility agreement with China Construction Bank (Asia) Corporation Limited in respect of a revolving loan facility up to $100,000,000. There was no outstanding balance of the revolving loan at 30 June 2019.

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 2019, the Group has complied with all of the above covenants.

The Company has given bank guarantee in respect of the banking facilities granted to APT HK. The extent of such banking facilities utilised by APT HK at 30 June 2019 amounted to $Nil (31 December 2018: $427,230,000).

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

23. COMMITMENTS

(a) Capital commitments

At 30 June 2019, the Group had the following outstanding capital commitments not provided for in the consolidated financial statements:

	At 30 June 2019 $'000	At 31 December 2018 $'000
Contracted for	**316,562**	269,064
Authorised but not contracted for	**194,667**	194,667
	511,229	463,731

23. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land and buildings $'000	Satellite transponders capacity $'000	Total $'000
At 31 December 2018			
– Within one year	431	16,348	16,779
– After one year but within five years	1,059	16,462	17,521
	1,490	32,810	34,300

The Group is the lessee in respect of a number of land and buildings and satellite transponders capacity which were previously classified as operating leases under IAS/HKAS 17. The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognised lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

24. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**54,297**	88,308
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services *(note (i))*	**17,106**	15,045
Income from a subsidiary of an associate of the Company for loan provided *(note (ii))*	**–**	2,827
Income from a subsidiary of an associate of the Company for training services *(note (iii))*	**1,720**	654
Income from an associate of the Company for technical support and project management services *(note (iv))*	**50,209**	16,847
Management fees paid to a fellow subsidiary *(note (v))*	**(384)**	(376)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services *(note (vi))*	**(13,075)**	(22,565)

Notes:

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

(ii) Interest income from a subsidiary of an associate for loan borrowed during the period.

(iii) Proceeds from a subsidiary of an associate for training services provided during the period.

(iv) Proceeds from an associate for technical support and project management services provided during the period.

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

(vi) 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 $41,886,000. Further details are disclosed in note 7.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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") (Chapter 571 of the Laws of Hong Kong), 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	51.78
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		65,517,500	7.04
Utilico Emerging Markets Trust PLC		47,955,000	5.15

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) 99.8% 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 interest 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 2019, 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 EXECUTIVES

As at 30 June 2019, 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	Number of share options
Meng Xingguo ("Dr. Meng")	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.

Save as disclosed above, as at 30 June 2019, 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 Issuers ("Model Code") contained in the Appendix 10 of the Listing Rules.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

- Mr Li Zhongbao is the Chairman of China Satellite Communications Company Limited ("China Satcom") (a corporation listed on the Shanghai Securities Exchange in China effective from 28 June 2019)

- Mr Cheng Guangren is a Director of China Satcom (a corporation listed on the Shanghai Securities Exchange in China effective from 28 June 2019)

- Mr Qi Liang is the Deputy Officer of Science Committee of China Satcom (a corporation listed on the Shanghai Securities Exchange in China effective from 28 June 2019)

- Mr Ba Risi is a Director of China Satcom (a corporation listed on the Shanghai Securities Exchange in China effective from 28 June 2019)

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 2019, 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.

Having made specific enquiries of all directors, the Company's directors confirmed that they had 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 2019 to 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 16 August 2019, 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 2019, 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 36 which comprises the consolidated statement of financial position of APT Satellite Holdings Limited (the "Company") as of 30 June 2019 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 2019 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
16 August 2019