

# APSTAR

by APT Satellite

## APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)



### ANNUAL REPORT 2019



## 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-5C, APSTAR-6C, APSTAR-7, APSTAR-9 and APSTAR-6 (“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 one of the leading satellite operators in the Asia Pacific region.

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# CONTENTS

Corporate Information	2
Financial Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	10
Corporate Governance Report	20
Environmental, Social and Governance Report	34
Directors' and Senior Management's Profiles and Changes	49
Directors' Report	56
Independent Auditor's Report	67
Consolidated Statement of Profit or Loss	73
Consolidated Statement of Comprehensive Income	74
Consolidated Statement of Financial Position	75
Consolidated Statement of Changes in Equity	77
Consolidated Cash Flow Statement	78
Notes to the Consolidated Financial Statements	80
Five-Year Financial Summary	162

# 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 Ligu

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 Ligu

Meng Xingguo

## MEMBERS OF

### NOMINATION COMMITTEE

Lam Sek Kong (*Chairman*)

Qi Liang

Lui King Man

Cui Ligu

Meng Xingguo

## MEMBERS OF

### REMUNERATION COMMITTEE

Lui King Man (*Chairman*)

Qi Liang

Lam Sek Kong

Cui Ligu

Meng Xingguo

## AUDITORS

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

## 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

Ocorian Management (Bermuda) Limited

Victoria Place 5th Floor

31 Victoria Street

Hamilton, HM 10

Bermuda

Annual  
Report  
2019

2

Corporate  
Information

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

22 Dai Kwai Street  
Tai Po Industrial Estate  
Tai Po  
New Territories  
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[investors@apstar.com](mailto:investors@apstar.com) (Investor relations)

## **STOCK CODE**

1045

Annual  
Report  
2019

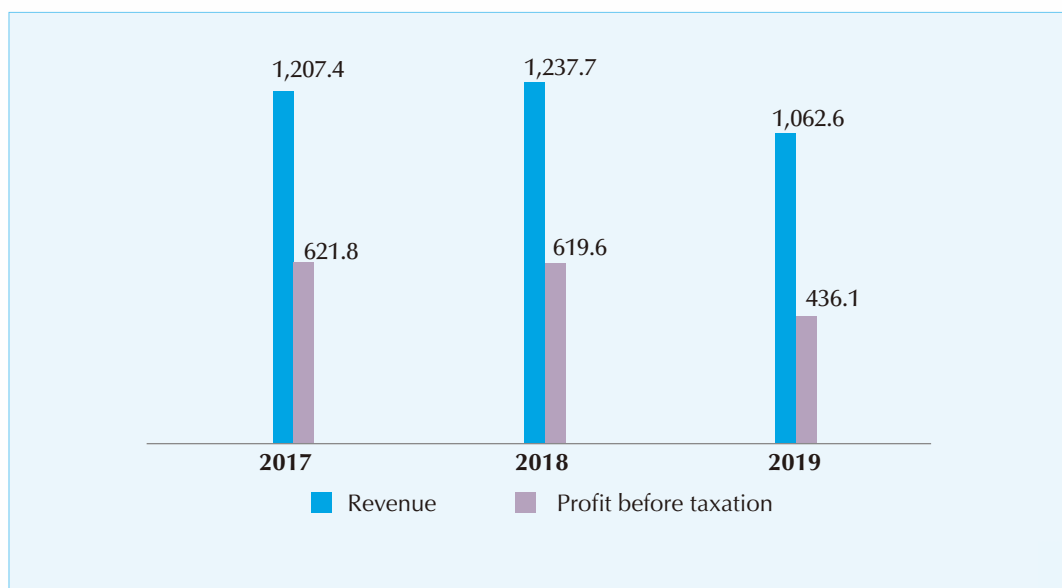


Corporate  
Information

# FINANCIAL HIGHLIGHTS

## REVENUE & PROFIT BEFORE TAXATION

(HK\$ Million)



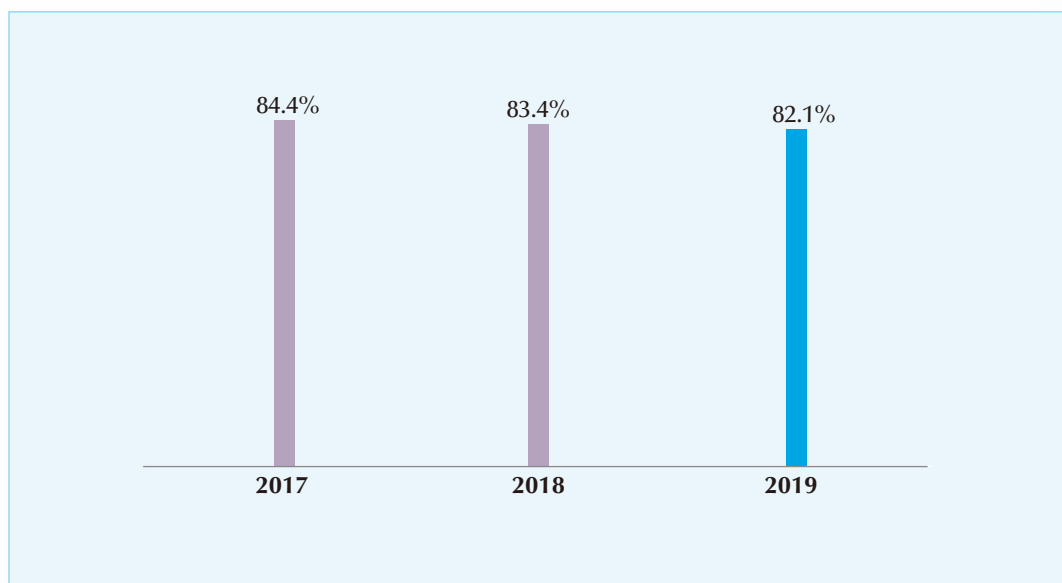
Annual Report 2019

4

Financial Highlights

## EBITDA MARGIN

(Percentage)





Annual  
Report  
2019

5

Financial  
Highlights

# CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

## RESULTS

### Revenue

In 2019, the Group's revenue amounted to HK\$1,062,565,000 (2018: HK\$1,237,712,000), representing a decrease of 14.2% amounting to HK\$175,147,000 as compared to 2018.

### Profit before taxation

In 2019, the Group's profit before taxation amounted to HK\$436,093,000 (2018: HK\$619,628,000), representing a decrease of 29.6% amounting to HK\$183,535,000 as compared to 2018.

### Profit attributable to equity shareholders

In 2019, the Group's profit attributable to equity shareholders amounted to HK\$362,326,000 (2018: HK\$507,007,000), representing a decrease of 28.5% amounting to HK\$144,681,000 as compared to 2018. Basic earnings per share and diluted earnings per share were HK38.93 cents (2018: HK54.47 cents).

## DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK4.50 cents per ordinary share. According to the policy for continuous increase of the investment return of shareholders, the Board has resolved to declare a final dividend in cash of HK15.00 cents per ordinary share for the financial year ended 31 December 2019 (2018: HK11.50 cents per ordinary share).

The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the "Annual General Meeting") which will be held on Friday, 22 May 2020. The final dividend will be paid on or about Friday, 19 June 2020 to shareholders whose names appear on the register of members at the close of business on Monday, 8 June 2020.

## BUSINESS REVIEW

### In-Orbit Satellites

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

Annual  
Report  
2019

6

Chairman's  
Statement



#### *APSTAR-5C Satellite*

APSTAR-5C, positioned at 138 degree East Longitude in geostationary orbit, is equipped with 63 transponders (include C, Ku and Ka band), with footprints covering the whole Asia Pacific region. It carries high-throughput (“HTS”) capacities covering the Southeast Asia region, and will provide high quality broadband telecommunication services for that region. APSTAR-5C was a satellite jointly built by the Group and Telesat Canada. The Group holds approximately 57% interest in the satellite.

#### *APSTAR-6C Satellite*

APSTAR-6C, positioned at 134 degree East Longitude in geostationary orbit, is equipped with 45 transponders (include C, Ku and Ka band), with footprints covering the whole Asia Pacific region. APSTAR-6 satellite which is replaced by APSTAR-6C is now operating in an inclined orbit and providing services for Pacific region.

#### *APSTAR-7 Satellite*

APSTAR-7, positioned at 76.5 degree East Longitude in geostationary orbit, is equipped with 56 transponders (include C and Ku band) with footprints covering the Asia Pacific region, Middle East, Africa and part of Europe.

#### *APSTAR-9 Satellite*

APSTAR-9 positioned at 142 degree East Longitude in geostationary orbit, is equipped with 46 transponders (include C and Ku band) with footprints covering the whole Asia Pacific region.

### **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. APSTAR-6D is the first HTS satellite optimized for satellite broadband mobility services in the Asia Pacific region. It will provide unique and advanced services for the rapid-growing satellite broadband mobility market in the regional and China markets, and further enhance the Group’s competitiveness in that area. APSTAR-6D is expected to be launched in 2020.

### **Ground Gateway Station Facilities**

In line with its HTS satellite development strategy, the Group has invested in ground gateway stations and network facilities in the Asia Pacific region. As gateway station is a key facility connecting HTS satellites and terrestrial networks, it carries out the transmission and processing of customer traffic in HTS system. The Group has selected the strategic locations for gateway stations which can maximize the satisfaction of local demand and serve as the network hub for international traffic. In addition, the gateway station facilities will greatly enhance the Group’s service capabilities in both satellite and terrestrial network in the Asia Pacific region, and will be conducive to maintaining the Group’s competitive advantages.

# CHAIRMAN'S STATEMENT

The gateway station facilities, equipped with sophisticated equipment and connected to optical fiber network, can support the Group's HTS satellites, including the in-orbit APSTAR-5C and the upcoming APSTAR-6D. It will be capable of providing gateway services for other satellite systems in the future.

At present, the Group has acquired full services capability of two gateway stations in Indonesia, four more gateway stations in Hong Kong, Malaysia and Australia are expected to be put into service this year. In addition to supporting the satellites of the Group, these gateway facilities will provide other users with network and hosting services.

## TRANSponder LEASE SERVICES

In 2019, satellite transponder market conditions in the global and Asia Pacific region continued to be on the downturn. The demand growth for satellite broadcasting and satellite telecommunication business had been sluggish while the situation of oversupply worsened and satellite transponder bandwidth lease price recorded a significant decline. Owing to changes in the market environment, in particular, there are two countries that have their own satellites commenced operation after launched and certain customers switched to their own domestic satellites, which led to the decline in the Group's transponder lease business to a certain extent.

To cope with the difficult market conditions, the Group has been actively exploring new markets and businesses. The Group has also continued to enrich its service contents and varieties and intensified its market development efforts while providing high quality services to the customers. It has made remarkable progress in the Mainland China market, the HTS satellite market in Southeast Asia, and maritime business, etc. and maintained the stability of the overall volume of its transponder leasing business.

## 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, 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 design and project management, which enable the Group to provide satellite technical and project management consulting services to other satellite operators. Currently, the Group is providing satellite project management and consultancy services to APT Mobile and another satellite operator in the Asia Pacific region, covering satellite design, technical support, project implementation, insurance procurement, satellite in-orbit testing and acceptance, and gateway system design etc.

Annual  
Report  
2019

8

Chairman's  
Statement

## BUSINESS PROSPECTS

In 2020, the global and Asia Pacific region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The global Coronavirus (COVID-19) outbreak brings challenges and difficulties to the market development. The Group is expected to face increased market competition pressure for its transponder lease business. With the in-depth development of APSTAR-5C's HTS resources business, and the launch and subsequent operation of APSTAR-6D, while expanding its traditional satellite resources leasing business through APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime shipborne and airborne on a larger scale. Meanwhile, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

## CORPORATE GOVERNANCE

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

## NOTE OF APPRECIATION

In 2019, the Group continued to maintain stable operations and a healthy financial position. I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to the directors and all of our staff for their valuable contribution to the development of the Group.

By Order of the Board  
**APT Satellite Holdings Limited**  
**Li Zhongbao**  
*Chairman*

Hong Kong, 23 March 2020

Annual  
Report  
2019



Chairman's  
Statement

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### Corporate strategies & positioning

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

### Financial performance

Despite the fact that the Group has encountered fierce market competition due to oversupply situation in transponder market and significant price pressure, the Group has maintained its profitability in the year 2019. The Group's revenue in 2019 amounted to HK\$1,062,565,000 (2018: HK\$1,237,712,000), representing a decrease of 14.2% amounting to HK\$175,147,000 as compared to 2018. The Group's profit attributable to equity shareholders amounted to HK\$362,326,000 in 2019 (2018: HK\$507,007,000). Basic earnings per share and diluted earnings per share were both HK38.93 cents in 2019 (2018: HK54.47 cents).

### New satellite development

#### *APSTAR-6D Satellite*

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 launched in 2020.

### Rental received and liquidity

Despite the fact that the Group is in the progress of developing the APSTAR-6D and invests in an associate company concurrently, with total capital commitment in aggregate of US\$41,162,000 (equivalent to HK\$321,061,000), the financial position and cash flow situation of the Group over the coming years will remain to be sound owing to the facts that (a) the Group had approximately HK\$898,681,000 of cash and bank balances as at 31 December 2019; (b) the Group has operating cash inflow arising from the transponder lease services during the year ended 31 December 2019; (c) the Group has available unutilised bank loan facilities approximately US\$94,821,000 (equivalent to HK\$739,600,000); and (d) the Group has been at a fairly low gearing position which allows it to raise external borrowings in the future, when necessary.

### Principal risks and uncertainties

The Group, being one of the leading regional satellite operators in the Asia Pacific region operating several in-orbit satellites, may encounter various types of risks at different levels and in various forms. It is the responsibility of the Board to control and manage the risks and uncertainties to be encountered by the Group. Through the effective risk management, risks are managed with appropriate mitigation measures in place to minimise the exposure.

Annual  
Report  
2019

10

Management  
Discussion &  
Analysis

## BUSINESS REVIEW (Continued)

### Principal risks and uncertainties (Continued)

In year 2019, the principal risks and uncertainties identified and faced by the Group are discussed below:

#### 1. *Project Development and Technical Risks*

##### (a) Satellite Launch Risks

APSTAR-6D, procured by APT Mobile, is scheduled to be launched in 2020. The construction schedule and quality, the delay or failure of the launch will affect the implementation of the project and the Group's performance of operation and/or financial condition.

APT Mobile will in line with the industry practice, take out the satellite launch insurance to cover the launch risk including the project cost of APSTAR-6D. In the unlikely event of any launch failure, the loss or damages of the satellite will be recovered by the insurance indemnity under the insurance policy.

##### (b) Satellite In-orbit Failure Risks

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

The Group has completed the insurance claim for APSTAR-6.

##### (c) Frequency Licence Risks

The 5G implementation will bring up the concerns for impact on lower part of C-band frequency which is currently utilizing by satellite communication. The Group already taken precaution to eliminate it, for the newly launched satellites in past few years, the Group have reduced the transponders in the potential affected frequency band, and allocated more resources of the satellite with Ku-band, Ka-band as well as HTS transponders. Moreover, the planning for construction of backup earth stations will also eliminate the impact on satellite Telemetry, Tracking & Control.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW (Continued)

### Principal risks and uncertainties (Continued)

#### 2. *Market Risks*

Major market risks will stem from:

- (i) oversupply situation of transponders due to advancement of satellite telecommunication technology and newly launched satellites from other satellite operators;
- (ii) price pressure as a result of fierce market competition subsequent to oversupply situation of transponders and other mature and high cost effective technology in the market;
- (iii) default of contracts due to the collapses of certain businesses caused by gradual economic downturn or market protection in certain economies and sectors and the impact on the sales of C-band transponders that account for a significant proportion of satellite transponder capacity; and
- (iv) business risks attributable to the fact of being relying on a few key customers or markets.

The Group has successfully implemented the replacement satellites projects, and shall provide the market with advanced technology and better performance of satellite resource as well as more variety of services, so as to enhance the competitive edge and to satisfy the diverse market demand for satellite applications, strengthen sales resource allocation to expand the market and customer base while balancing the possible lost share of some markets, establish strategic cooperation to maintain long-term strong user relationships, so as to achieve the diversification and reduction of market risks.

#### 3. *Financial Risks*

Major financial risks will stem from the following situations (Details of the Group's financial risk management are set out in note 29 to the financial statements of the annual report):

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

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

## BUSINESS REVIEW (Continued)

### Principal risks and uncertainties (Continued)

#### 3. *Financial Risks (Continued)*

- (ii) The change of tax regime in the countries from which the revenue is derived. To reduce the tax risk, the Group has sought advice from tax consultants for review and assessment of the global tax impact.
- (iii) Possible adverse effect to net income by impairments of the value of property, plant and equipment (including the satellites) and intangible assets. If any part of the property, plant and equipment and intangible assets are deemed to be impaired in whole or in part, the Group could be required to reduce or write-off such assets, which could have a material adverse effect on the Group's financial condition.

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

#### 4. *Regulatory and Compliance Risks*

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

The Group will apply for the necessary licences and permits for all satellites and services in a timely manner for their respective operations and commit to comply with all relevant laws and regulations.

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

#### 5. *Litigation Risks*

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

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

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW (Continued)

### Key financial performance

	2019 HK\$'000	2018 HK\$'000	Changes
Revenue	1,062,565	1,237,712	-14.2%
Gross profit	536,115	736,102	-27.2%
Profit before taxation	436,093	619,628	-29.6%
Profit attributable to equity shareholders	362,326	507,007	-28.5%
Basic earnings per share (HK cents)	38.93	54.47	-28.5%
EBITDA (Note 1)	872,185	1,032,428	-15.5%
EBITDA Margin (%)	82.1%	83.4%	-1.3 percentage points

### At 31 December

	2019 HK\$'000	2018 HK\$'000	Changes
Total cash and bank balance	898,681	686,848	+30.8%
Total assets	7,083,839	7,154,466	-1.0%
Total liabilities	1,230,605	1,506,979	-18.3%
Net assets per share (HK\$)	6.29	6.07	+3.6%
Gearing ratio (%)	17.4%	21.1%	-3.7 percentage points
Liquidity ratio	4.44 times	2.26 times	+2.18 times

Note 1: EBITDA is defined as profit from operations before other net income, valuation loss on investment properties, impairment loss in respect of property, plant and equipment, loss on disposal of property, plant and equipment, depreciation and amortisation.

### Revenue

	2019 HK\$'000	2018 HK\$'000	Changes
Income from provision of satellite transponder capacity	1,002,090	1,196,170	-16.2%
Income from provision of satellite-based broadcasting and telecommunications services	8,992	15,399	-41.6%
Other satellite-related service income	51,483	26,143	+96.9%
<b>Total</b>	<b>1,062,565</b>	<b>1,237,712</b>	<b>-14.2%</b>



## BUSINESS REVIEW (Continued)

### Revenue (Continued)

For the year ended 31 December 2019, the Group's revenue amounted to HK\$1,062,565,000 (2018: HK\$1,237,712,000), representing 14.2% decrease as compared with 2018, 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 28.5% to HK\$362,326,000.

### Other Net Income

	2019 HK\$'000	2018 HK\$'000	Changes
Interest income on bank deposits and other interest income	11,238	26,410	-57.4%
Foreign currencies exchange loss	(542)	(9,361)	-94.2%
Rental income in respect of properties less direct outgoing expenses	1,521	1,457	+4.4%
Insurance compensation	34,465	128,700	-73.2%
Income incidental to construction of a communication satellite	–	15,555	-100%
Other service income	12,173	2,505	+385.9%
Other income	1,288	495	+160.2%
<b>Total</b>	<b>60,143</b>	<b>165,761</b>	<b>-63.7%</b>

Total other net income for the year ended 31 December 2019 decreased to HK\$60,143,000. The decrease was mainly because during the year ended 31 December 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 year ended 31 December 2019.

### Finance costs

Finance costs HK\$8,986,000 was recognised for the year ended 31 December 2019 (2018: HK\$10,562,000). The decrease was primarily due to the secured bank borrowings was fully repaid during the year.

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

Based on the market price as at 31 December 2019, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$4,250,000, with fair value loss of HK\$4,958,000 recognised in profit or loss. The details of financial assets measured at fair value through profit or loss of the Group are set out in note 15 of this report.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW (Continued)

### Income tax

Income tax expenses for the year ended 31 December 2019 decreased to HK\$73,767,000, as compared to HK\$112,621,000 in 2018. The decrease was mainly due to the decrease in provision for deferred taxation for the current year. The details of income tax of the Group are set out in note 5 of this report.

### EBITDA

As a result of the decrease in revenue, EBITDA for the year ended 31 December 2019 decreased to HK\$872,185,000, with the margin decreased from 83.4% to 82.1%.

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

For the year ended 31 December 2019, the Group's capital expenditure incurred for property, plant and equipment was HK\$22,081,000 (2018: HK\$1,502,456,000). The capital expenditure was mainly for the addition of equipments (2018: payment for the construction of APSTAR-6C, the payment of leasehold improvement and addition of equipments). The above capital expenditures were financed by internally-generated funds, cash flows from operating activities and borrowings from banks.

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. There was no outstanding balances of the 2016 Facility at 31 December 2019 (2018:\$427,300,000). During the year, the Group has fully repaid US\$54,782,000 (equivalent to HK\$427,300,000) against the 2016 Facility. The Term Loan Facility has expired upon the full repayment of the outstanding balance during the year.

Annual  
Report  
2019

16

Management  
Discussion &  
Analysis

## CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO (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 HK\$93,600,000). There was no outstanding balance of the revolving bank facility at 31 December 2019 (2018: \$Nil).

During the year, 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 bank facility at 31 December 2019 (2018: \$Nil).

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

As at 31 December 2019, the Group's total liabilities were HK\$1,230,605,000, a decrease of HK\$276,374,000 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 17.4%, representing a 3.7 percentage points decrease as compared to 31 December 2018.

For the year ended 31 December 2019, the Group recorded a net cash outflow of HK\$317,845,000 (2018: inflow of HK\$137,575,000) which included net cash inflow of HK\$864,418,000 generated from operating activities. This was offset by net cash outflow of HK\$579,651,000 used in investing activities and HK\$598,789,000 used in financing activities.

# MANAGEMENT DISCUSSION & ANALYSIS

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

As at 31 December 2019, the Group has approximately HK\$898,681,000 of cash and bank balances, 73.9% of which were denominated in United States Dollar, 24.4% in Renminbi and 1.7% in Hong Kong Dollar and other currencies which comprising HK\$350,983,000 cash and cash equivalents, HK\$547,330,000 bank deposits with original maturity beyond 3 months and HK\$368,000 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 year ended 31 December 2019.

### Charges on group assets

At 31 December 2019, pledged bank deposits of HK\$368,000 (2018: HK\$12,262,000) related to certain commercial arrangements made during the year.

At 31 December 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 HK\$3,142,000 (2018: HK\$3,258,000).

### Capital commitments

As at 31 December 2019, the Group had outstanding capital commitments which mainly related to investment in an associate, HK\$Nil (2018: HK\$194,667,000) of which were authorised but not contracted for, and HK\$286,333,000 (2018: HK\$269,064,000) of which was contracted for.

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

### Contingent liabilities

The details of contingent liabilities of the Group are set out in note 30 of this report.

### Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 39 of this report.

### Compliance confirmation

The Board confirms that throughout the year 2019, the Group has conformed in all material respects with all the requirements under relevant statutes, rules, standards, codes, licenses in respect of its operation, financial reporting, or disclosures in Hong Kong or other applicable jurisdictions.

### Environmental protection and stakeholders' rights

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

Annual  
Report  
2019



19

Management  
Discussion &  
Analysis

# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2019, albeit few exceptions as explained below, the Board upholds the compliance of the code provisions (“Code Provision”) as well as some Recommended Best Practices (“Best Practices”) set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

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

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

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

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year of 2019, the Company has complied with the Code Provisions save for the following Code Provisions:

- A4.1 the non-executive directors of the Company are not appointed for a specific term given they shall retire from office by rotation once every three years except the Chairman of the Board and the President in accordance with the Bye-Laws of the Company;
- A4.2 the Chairman of the Board and the President are not subject to retirement by rotation such that it would help the Company in maintaining its consistency of making business decisions.

Annual  
Report  
2019

20

Corporate  
Governance  
Report

## DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

## BOARD OF DIRECTORS

### Composition of the Board

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

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

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

Annual  
Report  
2019

21

Corporate  
Governance  
Report

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Composition of the Board (Continued)

The Board held four board meetings and one general meeting in 2019 and the following table shows the individual attendance of each director during their term of office in 2019:

Name of the Director	Number of board meetings entitled to attend during the director's term of office in 2019	Number of meeting(s) attended <sup>#</sup>	Number of general meeting entitled to attend during the director's term of office in 2019	Number of meeting(s) attended
<b>Executive Directors:</b>				
Cheng Guangren ( <i>President</i> )	4	4	1	1
Qi Liang ( <i>Vice President</i> )	4	4	1	1
<b>Non-executive Directors:</b>				
Li Zhongbao ( <i>Chairman</i> )	4	4	1	0
Lim Toon	4	4	1	0
Yin Yen-liang	4	4	1	0
Ba Risi	4	4	1	1
Fu Zhiheng	4	4	1	0
Lim Kian Soon	4	4	1	0
Tseng Ta-mon ( <i>alternate Director to Yin Yen-liang</i> )	4	4	1	0
<b>Independent Non-executive Directors:</b>				
Lui King Man	4	4	1	1
Lam Sek Kong	4	3	1	1
Cui Liguo	4	4	1	1
Meng Xingguo	4	4	1	0

Note:

<sup>#</sup> Including meetings attended by the director via telephone conferences.



## BOARD OF DIRECTORS (Continued)

### Chairman and Chief Executive Officer

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

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

### Appointment, Retirement and Re-election of Directors

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

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

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

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

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

### Directors' Training

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

### Directors' Training (Continued)

During the year ended 31 December 2019, participation of Directors in continued professional development are as follow:

	<b>Topic of Training</b>
	<b>Corporate Governance</b>
Cheng Guangren	✓
Qi Liang	✓
Li Zhongbao	✓
Lim Toon	✓
Yin Yen-liang	✓
Ba Risi	✓
Fu Zhiheng	✓
Lim Kian Soon	✓
Tseng Ta-mon ( <i>alternate director to Yin Yen-liang</i> )	✓
Lui King Man	✓
Lam Sek Kong	✓
Cui Ligu	✓
Meng Xingguo	✓

## BOARD COMMITTEES

### Remuneration Committee

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

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

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

## BOARD COMMITTEES (Continued)

### Remuneration Committee (Continued)

The Remuneration Committee held one meeting in 2019 and the following table shows the individual attendance of each member during their term of office in 2019:

Name of the member of the Remuneration Committee	Number of committee meeting entitled to attend during the member's term of office in 2019	Number of meeting(s) attended
<b>Independent Non-executive Directors:</b>		
Lui King Man ( <i>Chairman</i> )	1	1
Lam Sek Kong	1	0
Cui Ligu	1	1
Meng Xingguo	1	1
<b>Executive Director:</b>		
Qi Liang	1	1

The works performed by the Remuneration Committee in 2019 are summarised as follows:

- reviewed the standard of directors' fees payable to Directors in 2019;
- reviewed the results of incentive scheme of the management for 2018; and
- reviewed the adjustment of the remuneration of senior management.

Annual Report 2019

25

Corporate Governance Report

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Nomination Committee

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

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

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

The Nomination Committee held one meeting in 2019 and the following table shows the individual attendance of each member during their term of office in 2019:

Name of the member of the Nomination Committee	Number of committee meeting entitled to attend during the member's term of office in 2019	Number of meeting(s) attended
<b>Independent Non-executive Directors:</b>		
Lam Sek Kong ( <i>Chairman</i> )	1	0
Lui King Man	1	1
Cui Liguu	1	1
Meng Xingguo	1	1
<b>Executive Director:</b>		
Qi Liang	1	1

## BOARD COMMITTEES (Continued)

### Nomination Committee (Continued)

The works performed by the Nomination Committee in 2019 are summarised as follows:

- reviewed the re-election of directors in accordance with the Bye-Laws of the Company;
- reviewed the independence of the INEDs; and
- reviewed the nomination and appointment procedures for directors and senior management (revised).

### Audit and Risk Management Committee

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

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

The Audit and Risk Management Committee held two meetings in 2019 and the following table shows the individual attendance of each member in 2019:

Name of the member of the Audit and Risk Management Committee	Number of committee meetings entitled to attend during the member's term of office in 2019	Number of meeting(s) attended
<b>Independent Non-executive Directors:</b>		
Lui King Man ( <i>Chairman</i> )	2	2
Lam Sek Kong	2	1
Cui Liguu	2	2
Meng Xingguo	2	2

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Audit and Risk Management Committee (Continued)

The works performed by the Audit and Risk Management Committee in 2019 are summarised as follows:

- made recommendation to the Board on the re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services;
- reviewed the independence and objectivity of external auditors and the effectiveness of the audit process through discussion with the external auditors as to the nature and scope of the audit and reporting obligation;
- monitored integrity of and reviewed significant financial reporting judgements of the half-year and annual financial statements of the Company;
- reviewed the continuing connected transactions;
- reviewed the Company's statement on financial controls, internal control systems and risk management systems; and
- reviewed the internal audit team's work progress and findings.

## AUDITORS' REMUNERATION

The following information summarises the fees charged and the nature of the audit and non-audit services provided by the Company's external auditors to the Group during 2019:

	HK\$
Audit of the Group's financial statements including interim review	1,415,000
Review of the Group's continuing connected transactions	14,000
Tax services	155,000
Total	<u>1,584,000</u>

## CORPORATE GOVERNANCE FUNCTIONS

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

During the year ended 31 December 2019, the Board reviewed the Company’s corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct and Model Code, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

## ACCOUNTABILITY AND INTERNAL CONTROL

### Financial Reporting

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

The Board acknowledges that it is the Board’s responsibility for preparing the financial statements of the Company. As at 31 December 2019, the Directors of the Board were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

### Company’s Auditor

The auditor’s independence has been reviewed by the Audit and Risk Management Committee periodically. In each committee meeting, committee members can discuss with the auditor, in the absence of management such matters relating to any issues arising from the audit and any other matters the auditor may wish to raise. For the responsibilities of the Company’s Auditor in respect of auditing the Company’s financial statements, please refer to the section headed “Independent Auditor’s Report” of this annual report.

### Internal Controls and Risk Management

The Board acknowledges it’s responsibility to ensure the Company maintains sound and effective internal controls and risk management, whereby safeguarding its shareholders’ investment and the Company’s assets. The risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

### Internal Controls and Risk Management (Continued)

To facilitate and support the Board and the Audit and Risk Management Committee in discharging their duties, the Internal Control and Risk Management Committee (“ICRMC”) has been established and delegated to design, implement and monitor the Group’s internal control and risk management systems. ICRMC comprises the executive directors, the senior management members of the Group, the Company Secretary and the head of Risk Department. Furthermore, the Internal Audit Team carries out independent reviews of any operation processes and controls, their key findings and recommendations for improvement are regularly reported to the Audit and Risk Management Committee. The external auditors also report on any control issues identified in the course of their audit or review work to the Audit and Risk Management Committee.

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

- (1) all material controls, including financial, operational and compliance controls;
- (2) the changes on the risk environment, the nature and extent of significant risks and the Group’s ability to respond to such changes;
- (3) the scope and quality of the Group’s ongoing monitoring of risks and of the internal control systems;
- (4) the work of its internal audit function and other applicable assurance;
- (5) the reporting channels of internal control, internal audit and risk management function within the Group;
- (6) any significant failings or weakness which have been identified during the period and the extent of which they have caused corporate governance concerns or material impact on the Group’s financial performance; and
- (7) the effectiveness of the Group’s processes for financial reporting and regulatory compliances.

Annual  
Report  
2019

30

Corporate  
Governance  
Report



## ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

### Internal Controls and Risk Management (Continued)

In 2019, the annual review of the effectiveness of the system of internal control and risk management of the Group was conducted by the ICRMC. The review covers all material controls, including financial, operational and compliance controls and risk management functions. Each business unit was required to perform a risk identification and an assessment. Risks were prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. With the risk identification and assessment from each business unit, ICRMC identified the significant risks facing the Group and the risk control action plan. In addition, the Internal Audit Team has performed to test and evaluate whether the selected internal controls and risk management systems were effective. The results of the ICRMC's review and the internal audit have been reviewed by the Company's Audit and Risk Management Committee and reported to the Board of Directors of the Company.

There was no significant incidence of control failures in respect of financial reporting, operation and compliance that has been identified or reported during the year ended 31 December 2019. The management, the ICRMC and the Internal Audit Team will continue to monitor and review regularly the effectiveness of the internal control and risk management system of the Company and from time to time take action whenever there is any weakness in the financial reporting process, and perform periodical review on various corporate governance and internal control policies and related procedures, including but not limited to: corporate governance code, whistleblower protection, employee trainings, director trainings, shareholders' rights or investors relations, etc.

The Board is of the view that the internal control and risk management system of the Group has remained effective in 2019.

Key risk exposure of the Group are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 13 of this Annual Report.

### Inside Information

The Group is fully aware of the obligation in dissemination and disclosure of inside information in accordance with the relevant laws and regulations. The Group formulated an inside information policy and published on the Group's website, so as to ensure an equal, timely and effective disclosure of inside information to the public in accordance with the applicable laws and regulations.

### Whistleblower Protection

A whistleblower protection policy and Complaints Handling Procedure have been established and published on the Group's website in accordance with C.3.7 and C.3.8 of Appendix 14 of the Listing Rules to deal with employees' complaints or concerns on any suspected fraudulent, dishonest business conduct and any acts relating to violation of applicable laws and regulations as stipulated in the Group's Code of Ethical Business Conduct. The Group will keep the whistleblowers' personal information strictly confidential to protect his/her rights and carefully verify and investigate issues reported.

Annual  
Report  
2019

31

Corporate  
Governance  
Report

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND INTERNAL CONTROL (Continued)

### Company Secretary

The Company Secretary is an employee of the Group and has confirmed that she has taken no less than 15 hours of the relevant professional training for the year ended 31 December 2019 in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

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

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

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

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company, business prospects, future earnings, cashflow, cost of capital and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

### Constitutional Documents

In 2019, there was no change in the Company's constitutional documents.

Annual  
Report  
2019

32

Corporate  
Governance  
Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board of the Company has established and maintained respective policies in environmental protection, social responsibility and corporate governance so that the Group maintains environmental protection practices and good social responsibility for the Group's long-term success and sustainability.

In human resources, as illustrated in the table "Key Human Resources Parameters" set forth in the Environmental, Social and Governance Report of this Annual Report, the Group has a fairly diversified recruitment profile in its employees such that the talented and appropriate people can join the Group to fuel its development and success. This is attributable to the Open Employment Policy of the Group. During the period, the Group continued to encourage necessary training and induction programmes to those employees who needed for their job enrichment and development. The Group has also strictly complied with the relevant laws and regulation in respect of the employments in Hong Kong or other jurisdictions.

In environmental protection practices, the Group has achieved improvement in certain of areas, including air emissions and water consumption intensity. The Group has also maintained effectively the control on those areas including the production of hazardous wastes or non-hazardous wastes, as well as the emission of electromagnetic radiation from the Group's Earth Station so that the neighbourhood remains normal environmentally.

During the year, the Group has taken appropriate initiatives of efficient consumption of electricity and water. Gradual improvements have been noted and it is expected more progresses will be achieved in the coming years.

By order of the Board

**Li Zhongbao**

*Chairman*

Hong Kong, 23 March 2020

Annual  
Report  
2019



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is highly concerned about environmental protection, social responsibility and corporate governance. The Corporate Governance Report is separately set out in this Annual Report. This report provides the relevant efforts and work in environmental, social and sustainability parameters which are integrated in the strategic development and operation of the Group. The Board of Directors of the Group has overall responsibility for the Group's Environmental, Social and Governance strategy and reporting. It is the Group's policy to achieve a long-term successful and sustainable development and growth through enlightened shareholder approach and respect the legitimate interests of relevant stakeholders.

### 1. Human Resources

#### *Employment*

##### Policy

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

##### Compliance

95% of the employees employed by the Group are located in Hong Kong. The Group strictly complies with the requirements of the employment legislations in Hong Kong such as the Employment Ordinance (Cap. 57), the Occupational Safety and Health Ordinance (Cap. 509), the Employee's Compensation Ordinance (Cap. 282) and the Minimum Wage Ordinance (Cap. 608), to provide comprehensive protection and benefits to the employees, and does not contravene the relevant rules and regulations.

Annual  
Report  
2019

34

Environmental,  
Social and  
Governance  
Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 1. Human Resources (Continued)

*Employment (Continued)*

Compliance (Continued)

Key Human Resources Parameters are tabulated below:

	2019		2018	
	Number of People	(%)	Number of People	(%)
<b>1 Employees breakdown by nationality/region</b>				
HK (HKSAR)	96	86.5%	97	86.6%
PRC (Mainland)	6	5.4%	6	5.3%
United Kingdom	2	1.8%	2	1.8%
Malaysia	1	0.9%	1	0.9%
Indonesia	2	1.8%	2	1.8%
Philippine	1	0.9%	1	0.9%
India	2	1.8%	2	1.8%
Pakistan	1	0.9%	1	0.9%
Sub-total	111	100%	112	100%
<b>2 Employees breakdown by gender</b>				
Man	78	70.3%	78	69.6%
Woman	33	29.7%	34	30.4%
Sub-total	111	100%	112	100%
<b>3 Employment Contract</b>				
Permanent	111	100%	112	100%
Temporary	0	0%	0	0%
Sub-total	111	100%	112	100%
<b>4 Age distribution of employees</b>				
18-29	13	11.7%	15	13.4%
30-39	37	33.4%	38	33.9%
40-49	44	39.6%	44	39.3%
50 & above	17	15.3%	15	13.4%
Sub-total	111	100%	112	100%

Annual  
Report  
2019

35

Environmental,  
Social and  
Governance  
Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 1. Human Resources (Continued)

#### *Health and Safety (B2)*

##### Policy

The Group's policy is to create a health and safe working environment to all employees. The Group believes that a health and safe working environment is critically important for the long-term development of the employment team and is one of the important success factors for the future and sustainable business growth of the Group.

##### Compliance

The Group conforms to the compliance requirements as stipulated in the Cap. 509 Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong as well as other relevant rules and regulations in other applicable jurisdictions. To enhance the Group's care to the employees and to encourage employees' awareness on healthiness, the Group provides annual body check-up benefit and organises different recreation activities for participation by employees. In 2019, the Group participated a bowling competition with The Hong Kong Chinese Enterprises Association to strengthen employee's awareness on healthiness.

#### *Development and Training (B3)*

##### Policy

The Group emphasizes the internal and external training needs of employees. The Group arranges annual training programs to provide various types of internal and external trainings and to enhance the competency, knowledge and the professional qualification of employees necessary for their work. In 2019, there were in total of 212 person-time of employees who participated in 60 external trainings and 8 internal trainings throughout the year.

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

#### *Labour Standards (B4)*

##### Policy

The Group prohibits employment of child, forced or compulsory labour. All employees have the right to resign in accordance with the employment contracts. In 2019, the employee turnover rate of the Group was 8.2%.

Annual  
Report  
2019

36

Environmental,  
Social and  
Governance  
Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 1. Human Resources (Continued)

#### *Labour Standards (B4) (Continued)*

##### Compliance

The Group observes all relevant rules and regulations in relation to employment including Employment Ordinance (Cap. 57) in Hong Kong and other applicable jurisdictions. The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong.

#### *Supply Chain Management (B5)*

##### Policy

The Group upholds anti-corruption and prohibits unethical business conduct activities. The Group follows fair procurement policy as well as complies with all relevant rules and regulation. The Group implements effective internal control and risk management system and whistleblower-protection policy in order to ensure the effectiveness and efficiency of the operation, avoid any corruptive practice and achieve compliance. All the Group's employees are encouraged to report business irregularities and establish clear whistleblowing channel and protection policies for whistleblowers who raise concerns or complaints without the fear of being retaliated or ill-treated.

##### Compliance

The Group regularly provides induction and trainings to all employees for the compliance requirement under the Prevention of Bribery Ordinance (Cap. 201). The procurement is incorporated in the effective internal control and risk management system and subject to the inspection of internal audit. In the event of any connected transaction with connected parties, the Group will pay particular attentions as to compliance and approval by independent shareholders pursuant to the terms under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### *Product Responsibility (B6)*

##### Policy

Owing to the fact that the Group's business nature is primarily involved in the development and provision of satellite transponder services, telecommunication services and broadcasting services, the Group's business does not really involve product deliveries but confines to service provisions.

##### Compliance

The Group observes all compliance requirements as stipulated under the applicable licences including the Space Station Carrier Licence, Outer Space Ordinance Licence, Unified Carrier Licence, Non-domestic Television Programme Service Licence in Hong Kong and all relevant compliance as required by the applicable jurisdictions for those regions targeted by the Group's services. The Group also uphold and respect all legitimate or qualified intellectual property rights of the right owners as registered or created.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 1. Human Resources (Continued)

#### *Anti-Corruption (B7)*

##### Policy

The Group upholds anti-corruption and prohibits unethical business conduct activities and implements effective internal control system, risk management system and whistleblower protection policy and complaint handling procedure to enable employees to report fraud and corruption. The Group implements effective internal control and risk management system and encourage employees to report suspicious business irregularities and establish clear whistleblowing channel and protection policies for whistleblowers who raise concerns or complaints without the fear of being retaliated or ill-treated.

##### Compliance

The Group provides induction programme and regular trainings whenever appropriate to all directors and employees when they join the Group. All of them are provided with the necessary information which includes, among them, the staff manuals and relevant information kits, informing them about the Group's policies on anti-corruption combating any unethical business conducts as well as Code of Ethical Business Conducts (as amended in 2018). All directors and employees are reminded to abide by the relevant laws and regulations including the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong or other relevant rules and regulation in application jurisdiction. The Group has adopted internal control and risk management framework which is in line with the standard of COSO Standard. The Group had started the operation of "Whistleblower-Protection Policy" and "Complaint Handling Procedure" which is in line with the compliance requirements of C.3.7 (Code Provision) and C. 3.8 (Recommended Best Practice) of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Any whistleblowing and complaints will be handled by internal auditor who are accountable to and reporting to Audit and Risk Management Committee for independent status. In 2019, there was no whistleblowing event or complaint raised to Audit and Risk Management Committee or internal auditor.

Annual  
Report  
2019

38

Environmental,  
Social and  
Governance  
Report



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 1. Human Resources (Continued)

#### *Community Engagement (B8)*

##### Policy

The Group concerns about the corporate social responsibility and believe that it is a key factor for long-term and sustainable success.

##### Donation

The Group concerns about and supports social community activities. In 2019, the Group made donation of HK\$5,000 to fulfill the social responsibility.

##### Community Activity

The Group also values the fulfillment of social responsibility, and is actively engaged in social activities by organising the Open Day for China Aerospace Science in which the primary and secondary school students and the community were invited to visit the Group's earth station and satellite operation facilities, and the knowledge of aerospace and satellite were introduced and promoted. In addition, the Group arranged for employees to participate in five volunteer activities, including the Skip Lunch for Charity of Hong Kong Community Chest, the Flag Day of Tung Wah Group of Hospitals, the Flag Day of Hong Kong Student Aid Association, the Bowling Competition organized by the Hong Kong Chinese Enterprises Association and the Ninth Session of Hong Kong Student China National Knowledge Competition.

### 2. Environmental and Community Indicator

#### *A1: Emissions*

##### **The Policy**

As a member of the community and the environment, the Group values environmental protection and conforms to the relevant rules and regulations especially the control, avoidance or minimising of the release of hazardous or non-hazardous emissions, waste products and radiation so as to achieve a long-term, harmonious and sustainable growth of the Group.

#### A1.1 Air emissions

##### a. Emissions data from gaseous fuel consumption

Owing to the fact that the core business of the Group mainly in the services in relation to satellite transponders, broadcasting, and telecommunication. In no circumstance did the Group consume any units of fuel including Towngas or LPG resulting in the evolving of NO<sub>x</sub> or SO<sub>x</sub>.

##### **Reference/guidance**

"The Clean Air Charter – A Business Guidebook" published by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment [http://www.cleanair.hk/eng/guidebook/guidebook\\_eng\\_r.pdf](http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles

Under the environmental friendly policy of the Group as mentioned above, the Group only owns and operates limited number of petrol fuel vehicles. The Group will continue to put effort to further minimize such vehicles for environmental protection.

In 2019, the Group has increased in NO<sub>x</sub> and PM emissions recording increases of 10.85% and 10.76% respectively. The Group has improved in SO<sub>x</sub> emissions recorded a decrease of 15.50%, as compared to 2018.

#### For NO<sub>x</sub>

Formula: NO<sub>x</sub> emissions (g) = kilometres travelled x Emission Factor

#### NO<sub>x</sub> Emission Factor by vehicle type in 2019

Vehicle type	Emission Factor (g/km)	Travelling in (km)	NO <sub>x</sub> emissions (g)	change (%)
Private cars	0.0747	78,858	5,890.69	-13.85%
Shuttle bus	5.6923	8,065	45,908.40	15.08%
		<b>Total</b>	<b>51,799.09</b>	<b>10.85%</b>

#### NO<sub>x</sub> Emission Factor by vehicle type in 2018

Vehicle type	Emission Factor (g/km)	Travelling in (km)	NO <sub>x</sub> emissions (g)
Private cars	0.0747	91,531	6,837.37
Shuttle bus	5.6923	7,008	39,891.64
		<b>Total</b>	<b>46,729.01</b>

In 2019, NO<sub>x</sub> emission increased by 10.85% as compared to 2018.

Annual Report 2019

40

Environmental, Social and Governance Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles (Continued)

#### For SO<sub>x</sub>

Formula: SO<sub>x</sub> emissions (g) = units of fuel consumed x Emission Factor

#### SO<sub>x</sub> Emission Factor by fuel type in 2019

Fuel type	Emission Factor (g/L)	Units of fuel consumed (L)	SO <sub>x</sub> emission (g)	Change (%)
Diesel	0.0161	2,506.60	40.36	-5.21%
Petrol	0.0147	8,670.97	127.46	-18.31%
		<b>Total</b>	<b>167.82</b>	<b>-15.50%</b>

#### SO<sub>x</sub> Emission Factor by fuel type in 2018

Fuel type	Emission Factor (g/L)	Units of fuel consumed (L)	SO <sub>x</sub> emission (g)
Diesel	0.0161	2,644.53	42.58
Petrol	0.0147	10,613.80	156.02
		<b>Total</b>	<b>198.60</b>

In 2019, SO<sub>x</sub> emission decreased by 15.50% as compared to 2018.

Annual  
Report  
2019

41

Environmental,  
Social and  
Governance  
Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

A1.1 Air emissions (Continued)

b. Emissions Data from Vehicles (Continued)

#### For PM

Formula: PM emissions (g) = kilometres travelled x Emission Factor

#### PM Emission Factor by vehicle type in 2019

Vehicle type	Emission Factor (g/km)	Travelling in (km)	PM emission (g)	Changes (%)
Private cars	0.0055	78,858	433.72	-13.85%
Shuttle bus	0.4093	8,065	3,301.00	15.08%
		<b>Total</b>	<b>3,734.72</b>	<b>10.76%</b>

#### PM Emission Factor by vehicle type in 2018

Vehicle type	Emission Factor (g/km)	Travelling in (km)	PM emissions (g)
Private cars	0.0055	91,531	503.42
Shuttle bus	0.4093	7,008	2,868.37
		<b>Total</b>	<b>3,371.79</b>

In 2019, PM emission increased by 10.76% as compared to 2018.

#### Reference/guidance

The Emission Factors above are based on the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation model ([http://www.epd.gov.hk/epd/english/environmentinhk/air/guide\\_ref/emfac-hk.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/guide_ref/emfac-hk.html))

Appendix 27, The Listing Rules "How to prepare an ESG Report?" Appendix 2: Reporting Guidance on Environmental KPIs, The Stock Exchange of Hong Kong Limited

Annual Report 2019

42

Environmental, Social and Governance Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

##### A1.2 Greenhouse gas emissions

Owing to the nature of the business and operation, the Group did not evolve or emit Greenhouse gas except carbon dioxide. The emission data of Carbon Dioxide is shown below.

Scope	Description	2019	%	2018	%
		Equivalent CO <sub>2</sub> Emissions (kg CO <sub>2</sub> - eq)		Equivalent CO <sub>2</sub> Emissions (kg CO <sub>2</sub> - eq)	
1	Direct Emission	29,504	0.95	36,778	1.20
2	Energy Indirect Emission	2,923,060	93.88	2,865,345	93.63
3	Other Indirect Emissions	161,106	5.17	158,291	5.17
	Total	3,113,670	100	3,060,414	100
	Equivalent CO <sub>2</sub> Emissions (kg CO <sub>2</sub> - eq)/ (Million HK\$) revenue	2930.33		2,472.06	

In 2019, the Greenhouse Gas Emission increased by 1.74% as compared to 2018.

#### Reference/Guidance

The “Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong” published by the University of Hong Kong and City University of Hong Kong <http://www6.cityu.edu.hk/aerc/sme/guideline.asp>

Annual  
Report  
2019

43

Environmental,  
Social and  
Governance  
Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

A1.3(a) Total hazardous waste produced

Owing to the nature of the business, the Group did not produce any waste as end products or side products over the period.

Compliance requirements in Hong Kong:

- (i) Chemical wastes: Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C of the Laws of Hong Kong);
- (ii) Clinical wastes: The Clinical Waste Control Scheme, comprising Section 2 and Schedule 8 of the Waste Disposal Ordinance (Cap.354 of the Laws of Hong Kong),
- (iii) the Waste Disposal (Clinical Waste) (General) Regulation (Cap. 354O of the Laws of Hong Kong), and various pieces of additional legislation; and
- (iv) Hazardous chemicals: The Hazardous Chemicals Control Ordinance (Cap. 595 of the Laws of Hong Kong).

A1.3(b) Electromagnetic Radiation

- (i) The Satellite Control Centre of the Group, via 12 sets of satellite antennae for the Telemetry, Tracking and Control (TT&C), satellite communication services, operates APSTAR-5C, APSTAR-6, APSTAR-6C, APSTAR-7 and APSTAR-9 satellites. The Group is highly concerned about the radiation emission level of the satellite antennae. The Group conducts radiation emission measurements regularly to monitor the radiation emission level of the antennae so as to ensure that radiation emission level is always lower than the threshold limit as provided under the national standards, including GB8702-88, HJ/T2.1-2011, HJ/T10.3-1996, HJ/T10.2-1996 and GB13615-92 (collectively the “Standards”) and such electromagnetic radiation, will not produce any harmful effect.
- (ii) According to the report of electromagnetic radiation measurement and assessment, which was released in December 2019 (the “Radiation Report”), (a) according to the calculations in the Radiation Report, the electromagnetic radiation emissions of all the satellite antennae of the Group conform to the theoretical threshold safety requirements as required by the Standards; and (b) according to the actual measurements conducted, as mentioned in the Radiation Report, the highest figures of the maximum and average values in electromagnetic radiation emissions from the satellite antennae at 58 locations (test-points) within sensitive regions are 0.0022 W/m<sup>2</sup> and 0.002 W/m<sup>2</sup> respectively, which are significantly lower than the threshold value of 0.4 W/m<sup>2</sup> as required under the Standards. The Group will ensure that its operation will be safe and environmental friendly to the employees and the neighboring community.

Annual  
Report  
2019

44

Environmental,  
Social and  
Governance  
Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A1: Emissions (Continued)

#### The Policy (Continued)

A1.4 Total non-hazardous waste produced

During the year, non-hazardous waste produced by the Company is limited due to the nature of the business and operation.

A1.5 Measures to mitigate emissions

The Group achieved performance in reducing emissions over the year 2019 as compared to the previous year. The improvements can be attributable to the improved procedure in the using of private car of the Group.

A1.6 Handling of hazardous and non-hazardous waste.

The business and operation of the Group remains the provision of services in satellite transponder, telecommunications and broadcasting services. The operation of the Group has not evolved hazardous and non-hazardous waste except the electromagnetic radiation which has already been well covered in A1.3 and proven by professional test and report that it is environmentally normal.

A2: Use of Resources

#### The Policy

As a member of the community and the environment, the Group values environmental protection and follows the principle of minimizing the use of natural resources though continuous effort on improving efficiency which will result in higher profitability and a long-term, harmonious and sustainable growth of the Group.

A2.1 Direct and/or indirect energy consumptions (by electricity)

In 2019, the total annual energy consumption according to bills (or meter readings) = 5,413,074 kWh

**Energy consumption intensity EG/U = 5,094.35 kWh/HK\$ million (change: 18.83%)**

In 2018, the total annual energy consumption according to bills (or meter readings) = 5,306,195 kWh

**Energy consumption intensity EG/U = 4,287.10 kWh/HK\$ million**

Where

EG = Total energy consumed (kWh)

U = Revenue (HK\$ million)

Annual  
Report  
2019

45

Environmental,  
Social and  
Governance  
Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A2: Use of Resources (Continued)

#### **The Policy (Continued)**

In 2019, the Group has slightly increased the energy consumption (mainly electricity), which is the prime energy sources for the support of the Group's operation, by 2.01%. The energy consumption intensity increased by 18.83% as compared to the year 2018.

*Note:* In 2019, the total consumption of diesel of the Group is 474 litres representing a decrease of 1.46% as compared to 2018.

#### A2.2 Water consumption

In 2019, the total water consumption according to bills (or meter readings) = 963 m<sup>3</sup>

**Water consumption intensity =  $W/U = 0.91 \text{ m}^3/\text{HK\$ million}$  (change: -40.68%)**

In 2018, the total water consumption according to bills (or meter readings) = 1,891 m<sup>3</sup>

**Water consumption intensity =  $W/U = 1.53 \text{ m}^3/\text{HK\$ million}$**

Where

$W = \text{Annual water consumption (m}^3\text{)}$

$U = \text{Revenue (HK\$ million)}$

In 2019, the water consumption has significantly decreased 49.07%. The water consumption intensity was reduced 40.68% as compared to the year 2018.

The increase in energy consumption was due to the increases in operation subsequent to the successful launches of new satellites. The significant decrease in water consumption was due to the completion of the office renovation in 2018.

#### A2.3 Description of energy use efficiency initiatives and results achieved

The operation of the Group's business relies on the reliable and quality electricity supply to the Group's Satellite Earth Station. Therefore, the electricity cost has been an important item of the operation cost of the Group. The Group has strong incentive to improve the efficiency of the use of electricity for the purpose of reducing the operation cost and conforming to the environmental friendly policy of the Group.

During the year, initiatives of efficient use of electricity include:

- Control the room temperature at 25°C
- Increase use of day-light in the interior design of office and communal areas
- Automatic switching off of un-used lighting at office areas or communal areas
- Reduction of printing.

Annual  
Report  
2019

46

Environmental,  
Social and  
Governance  
Report



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

A2: Use of Resources (Continued)

#### **The Policy (Continued)**

##### A2.4 Water efficiency initiatives

The Group has never encountered any difficulty in getting water supply for its use. Water was not required for the support of the Group's operation and business.

The water consumption in 2019 has decreased as a result of renovation projects for environmental improvement, the Group expects that both energy and water consumptions will be controlled to low levels in the coming years under the continuous effort in energy and water efficiency initiatives.

Under the Group's environmentally friendly policy and due to the nature of the operation and business, the water consumption of the Group over the period has been kept at minimally low level. Initiatives of water efficiency includes:

- Periodical reminders to all staffs
- Timely maintenance and repairment of water pipes
- Slower water flow from pipes for normal use

##### A2.5 Total packaging material

The Group does not find any meaningful figures in this aspect due to the nature of its operation and business.

Annual  
Report  
2019

47

Environmental,  
Social and  
Governance  
Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY (Continued)

### 2. Environmental and Community Indicator (Continued)

#### A3: The Environment and Natural Resources

The Group's business is the launch and operation of satellite at the geostationary orbital slot for the provisions of transponders, telecommunication and broadcasting services. Therefore, the nature of business and operation of the Group does not rely on the excessive consumption of natural resources and suppliers. Nor does it precipitate any significant waste material or hazard to neighbours or environment. The activities, operation and business of Group does not cause any significant impacts on the environment. However, the Group will continue to keep close monitoring three specific concerns as detailed below:

- (i) In the event of a launch of satellite, it may cause a distress on the environment throughout the course of its launch trajectory. However, the launch of satellite is regulated with state license or permit and will be well covered with third-party liability insurance for any loss or damages to any third party as a result of the launch process.
- (ii) The radiation emission of the satellite antennae erected and operated in the Satellite Earth Station of the Group may be hazardous to neighbor and environment. The Group is highly concerned on this hazard and conducts regular radiation emission measurements so as to monitor the radiation emission level of the antennae. As proven by the measurement results of the latest measurement report issued in December 2019, the surrounding regions of the Satellite Earth Station remain safe and environmentally normal for activities according to the Standards.
- (iii) The efficient use of electricity of the Group should be the focal point of the future challenge. The management of the Group will make it as a prioritised item for action, not just for the environmentally friendly policy but also paring down the operation cost to a greater extent for a higher marginal profit value.

*Note:* This section covers the environmental protection practices of the Group in Hong Kong only

Annual  
Report  
2019

48

Environmental,  
Social and  
Governance  
Report

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

## EXECUTIVE DIRECTORS

**Mr. CHENG Guangren**, aged 57, Doctor, has been appointed as the Executive Director and President of the Company since June 2008. Mr. Cheng is also the authorised representative of the Company. He is responsible for the overall operation and management of the Company. Mr. Cheng has been engaging senior management work in the field of satellite operation since 1994. He had been the Director of Board and President of Sino Satellite Communications Company Limited and the Board Chairman of China Direct Broadcast Satellite Company Limited. Mr. Cheng is the Chairman of APT Mobile SatCom Limited. Mr. Cheng is a Director of APT Satellite Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited and APT Telecom Services Limited, which are subsidiaries of the Company. Mr. Cheng is also a Director of APT Satellite International Company Limited (“APT International”), the substantial shareholder of the Company, and the Non-executive Director of China Satellite Communications Company Limited (“China Satcom”) (a corporation listed on the Shanghai Stock Exchange in China effective from 28 June 2019), which is a shareholder of APT International.

**Mr. QI Liang**, aged 58, has been appointed as Executive Director and Vice President of the Company since 20 June 2008. Mr. Qi is also a member of each of the Nomination Committee and Remuneration Committee of the Company. Mr. Qi graduated from the Beijing College of Finance and Commerce in Finance major in 1986. He has been the Postgraduate of Monetary and Banking, Finance Department from the Chinese Academy of Social Sciences since 1998 and accredited as Senior Economist. Currently, he is the Deputy Officer of Science Committee for China Satcom. Before joining the Company, he had been the Assistant to the President, and the General Manager of the Finance Department of China Aerospace International Holdings Limited. Mr. Qi is a Director of APT Mobile Satcom Limited. Mr. Qi is also a Director of APT Satellite Company Limited, APT Datamatrix Limited, APT Satellite TV Development Limited, Middle East Ventures Limited, Ying Fai Realty (China) Limited and APT Telecom Services Limited which are subsidiaries of the Company, and the Chairman of APT Satellite Communications (Shenzhen) Company Limited, a subsidiary of the Company. Mr. Qi is also a Director of APT International, the substantial shareholder of the Company.

Annual  
Report  
2019

49

Directors'  
and Senior  
Management's  
Profiles and  
Changes

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

## NON-EXECUTIVE DIRECTORS

**Mr. LI Zhongbao**, aged 52, has been appointed as a Non-executive Director of the Company since 29 August 2017 and the Chairman of the Company since 1 April 2018. Mr. Li graduated with university degree in chemical engineering at Chemical Department of University of Tianjin in July 1990. He is a bachelor degree holder and researcher. From July 1990, Mr. Li had worked for the Institution of China Academy of Space Technology consecutively as Deputy Manager, Assistant to Director, Deputy Director, Director and also had been the Senior Vice President and Director of China Spacesat Company Limited (a corporation listed on the Shanghai Stock Exchange in China). Mr. Li has been appointed as a Director and the General Manager of China Satcom since July 2017 and also been appointed as the Chairman of China Satcom since March 2018. Mr. Li has also been appointed as Director of APT Satellite Company Limited, which is a subsidiary of the Company and Director of APT International, the substantial shareholder of the Company.

**Mr. LIM Toon**, aged 77, has been a Director of APT Satellite Company Limited since February 1993 and was appointed as a Non-Executive Director of the Company in October 1996. Mr. Lim graduated from the University of Canterbury and University of Singapore. He had worked for Singapore Telecommunications Limited (“Singtel”) since 1970. In Singtel, he served in various appointments of engineering, radio services, traffic operations, personnel & training and information systems departments. He had been the Chief Operating Officer of Singtel since April 1999 until he retired in February 2006 and served as Singtel’s Advisor. Mr. Lim is also a Director of APT Satellite Company Limited, which is a subsidiary of the Company and a Director of APT International, the substantial shareholder of the Company.

**Dr. YIN Yen-liang**, aged 70, has been appointed as a Non-Executive Director of the Company since January 2003. Dr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the Ph.D. Degree in Business Administration from National Chengchi University in 1987. He had been the President of the Ruentex Group, the holding company of one of the shareholders of APT International, since 1994. Dr. Yin is also a Director of APT Satellite Company Limited, which is a subsidiary of the Company. Dr. Yin is also a Director of APT International, the substantial shareholder of the Company.

**Mr. FU Zhiheng**, aged 51, was appointed as a Non-Executive Director of the Company with effect from 20 March 2012. Mr. Fu graduated from the Northwestern Polytechnic University, Xian, China, with a Bachelor of Engineering degree in 1991. He then obtained his Master of Business Administration degree from China University of Mining Technology (Beijing) in 2004. Mr. Fu is currently the Executive Vice President of China Great Wall Industry Corporation (“CGWIC”) in charge of satellite and launch services business. He has been working with CGWIC since 1993, taking various positions in marketing and program management for international space programs. Before he joined CGWIC, he had worked for China Academy of Launch Vehicle Technology for two years. Mr. Fu is currently a Director of APT Satellite Company Limited, which is a subsidiary of the Company. He is also the Director of APT International, the substantial shareholder of the Company.

Annual  
Report  
2019

50

Directors'  
and Senior  
Management's  
Profiles and  
Changes

## NON-EXECUTIVE DIRECTORS (Continued)

**Mr. LIM Kian Soon**, aged 56, graduated with a Bachelor of Computer Engineering from University of Tsukuba, Japan and obtained MBA from University of Leeds, UK. Mr. Lim had worked for Singtel since 1997, serving in various appointments. Mr. Lim is currently the Head of Carrier Sales, responsible for the sales of all Singtel domestic, international data and data centre services to the four big tech companies and all telecom service providers in Singapore and globally. Mr. Lim assumed this position in April 2017. Prior to this appointment, as Head of Singtel Satellite, he was responsible for the fixed and mobile satellite business and infrastructure in Singtel, as well as ICT and cyber security innovation over satellite for the maritime, broadcast and land mobile segments. Mr. Lim is a director of APT Satellite Company Limited, which is a subsidiary of the Company. Mr. Lim is also a director of APT International, the substantial shareholder of the Company.

**Mr. BA Risi**, aged 65, has been appointed as a Non-Executive Director of the Company since 1 April 2018. Mr. Ba graduated with university degree in metal materials at Materials and Fuel Department of National University of Defense Technology in February 1982. From 1982, Mr. Ba had worked for the subsidiaries of China Aerospace Science and Technology Corporation and China Aerospace Science and Technology Corporation consecutively as Deputy Officer, Officer, Deputy Director, Director, General Counsel, Vice Chairman of the Supervisory Board, Chief Engineer and also had been the Vice Chairman of China Institute of Space Law. From March 2018, Mr. Ba has been appointed as a Director of China Satcom. Mr. Ba has also been appointed as a Director of APT Satellite Company Limited, which is a subsidiary of the Company and a Director of APT International, the substantial shareholder of the Company.

**Mr. TSENG Ta-mon**, aged 62, has been appointed as an Alternate Director to Dr. Yin Yen-liang, a Non-Executive Director of the Company, since September 2004. He had been a Non-Executive Director of the Company from July 2003 to September 2004. Mr. Tseng graduated with an LL.B. Degree from National Chengchi University in 1980 and subsequently received the LL.M. Degree from University College London in 1982 and the LL.B. Degree from B.A. at University of Cambridge in 1984 respectively. He also graduated from the Inns of Court School of Law of Middle Temple in 1985 and became Barrister-at-Law in the same year. He was the Specialist of the Board of International Trade from 1985 to 1987. He was also the Partner of Dong & Lee from 1987 to 1992. He has been the Counsel of the Ruentex Group, the holding company of one of the shareholders of APT International. Mr. Tseng is also the Alternate Director to Dr. Yin Yen-liang, a Director of APT Satellite Company Limited, which is a subsidiary of the Company and APT International, the substantial shareholder of the Company.

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. LUI King Man**, aged 65, has been appointed as an Independent Non-Executive Director of the Company since August 2004. Dr. Lui is the Chairman of the Audit and Risk Management Committee and the Remuneration Committee of the Company. He is also the member of the Nomination Committee of the Company. Dr. Lui has been a practising Certified Public Accountant in Hong Kong since 1989, and established his accounting firm K. M. LUI & CO in the same year. Before commencing his own practising, Dr. Lui had worked with an international accounting firm and a listed commercial bank. Dr. Lui received the accountancy education in United Kingdom in 1980 and attained professional accountant qualification in 1985. He is a Fellow of The Chartered Association Of Certified Accountants and Associate member of The Hong Kong Institute Of Certified Public Accountants. Dr. Lui obtained an MBA Degree from Heriot-Watt University in 1997 and received a Doctoral Degree in Business Administration from The University of Hull in 2004. Dr. Lui has over 29 years of experience in accounting, finance, business acquisition and auditing fields. He has been a consultant of a number of commercial and non-commercial organisations.

**Dr. LAM Sek Kong**, aged 60, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Dr. Lam is a member of the Nomination Committee of the Company and since 1 January 2010 has been the Chairman of the Nomination Committee. Dr. Lam is also a member of each of the Audit and Risk Management Committee and the Remuneration Committee of the Company. Dr. Lam graduated from the University of Hong Kong in 1984. He is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK) and a fellow of the Hong Kong Institute of Arbitrators. Dr. Lam is also admitted as advocate and solicitor of the High Court of Singapore, barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam holds a bachelor degree and a master degree in laws from the University of Hong Kong, a master degree in laws from the University of Peking and a Ph.D. degree in laws from the Tsinghua University. Dr. Lam is currently an independent Non-executive Director of Hengtai Securities Co., Ltd. (a corporation listed on the Stock Exchange (Stock code: 01476)).

Annual  
Report  
2019

52

Directors'  
and Senior  
Management's  
Profiles and  
Changes

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. CUI Ligu**, aged 50, has been appointed as an Independent Non-Executive Director of the Company since July 2007. Mr. Cui is also a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cui graduated from the faculty of economic law of the China University of Political Science and Law in 1991. He founded the Guantao Law Firm in 1994, and is acting as a Founding Partner and the officer of its Management Committee. Mr. Cui has over 25 years of experience in legal sector, and holds independent directorship in the board of directors of several companies, such as, CNNC International Limited (a corporation listed on the Stock Exchange), China National Software & Service Co. Ltd. (a corporation listed on the Shanghai Stock Exchange in China), Essence Securities Co., Ltd., Health Yuan Pharmaceutical Industry Group Company Limited (a corporation listed on the Shanghai Stock Exchange in China), Beijing Life Insurance Co., Ltd., and China Coal Xinji Energy Co., Ltd. (a corporation listed on the Shanghai Stock Exchange in China). He is also a member of the Finance & Securities Committee of All China Lawyers Association; and the legal counselor in the internal control group of securities issuing of Guodu Securities Co., Ltd. and Bohai Securities Co., Ltd.

**Dr. MENG Xingguo**, aged 65, has been appointed as an Independent Non-Executive Director and a member of each of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company with effect from 5 July 2012. Dr. Meng graduated from the Renmin University of China with a Bachelor of Economics degree in 1982. He then obtained his Master of Finance degree from the Graduate Institute of The People's Bank of China in 1985. He also graduated from the School of Business of Temple University in 1994, with doctorate degree in Business Management. Dr. Meng had worked consecutively in the Reinsurance department of the headquarters of The People's Insurance Company (Group) of China Limited, branch and the headquarters of The People's Bank of China since 1985. He has also been the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. (currently known as the "Allianz China Life Insurance Company Limited") and senior vice president of Sun Life Everbright Life Insurance Company Limited. Since joining Central Huijin Investment Limited in 2006, Dr. Meng had served as the Director of the insurance division in the department of non-banking financial institutions, and was appointed as a Director of China Reinsurance Group Co., Ltd. and a Non-executive Director of New China Life Insurance Company Limited (a corporation concurrently listed on the Stock Exchange (Stock Code: 01336) and the Shanghai Stock Exchange (Stock Code: 601336)). Dr. Meng is currently the Chairman of Generali Insurance Agency Co. Ltd..

Annual  
Report  
2019

53

Directors'  
and Senior  
Management's  
Profiles and  
Changes

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES AND CHANGES

## SENIOR MANAGEMENT

**Mr. HUANG Baozhong**, aged 57, Master's Postgraduate, has been the Executive Vice President of the Company since August 2010, being responsible for Sales, Marketing and Legal Affairs of the company. Mr. Huang graduated from Harbin Institute of Technology and has been engaging in satellite and other space related activities since 1987. Before joining the Company, he was the Vice President of China Satcom.

**Mr. CHEN Xun**, aged 49, Executive Vice President, Mr. Chen is responsible for technical operations and engineering of the Company, he has over 25 years' experience in satellite and telecommunications industry. Mr. Chen joined the Company in year 2000. He holds a Bachelor's degree in computer and telecommunications from Chongqing Institute of Post & Telecommunications and a MBA degree from the University of South Australia. Before joining the Company, he worked for China Telecommunications Broadcast Satellite Corporation. Mr. Chen is a Director of APT Mobile Satcom Limited.

**Mr. QI Kezhi**, aged 58, has been appointed as the Vice President of the Company since April 2010. Mr. Qi is responsible for risk management of the Company. Mr. Qi graduated from the Tsinghua University, Beijing and Postgraduate Academy of Public Administration Speyer, Germany. Mr. Qi joined the Company in November 1999 and has been the Deputy Director and Director of International Business Department.

**Mr. ZHANG Shilin**, aged 52, is appointed as the Vice President of the Company in April 2013. Mr. Zhang is responsible for capacity management and technical support of the Company. Mr. Zhang graduated from Beijing Institute of Posts and Telecommunications with a Master Degree in Electromagnetic Field Theory and Microwave Technology. Mr. Zhang joined the Company in October 2010 and has served as Director of Marketing Department. Mr. Zhang has over 20 years' experience in satellite communication.

**Mr. HU Yajun**, aged 54, has been appointed as the Vice President since April 2018. Mr. Hu is responsible for China Business and Shareholders Relationship Management of the Company. Mr. Hu graduated from the National University of Defense Technology with a Master Degree in Communication and Electronics System. Mr. Hu joined the Company in December 2010 and served as the General Manager of various departments of the Company include Television and Telecom Services Department, Corporate Affairs Department, Information Technology Engineering Department and China Affairs Office.

Annual  
Report  
2019

54

Directors'  
and Senior  
Management's  
Profiles and  
Changes



## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

- Mr. Cui was appointed as independent director of the board of China Coal Xinji Energy Co., Ltd. (a corporation listed on the Shanghai Stock Exchange in China) with effect from 1 May 2019.
- Mr. Lim Kian Soon's biography has slightly changed. For details, please refer to the section headed "Directors and Senior Management's Profile and Changes" of the annual report.

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

Annual  
Report  
2019

55

Directors'  
and Senior  
Management's  
Profiles and  
Changes

# DIRECTORS' REPORT

The board of directors (“Directors”) of the Company is pleased to present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services. Discussion and analysis of these activities pursuant to Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) including a discussion of the principal risks and uncertainties which may be faced by the Group and an indication of the forward looking developments in the Group’s business are included in the Management Discussion and Analysis (Business Review) set out on pages 10 to 19 of this Annual Report forming part of this Directors’ Report.

## SEGMENTAL INFORMATION

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

## RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2019 and the state of the Group’s affairs as at that date are set out in the financial statements on pages 73 to 161.

During the year, the Company has declared and paid an interim dividend in cash of HK4.50 cents per share. The Board has resolved to declare a final dividend in cash of HK15.00 cents per share to shareholders whose names appear on the register of members at the close of business on 8 June 2020.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 162 of the annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2019 are set out in note 11 to the financial statements.

## SUBSIDIARIES

Details of the Company’s subsidiaries as at 31 December 2019 are set out in note 16 to the financial statements.

Annual  
Report  
2019

56

Directors’  
Report

## SHARE CAPITAL

During the year, no new share of the Company was issued.

There was no purchase, sale or redemption by the Company, or any subsidiaries of the Company's shares during the year.

Details of movement of the share capital are set out in note 27(b) to the financial statements.

## RESERVES

Details of movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 77.

## DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 27(a) to the financial statements.

## BORROWINGS

Details of the Group's bank borrowings are set out in note 22 to the financial statements.

## FIXED CHARGE

Details of the Group's fixed charge are set out in note 19 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to HK\$5,000 (2018: HK\$10,000).

## INDEMNITY OF DIRECTORS

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

## MANAGEMENT CONTRACTS

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

Annual  
Report  
2019

57

Directors'  
Report

# DIRECTORS' REPORT

## DIRECTORS

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

### Executive Directors

Cheng Guangren (*President*)

Qi Liang (*Vice President*)

### Non-executive Directors

Li Zhongbao

Lim Toon

Yin Yen-liang

Ba Risi

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

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

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

## DIRECTORS' SERVICE CONTRACT

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

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

## DIRECTORS' EMOLUMENTS

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

Annual  
Report  
2019

58

Directors'  
Report

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 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 Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

Name of Director and Chief Executive	Nature of interests	Number of shares held	Numbers of share options
Meng Xingguo ("Dr. Meng")	Personal	438,000 <sup>(1)</sup>	–

Notes:

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

Save as disclosed above, as at 31 December 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 Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Companies.

## SHARE OPTION SCHEMES

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, according to the register of interests in shares and short positions kept by the Company under section 336 of the SFO, the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	Number of shares interested	% of issued share capital
China Aerospace Science & Technology Corporation	1	508,950,000	54.68
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		65,559,000	7.04

Notes:

- China Aerospace Science & Technology Corporation ("CASC") was deemed to be interested in the shares of the Company by virtue of:
  - CASC holds directly and indirectly in aggregate 89.82% interest of China Satellite Communications Company Limited ("China Satcom"), which in turn holds (i) 42.86% of APT Satellite International Company Limited ("APT International"); and (ii) 100% in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interests) of the Company;
  - CASC holds 100% interest directly in China Great Wall Industry Corporation ("CGWIC"), which in turn holds indirectly 14.29% interests in APT International; and
  - CASC directly holds 13,500,000 shares (approximately 1.45% interests) of the Company.
- China Satcom was deemed to be interested in the shares of the Company by virtue of:
  - China Satcom holds 42.86% interests in APT International; and
  - China Satcom holds 100% interest in China Satellite Communications (Hong Kong) Corporation Limited, which in turn holds 13,500,000 shares (approximately 1.45% interests) of the Company.
- APT International directly holds 481,950,000 shares (approximately 51.78% interests) of the Company.

Annual Report 2019

60

Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Notes: (Continued)

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

Save as disclosed above, as at 31 December 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.

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

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the Company’s issued share capital at 31 December 2019.

## MAJOR CUSTOMERS AND SUPPLIERS

In 2019, the aggregate revenue attributable to the Group’s five largest customers was 34% (2018: 37%) of the total revenue. In 2019, the largest customer accounted for 17% of the Group’s revenue and the largest supplier represented 19% of the Group’s total purchases.

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

The aggregate purchase attributable to the Group’s five largest suppliers was less than 59% of total purchases (2018: 74%).

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

Annual  
Report  
2019

61

Directors'  
Report

# DIRECTORS' REPORT

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

According to a facility agreement entered into on 14 June 2016, China Aerospace Science & Technology Corporation, the controlling shareholder of the Company, is required to maintain control of or hold directly or indirectly not less than 30% shareholdings of the Company and remain as the single largest shareholder of the Company. As at 31 December 2019, the amount of the facility subject to such an obligation was HK\$Nil. The facility will expire on 28 June 2021.

## CONNECTED TRANSACTIONS

Certain connected transactions also fall under related party transactions in accordance with the International/Hong Kong Accounting Standards, details are set out in note 34 to the financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## FORMATION OF APT MOBILE SATCOM LIMITED

APT Satellite Communications (Shenzhen) Co. Ltd. ("APT Shenzhen"), a wholly-owned subsidiary of the Company, together with 航天投資控股有限公司 ("China Aerospace Investment Holdings Ltd.") and other investors from China, signed an investors' Agreement dated 23 July 2016 and a Supplemental Agreement dated 12 August 2016 to establish a company namely APT Mobile Satcom Limited ("APT Mobile"). The total registered capital of APT Mobile was RMB2,000 million, of which APT Shenzhen committed to invest RMB600 million (representing 30% of the equity interest in APT Mobile) ("Committed Capital"). At 31 December 2019, APT Shenzhen has paid RMB390,000,000, representing 65% of the Committed Capital. The scope of business of APT Mobile includes construction and operation of satellite communication system, satellite space segment services, satellite fixed and mobile telecommunication services, internet access, integration of networks and systems and technical consultancy services etc. Since APT Mobile is an associate of China Aerospace Science & Technology Corporation ("CASC"), it is therefore a connected party of the Company under the meaning of Chapter 14A of the Listing Rules.

As at 31 December 2019, the shareholders of APT Mobile were APT Shenzhen, 交通運輸通信信息集團有限公司, 中國國有資本風險投資基金股份有限公司, 深圳市昊創投資集團有限公司, 航天投資控股有限公司, 國華軍民融合產業發展基金(有限合伙), 蘇州遠海天璣股權投資合夥企業(有限合伙), 深圳市創新投資集團有限公司, 深圳市衛星通信科技合夥企業(有限合伙). The share equity interest of APT Shenzhen in APT Mobile remains unchanged.



## CONNECTED TRANSACTIONS WITH APT MOBILE SATCOM (HK) LIMITED

### MASTER AGREEMENT AND CONSULTANCY AGREEMENT

On 1 November 2016, APT Mobile entered into a contract (the “Satellite Project”) in respect of the manufacturing, delivery and launching of the APSTAR-6D Satellite (the “Satellite”). On 11 September 2017, APT HK entered into the master agreement (which contemplated the entering into of the consultancy agreement) (collectively the “Master Agreement”) in respect of provision of project management and technical consultancy services to APT Mobile.

By entering into the consultancy agreement, APT HK or its designated subsidiary can provide professional consultancy services in respect of development, launching and operation of the Satellite to APT Mobile. The consultancy services of APT HK can facilitate the smooth and successful development and launch of the Satellite into designated orbit until the completion of In-Orbit Delivery. The success of the Satellite will be very important for the business development and investment for both the Group and APT Mobile.

A total sum of the consultancy agreement is US\$11,855,000 (equivalent to approximately HK\$92,469,000), being the total service fees payable by APT Mobile to APT HK by installments pursuant to the milestone of the Satellite Project. The Master Agreement was approved by shareholders of the Company in a special general meeting held on 23 October 2017 pursuant to Chapter 14A of the Listing Rules.

As of 31 December 2019, APT Mobile has paid to APT HK in aggregate US\$9,484,000 (equivalent to approximately HK\$73,975,000) as an advanced service fees under this consultancy agreement.

Annual  
Report  
2019

63

Directors'  
Report

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS

On 11 September 2017, the Company entered into the Transponder Service Master Agreement (“Existing Master Agreement”) with China Satcom of validity until 31 December 2020 thereby subject to the terms and conditions of the Existing Master Agreement, the Group and China Satcom, on an ongoing basis, provide to each other (including their respective associates) services (the “Continuing Connected Transactions”) that (a) in the Mainland China market, the Group shall provide its satellite transponder capacity on a preferential basis to China Satcom (the “Service in Mainland China”); and that (b) in the market outside Mainland China, either the Group or China Satcom shall provide on a preferential basis its own satellite transponder capacity and satellite telecommunication value-added services and other related professional service to the other party (the “Service Outside Mainland China”). Since China Satcom is a subsidiary of CASC, and CASC and its associates hold approximately 57.14% interest of APT Satellite International Company Limited, the substantial shareholder of the Company holding approximately 51.78% of the issued share capital of the Company. China Satcom is therefore a connected party of the Company under the Listing Rules.

As approved by the independent shareholders of the Company on 14 November 2017, the maximum annual aggregate value (the “Caps”) in respect of the Service in the Mainland China and the Service Outside the Mainland China for the year ended 31 December 2019 are as follows:

(a)	the Caps in respect of the provision of the Service in the Mainland China by the Group to China Satcom	HK\$345,000,000
(b)	the Caps in respect of the provision of the Service Outside the Mainland China by the Group to China Satcom	HK\$30,000,000
(c)	the Caps in respect of the provision of the Service Outside the Mainland China by China Satcom to the Group	HK\$220,000,000

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

- (i) the Continuing Connected Transactions have been entered into under the usual and ordinary course of business of the Group;
- (ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
- (iii) the Continuing Connected Transactions have been entered into in accordance with the Existing Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Annual Report 2019

64

Directors' Report

## CONTINUING CONNECTED TRANSACTIONS (Continued)

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

- (i) have been approved by the Board of Directors;
- (ii) were in all material respects, in accordance with the pricing policies of the Group;
- (iii) were in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and
- (iv) have not exceeded the respective Caps set out above for the year ended 31 December 2019.

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

## PRE-EMPTIVE RIGHTS

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

## PUBLIC FLOAT

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

## RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 33 to the financial statements.

## CORPORATE GOVERNANCE

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

# DIRECTORS' REPORT

## AUDITORS

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

## BUSINESS REVIEW

The Business Review of the Group is set out in the “Management Discussion and Analysis (Business Review)” on pages 10 to 19 of this annual report. The details of the relationships with the Group’s stakeholders are set out in the “Environmental, Social and Governance Report” on pages 34 to 48 of this annual report. These discussions form part of this Directors’ Report.

By order of the Board

**Li Zhongbao**

*Chairman*

Hong Kong, 23 March 2020

Annual  
Report  
2019

66

Directors'  
Report

# INDEPENDENT AUDITOR'S REPORT



## Independent auditor's report to the shareholders of APT Satellite Holdings Limited

(Incorporated in Bermuda with limited liability)

### OPINION

We have audited the consolidated financial statements of APT Satellite Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 73 to 161, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

Annual  
Report  
2019

67

Independent  
Auditor's  
Report

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Annual impairment assessment of the intangible asset with indefinite useful life

Refer to note 13 to the consolidated financial statements and the accounting policies on page 94.

#### The Key Audit Matter

The carrying value of the Group's intangible asset with indefinite useful life ("the IA"), representing the right to use an orbital slot, amounted to HK\$133.6 million as at 31 December 2019.

The orbital slot was solely occupied by a satellite of the Group. As the IA generates cash inflows together with this satellite, the Group performs annual impairment assessment of the IA and the satellite together, by comparing the aggregate carrying value of the IA and the satellite against their aggregate recoverable amount, based on the discounted cashflow forecast prepared by Group management to determine the amount of impairment loss to be recognised, if any.

We identified the potential impairment of IA as a key audit matter because the impairment assessment conducted by Group management is complex and contain certain judgemental assumptions, particularly the discount rate and revenue growth rate.

#### How the matter was addressed in our audit

Our audit procedures to assess potential impairment of the IA included the following:

- evaluating the appropriateness of the Group's identification of the cash generating unit comprising the IA and the satellite solely using the IA;
- with the assistance of our internal valuation specialists, assessing the methodology used in the cashflow forecast prepared by Group management and whether the discount rate adopted in the cashflow forecast is within the normal range used by other market participants;
- comparing the revenue growth rate adopted in the cashflow forecast with past growth rates achieved by the Group as well as with those of comparable companies and other available external market data, taking into account recent developments in the commercial satellite industry and the Group's future operating plans;
- comparing the revenue included in the cashflow forecast prepared by Group management in the prior year with the current year actual performance of the Group to assess accuracy of the prior year's cashflow forecast, and making enquiries of Group management as to the reasons for any significant variations identified; and
- obtaining from Group management sensitivity analyses of both discount rate and revenue growth rate as adopted in the cashflow forecast prepared by the Group and assessing the impact of changes in these key assumptions to the conclusion reached in the impairment assessment and whether there was any indicator of management bias.

Annual Report 2019

68

Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### Recoverability of trade receivables

Refer to notes 18 and 29(a) to the consolidated financial statements and the accounting policies on page 94.

#### The Key Audit Matter

At 31 December 2019, the Group's trade receivables amounted to HK\$173.1 million, after netting off loss allowances of HK\$31.2 million.

The Group's customers operate in a number of geographical locations, all of them having different credit profiles. The timing of trade receivable settlement can be influenced by geographical norms and the economic environment in which the customers operate.

The Group's loss allowances are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of the trade receivables and credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date, all of which involve a significant degree of management judgement.

The Group's loss allowances include a specific element based on individual receivables and a collective element based on historical experience adjusted for geographical norms.

We identified the recoverability of trade receivables as a key audit matter because of the significance of trade receivables to the consolidated financial statements and because the assessment of the recoverability of trade receivables and recognition of loss allowances are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess recoverability of trade receivables included the following:

- understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade receivables, which included credit control procedures and estimate of expected credit losses under the Group's policy;
- assessing, on a sample basis, whether items in the trade receivables report were classified within the appropriate geographical location and appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales contracts and sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions in different geographical locations and forward-looking information;
- assessing the Group's recorded loss allowances by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms extended to the relevant trade receivables; and
- evaluating the assumptions and estimates made by management in calculating the loss allowances by examining the utilisation or release of previously recorded allowances during the current year and write-offs of trade receivables not previously provided for, on a sample basis.

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Annual  
Report  
2019

70

Independent  
Auditor's  
Report



## AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

### **KPMG**

*Certified Public Accountants*

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

23 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 (Note) \$'000
<b>Revenue</b>	3 & 10	<b>1,062,565</b>	1,237,712
Cost of services		<b>(526,450)</b>	(501,610)
<b>Gross profit</b>		<b>536,115</b>	736,102
Other net income	4(a)	<b>60,143</b>	165,761
Valuation loss on investment properties	12	<b>(547)</b>	(527)
Impairment loss in respect of property, plant and equipment	11(a)	<b>–</b>	(150,000)
Administrative expenses		<b>(133,381)</b>	(123,078)
<b>Profit from operations</b>		<b>462,330</b>	628,258
Fair value changes on financial instrument measured at fair value through profit or loss	15	<b>(4,958)</b>	1,841
Finance costs	4(b)	<b>(8,986)</b>	(10,562)
Loss on disposal of a joint venture		<b>–</b>	(78)
Share of (loss)/profit of an associate	14	<b>(12,293)</b>	169
<b>Profit before taxation</b>	4	<b>436,093</b>	619,628
Income tax	5(a)	<b>(73,767)</b>	(112,621)
<b>Profit for the year and attributable to equity shareholders of the Company</b>		<b>362,326</b>	507,007
<b>Earnings per share</b>	9		
Basic and diluted		<b>38.93 cents</b>	54.47 cents

Annual  
Report  
2019

73

Consolidated  
Statement of  
Profit or Loss

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 80 to 161 form part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	2019 \$'000	2018 (Note) \$'000
<b>Profit for the year</b>	<b>362,326</b>	507,007
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
<b>Item that is or may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of: – financial statements of foreign operations	(7,650)	(24,382)
<b>Other comprehensive income for the year</b>	<b>(7,650)</b>	(24,382)
<b>Total comprehensive income for the year</b>	<b>354,676</b>	482,625

Annual  
Report  
2019

74

Consolidated  
Statement of  
Comprehensive  
Income

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 80 to 161 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019 (Expressed in Hong Kong dollars)

		2019	2018
	Note	\$'000	(Note) \$'000
<b>Non-current assets</b>			
Property, plant and equipment	11(a)	5,154,784	5,393,820
Investment properties	12	10,826	11,373
Intangible assets	13	304,112	133,585
Interest in an associate	14	404,311	437,028
Club membership		380	380
Prepayments		105,882	–
Prepaid expenses	17	–	170,527
Deferred tax assets	26(b)	920	877
		<b>5,981,215</b>	<b>6,147,590</b>
<b>Current assets</b>			
Financial assets measured at fair value through profit or loss	15	4,250	9,207
Trade receivables, net	18	173,134	159,758
Deposits, prepayments and other receivables		26,559	151,063
Pledged bank deposits	19	368	12,262
Bank deposits with original maturity beyond 3 months		547,330	5,758
Cash and cash equivalents	20(a)	350,983	668,828
		<b>1,102,624</b>	<b>1,006,876</b>
<b>Current liabilities</b>			
Payables and accrued charges	21	83,151	96,547
Rentals received in advance		64,158	57,034
Dividend payable		–	540
Secured bank borrowings due within one year	22	–	261,330
Lease liabilities	25	22,775	–
Current taxation	26(a)	78,253	29,604
		<b>248,337</b>	<b>445,055</b>
<b>Net current assets</b>		<b>854,287</b>	<b>561,821</b>
<b>Total assets less current liabilities carried forward</b>		<b>6,835,502</b>	<b>6,709,411</b>

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.

Annual  
Report  
2019

75

Consolidated  
Statement  
of Financial  
Position

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019 (Expressed in Hong Kong dollars)

		2019	2018
	Note	\$'000	(Note) \$'000
<b>Total assets less current liabilities brought forward</b>		<b>6,835,502</b>	6,709,411
<b>Non-current liabilities</b>			
Secured bank borrowings due after one year	22	–	164,108
Deposits received	23	53,771	73,606
Deferred income	24	85,796	84,441
Lease liabilities	25	160,946	–
Deferred tax liabilities	26(b)	681,755	739,769
		<b>982,268</b>	1,061,924
<b>Net assets</b>		<b>5,853,234</b>	5,647,487
<b>Capital and reserves</b>			
Share capital	27	93,081	93,081
Share premium	28(i)	1,235,362	1,235,362
Contributed surplus	28(ii)	511,000	511,000
Revaluation reserve	28(iii)	4,017	4,017
Exchange reserve	28(iv)	(12,210)	(4,560)
Other reserves	28(v)	442	442
Accumulated profits		4,021,542	3,808,145
<b>Total equity</b>		<b>5,853,234</b>	5,647,487

Approved and authorised for issue by the Board of Directors on 23 March 2020

**Cheng Guangren**  
Director

**Qi Liang**  
Director

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 80 to 161 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 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 2018:								
Profit for the year	-	-	-	-	-	-	507,007	507,007
Other comprehensive income	-	-	-	-	(24,382)	-	-	(24,382)
Total comprehensive income	-	-	-	-	(24,382)	-	507,007	482,625
Dividend approved in respect of the previous year (note 8(ii))	-	-	-	-	-	-	(97,735)	(97,735)
Dividend declared in respect of the current year (note 8(i))	-	-	-	-	-	-	(37,232)	(37,232)
Balance at 31 December 2018 (Note)	93,081	1,235,362	511,000	4,017	(4,560)	442	3,808,145	5,647,487
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 2019:								
Profit for the year	-	-	-	-	-	-	362,326	362,326
Other comprehensive income	-	-	-	-	(7,650)	-	-	(7,650)
Total comprehensive income	-	-	-	-	(7,650)	-	362,326	354,676
Dividend approved in respect of the previous year (note 8(ii))	-	-	-	-	-	-	(107,043)	(107,043)
Dividend declared in respect of the current year (note 8(i))	-	-	-	-	-	-	(41,886)	(41,886)
Balance at 31 December 2019	93,081	1,235,362	511,000	4,017	(12,210)	442	4,021,542	5,853,234

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 80 to 161 form part of these financial statements.

Annual  
Report  
2019

77

Consolidated  
Statement of  
Changes in  
Equity

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

		2019	2018
	Note	\$'000	(Note) \$'000
<b>Operating activities</b>			
Cash generated from operations	20(b)	947,593	978,698
Hong Kong profits tax paid		(64,665)	(77,220)
Overseas tax paid		(18,510)	(28,846)
<b>Net cash generated from operating activities</b>		<b>864,418</b>	872,632
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(61,204)	(533,687)
Proceeds from disposal of property, plant and equipment		315	–
Proceeds from disposal of a joint venture		–	412
Payment for investment in an associate		–	(102,459)
Interest received		10,916	27,795
Decrease/(increase) in pledged bank deposits		11,894	(12,262)
(Increase)/decrease in bank deposits with original maturity beyond 3 months		(541,572)	430,106
Decrease in loan receivables		–	120,000
<b>Net cash used in investing activities</b>		<b>(579,651)</b>	(70,095)
<b>Financing activities</b>			
Capital element of lease rentals paid	20(c)	(15,978)	–
Interest paid	20(c)	(2,483)	(38,471)
Proceeds from bank borrowings	20(c)	–	837,704
Repayment of bank borrowings	20(c)	(427,299)	(1,327,700)
Interest element of lease rentals paid	20(c)	(3,560)	–
Dividends paid to equity shareholders of the Company		(149,469)	(134,427)
<b>Net cash used in financing activities</b>		<b>(598,789)</b>	(662,894)

Annual Report 2019

78

Consolidated Cash Flow Statement



		<b>2019</b>	2018
	<i>Note</i>	<b>\$'000</b>	<i>(Note)</i> \$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(314,022)</b>	139,643
<b>Cash and cash equivalents at 1 January</b>	20(a)	<b>668,828</b>	531,253
<b>Effect of foreign exchange rates changes</b>		<b>(3,823)</b>	(2,068)
<b>Cash and cash equivalents at 31 December</b>	20(a)	<b>350,983</b>	668,828

Annual  
Report  
2019

79

Consolidated  
Cash Flow  
Statement

*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 80 to 161 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in an associate.

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

Annual  
Report  
2019

80

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Judgements made by management in the application of IFRSs and HKFRSs that have effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

### (c) Subsidiaries

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Subsidiaries (Continued)

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

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

### (d) Associates and joint ventures

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

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

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

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Associates and joint ventures (Continued)

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment properties

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

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

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property were accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(h).

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

### (g) Property, plant and equipment

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

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- other items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(h)).

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

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

Annual  
Report  
2019

84

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Property, plant and equipment (Continued)

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

- The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Leasehold land is depreciated over the unexpired term of lease.
- Leasehold improvements Over the lease term
- Furniture and equipment, motor vehicles, and computer equipment 5 years
- Data centre equipment 5 to 15 years
- Communication satellite equipment (earthbound) 5 to 15 years
- Communication satellites (in-orbit) 13.5 to 20.7 years

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

### (h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

#### (i) As a lessee

##### (A) Policy applicable from 1 January 2019

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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops and office furniture. When the Group enters into a lease in respect of a 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.

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.

Annual  
Report  
2019

86

Notes to the  
Consolidated  
Financial  
Statements



## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

#### (i) As a lessee (Continued)

##### (A) Policy applicable from 1 January 2019 (Continued)

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 (see notes 1(g)), except for the following type of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(f).

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

#### (i) As a lessee (Continued)

#### (B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 1(f)); and
- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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

Annual  
Report  
2019

88

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Leased assets (Continued)

#### (i) As a lessee (Continued)

##### (B) Policy applicable prior to 1 January 2019 (Continued)

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

#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(r)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(h)(i), then the Group classifies the sub-lease as an operating lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) to the financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity beyond 3 months, trade receivables, other receivables and loan receivables).

Financial assets measured at fair value, including equity securities measured at fair value through profit or loss (“FVPL”), are not subject to the ECL assessment.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Annual  
Report  
2019

90

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

##### *Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (ii) Impairment of other assets

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

- property, plant and equipment, including right-of-use assets;
- construction in progress;
- intangible asset; and
- investments in subsidiaries, an associate and a joint venture in the Company's statement of financial position.

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

Annual  
Report  
2019

92

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other assets (Continued)

##### (i) Calculation of recoverable amount

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

##### (ii) Recognition of impairment losses

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

##### (iii) Reversals of impairment losses

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Credit losses and impairment of assets (Continued)

#### (iii) *Interim financial reporting and impairment*

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

### (j) Intangible assets

#### (i) *Intangible asset with indefinite useful life*

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

#### (ii) *Intangible assets – right-of-use assets*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The Group has initially applied IFRS/HKFRS 16 using modified retrospective method and adjusted the opening balances to recognise right-of-use assets relating to prepaid expenses for operating leases under IAS/HKAS 17 (see note 2).

### (k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit loss (see note 1(i)).

### (l) Interest-bearing borrowings

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

Annual  
Report  
2019

94

Notes to the  
Consolidated  
Financial  
Statements



## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Trade and other payables

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

### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(i).

### (o) Employee benefits

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Employee benefits (Continued)

#### (ii) Termination benefits

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

### (p) Income tax

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

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

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

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

Annual  
Report  
2019

96

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Income tax (Continued)

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Provisions and contingent liabilities

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

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

### (r) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the assets, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) Transponder utilisation income and related services

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

#### (ii) Service income

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

#### (iii) Interest income

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

Annual  
Report  
2019

98

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Revenue recognition (Continued)

#### (iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

#### (v) Dividends

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

### (s) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Borrowing costs

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

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

### (u) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

Annual  
Report  
2019

100

Notes to the  
Consolidated  
Financial  
Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies: (Continued)
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

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

### (v) Segment reporting

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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. 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

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.

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

Annual  
Report  
2019

102

Notes to the  
Consolidated  
Financial  
Statements



## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### (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 and transitional impact*

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 11 and 13. For an explanation of how the Group applies lease accounting, see note 1(h)(i).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### (a) Changes in the accounting policies (Continued)

#### (ii) Lessee accounting and transitional impact (Continued)

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 3.77%.

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).

Annual  
Report  
2019

104

Notes to the  
Consolidated  
Financial  
Statements

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### (a) Changes in the accounting policies (Continued)

#### (ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 32 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>1 January 2019</b>
	\$'000
Operating lease commitments at 31 December 2018:	
– Land and buildings	1,490
– Satellite transponders capacity	32,810
	<hr/>
	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)
	<hr/>
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	<hr/> <hr/> 24,542

Annual  
Report  
2019

105

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### (a) Changes in the accounting policies (Continued)

#### (ii) Lessee accounting and transitional impact (Continued)

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 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 (Note)	133,585	179,263	312,848
Prepaid expenses (Note)	170,527	(170,527)	–
Deposits, prepayments and other receivables (Note)	151,063	(8,952)	142,111
Lease liabilities (current)	–	(6,597)	(6,597)
Lease liabilities (non-current)	–	(17,945)	(17,945)

Note: For the advance payment of transponder lease contract and licence fee for the right to use certain designated transmission frequencies in prepaid expenses, 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 (see notes 13 and 17).

Annual  
Report  
2019

106

Notes to the  
Consolidated  
Financial  
Statements

### 3 REVENUE

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

Disaggregation of revenue from contracts with customers by service line is as follows:

	2019 \$'000	2018 \$'000
<b>Revenue from sources other than contracts with customers within the scope of IFRS/HKFRS 15</b>		
Income from provision of satellite transponder capacity	1,002,090	1,196,170
Income from provision of satellite-based broadcasting and telecommunications services	8,992	15,399
Other satellite-related service income	51,483	26,143
	<b>1,062,565</b>	<b>1,237,712</b>

### 4 PROFIT BEFORE TAXATION

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

	2019 \$'000	2018 \$'000
<b>(a) Other net income</b>		
Interest income on bank deposits	10,658	21,658
Other interest income	580	4,752
Foreign currencies exchange loss	(542)	(9,361)
Rental income in respect of properties less direct outgoing expenses of \$92,000 (2018: \$95,000)	1,521	1,457
Insurance compensation	34,465	128,700
Income incidental to construction of a communication satellite	–	15,555
Other service income	12,173	2,505
Other income	1,288	495
	<b>60,143</b>	<b>165,761</b>

Annual  
Report  
2019

107

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 PROFIT BEFORE TAXATION (Continued)

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

	2019	2018
	\$'000	(Note) \$'000
<b>(b) Finance costs</b>		
Interest on bank borrowings	2,169	38,785
Interest on lease liabilities	3,560	–
Other borrowing costs	3,257	1,993
	<b>8,986</b>	40,778
Less: borrowing costs capitalised into prepaid expenses and construction in progress*	–	(30,216)
	<b>8,986</b>	10,562

\* No borrowing costs have been capitalised for the year (2018: borrowing costs have been capitalised at rates ranging from 2.49% to 3.77% per annum)

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.

	2019	2018
	\$'000	\$'000
<b>(c) Staff costs (including directors' emoluments)</b>		
Retirement scheme contributions	3,343	3,254
Salaries, wages and other benefits	83,965	78,446
	<b>87,308</b>	81,700

Annual Report 2019

108

Notes to the Consolidated Financial Statements

#### 4 PROFIT BEFORE TAXATION (Continued)

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

	2019 \$'000	2018 \$'000
<b>(d) Other items</b>		
Auditors' remuneration		
– audit and related services	1,415	1,182
– tax services	155	158
– other services	14	14
Depreciation		
– Properties, plant and equipment	401,413	419,297
– Right-of-use assets	58,455	–
Amortisation	8,736	–
Loss on disposal of property, plant and equipment	847	107
Operating lease charges: minimum lease payments		
– land and buildings and equipment	246	608
– satellite transponder capacity	22,492	47,490
Impairment loss on trade and other receivables recognised/(reversed)	4,988	(1,726)

Annual Report 2019

109

Notes to the Consolidated Financial Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2019 \$'000	2018 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	111,580	36,699
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	23,750	23,182
Over-provision in respect of prior years	(3,506)	(115)
	20,244	23,067
<b>Deferred taxation - Hong Kong</b>	(58,057)	52,855
<b>Actual tax expense</b>	<b>73,767</b>	<b>112,621</b>

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

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

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

Annual  
Report  
2019

110

Notes to the  
Consolidated  
Financial  
Statements



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

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

	2019 \$'000	2018 \$'000
Profit before taxation	<b>436,093</b>	619,628
Notional tax on profit before taxation, calculated at the rates applicable to assessable profits in the jurisdictions concerned	<b>72,464</b>	102,161
Over-provision in respect of prior years	<b>(3,506)</b>	(115)
Withholding taxes outside Hong Kong	<b>23,750</b>	23,184
Tax effect of non-deductible expenses	<b>4,348</b>	24,492
Tax effect of non-taxable income	<b>(5,494)</b>	(36,360)
Tax effect of unused tax losses not recognised	<b>(2,135)</b>	(634)
Utilisation of unrecognized tax losses of previous years	<b>118</b>	-
Tax effect of unrecognized temporary differences now recognised	<b>(15,778)</b>	(107)
Actual tax expense	<b>73,767</b>	112,621

(c) There is no tax effect relating to the components of the other comprehensive income for the year (2018: \$Nil).

Annual  
Report  
2019



Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 DIRECTORS' EMOLUMENTS

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

	Directors' fees \$'000	Salaries and other benefits \$'000	Performance related bonuses \$'000	Retirement scheme contributions \$'000	2019 Total \$'000
<b>Executive directors</b>					
Cheng Guangren ( <i>note (d)</i> )	100	2,643	1,000	432	4,175
Qi Liang ( <i>note (e)</i> )	100	1,894	725	313	3,032
<b>Non-executive directors</b>					
Lim Toon	100	-	-	-	100
Lim Kian Soon	100	-	-	-	100
Yin Yen-liang	100	-	-	-	100
Li Zhongbao ( <i>note(a)</i> )	-	-	-	-	-
Fu Zhiheng ( <i>note (b)</i> )	-	-	-	-	-
Ba Risi	100	-	-	-	100
Tseng Ta-mon ( <i>note (c)</i> )	-	-	-	-	-
<b>Independent non-executive directors</b>					
Lui King Man	200	-	-	-	200
Lam Sek Kong	200	-	-	-	200
Cui Liguo	200	-	-	-	200
Meng Xingguo	200	-	-	-	200
	<b>1,400</b>	<b>4,537</b>	<b>1,725</b>	<b>745</b>	<b>8,407</b>

## 6 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees \$'000	Salaries and other benefits \$'000	Performance related bonuses \$'000	Retirement scheme contributions \$'000	2018 Total \$'000
<b>Executive directors</b>					
Cheng Guangren ( <i>note (d)</i> )	100	2,669	2,331	432	5,532
Qi Liang ( <i>note (e)</i> )	100	1,921	1,690	313	4,024
<b>Non-executive directors</b>					
Lim Toon	100	–	–	–	100
Lim Kian Soon	100	–	–	–	100
Yin Yen-liang	100	–	–	–	100
Li Zhongbao ( <i>note(a)</i> )	–	–	–	–	–
Fu Zhiheng ( <i>note (b)</i> )	–	–	–	–	–
Ba Risi	75	–	–	–	75
Tseng Ta-mon ( <i>note (c)</i> )	–	–	–	–	–
<b>Independent non-executive directors</b>					
Lui King Man	200	–	–	–	200
Lam Sek Kong	200	–	–	–	200
Cui Liguo	200	–	–	–	200
Meng Xingguo	200	–	–	–	200
	1,375	4,590	4,021	745	10,731

### Notes:

- (a) Mr. Li Zhongbao, a non-executive director, has waived his director's fees for 2018 and 2019.
- (b) Mr. Fu Zhiheng, a non-executive director, has waived his director's fees for 2018 and 2019.
- (c) Mr. Tseng Ta-mon is an alternate director. Alternate directors are not entitled to receive any director's fees.
- (d) The performance related bonuses paid to Mr. Cheng Guangren, an executive director, included the bonuses for the year with the amount of \$430,000 (2018: \$1,000,000) and bonuses paid for previous assessed service years with the amount of \$570,000 (2018: \$1,331,000).
- (e) The performance related bonuses paid to Mr. Qi Liang, an executive director, included the bonuses for the year with the amount of \$312,000 (2018: \$725,000) and bonuses paid for previous assessed service years with the amount of \$413,000 (2018: \$965,000).
- (f) In addition to the amounts disclosed above, the executive directors and key management are entitled to performance related bonuses of \$Nil (2018: 7,359,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, there are two directors (2018: two) whose emolument is disclosed in note 6. The aggregate of emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 \$'000	2018 \$'000
Salaries and other emoluments	6,591	6,594
Performance related bonuses	2,532	5,440
Retirement scheme benefits contributions	606	598
	<b>9,729</b>	<b>12,632</b>

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
\$1,000,001 to \$1,500,000	–	–
\$1,500,001 to \$2,000,000	–	–
\$2,000,001 to \$2,500,000	–	–
\$2,500,001 to \$3,000,000	1	–
\$3,000,001 to \$3,500,000	1	–
\$3,500,001 to \$4,000,000	1	1
\$4,000,001 to \$4,500,000	–	1
\$4,500,001 to \$5,000,000	–	–
\$5,000,001 to \$5,500,000	–	1
	<b>3</b>	<b>3</b>

Annual  
Report  
2019

114

Notes to the  
Consolidated  
Financial  
Statements

## 8 DIVIDENDS

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

	2019 \$'000	2018 \$'000
Interim dividend declared and paid of 4.50 cents (2018: 4.00 cents) per ordinary share	41,886	37,232
Final dividend proposed after the end of the reporting period of 15.00 cents (2018: 11.50 cents) per ordinary share	139,621	107,043
	<b>181,507</b>	144,275

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$362,326,000 (2018: \$507,007,000) and the 930,831,000 ordinary shares (2018: 930,831,000 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2019 and 2018.

## 10 SEGMENTAL REPORTING

### Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the years ended 31 December 2019 and 2018 were derived from the provision of satellite transponder capacity and related services, no operating segment analysis is presented.

Whilst the Group's customer base is diversified, it includes one customer with whom transactions has each exceeded 10% of the Group's revenue (2018: two customers). For the year ended 31 December 2019, revenue of approximately \$178,587,000 (2018: \$278,937,000) were derived from this customer and attributable to the provision of satellite transponder capacity and related services.

### Geographical segments

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

The Group is domiciled in Hong Kong. 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 year ended 31 December 2019 were \$96,848,000, \$396,993,000, \$409,343,000 and \$159,381,000 respectively (2018: \$116,637,000, \$353,040,000, \$583,175,000 and \$184,860,000 respectively).

Annual  
Report  
2019

116

Notes to the  
Consolidated  
Financial  
Statements

## 11 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

	Land and buildings	Leasehold improvements	Furniture and equipment, motor vehicles, and computer equipment	Communication satellite equipment	Communication satellites (Note (iii))	Data centre equipment	Right-of-use assets	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost:</b>									
At 1 January 2018	117,107	20,718	50,545	111,136	6,401,441	18,414	-	994,511	7,713,872
Additions	-	2,003	642	14,967	980,449	7	-	504,388	1,502,456
Disposals	-	(208)	(66)	(81)	-	-	-	-	(355)
Transfer	-	-	-	-	1,444,442	-	-	(1,444,442)	-
Exchange adjustments	-	(91)	(118)	-	-	-	-	-	(209)
At 31 December 2018	117,107	22,422	51,003	126,022	8,826,332	18,421	-	54,457	9,215,764
Impact on initial application of IFRS/ HKFRS 16 (Note (i))	-	-	-	-	-	-	24,758	-	24,758
At 1 January 2019	117,107	22,422	51,003	126,022	8,826,332	18,421	24,758	54,457	9,240,522
Additions	-	-	5,241	5,241	-	1,808	176,084	9,791	198,165
Disposals	-	(1,395)	(2,111)	(322)	(907,542)	-	(1,249)	-	(912,619)
Transfer	-	55,025	-	2,681	-	-	-	(57,706)	-
At 31 December 2019	117,107	76,052	54,133	133,622	7,918,790	20,229	199,593	6,542	8,526,068
<b>Accumulated depreciation and impairment:</b>									
At 1 January 2018	47,465	10,263	45,570	83,848	3,047,766	18,172	-	-	3,253,084
Charge for the year	2,393	1,231	1,802	11,491	402,328	52	-	-	419,297
Written back on disposal	-	(122)	(62)	(64)	-	-	-	-	(248)
Impairment loss (Note (ii))	-	-	-	-	150,000	-	-	-	150,000
Exchange adjustments	-	(87)	(102)	-	-	-	-	-	(189)
At 31 December 2018	49,858	11,285	47,208	95,275	3,600,094	18,224	-	-	3,821,944
At 1 January 2019	49,858	11,285	47,208	95,275	3,600,094	18,224	-	-	3,821,944
Charge for the year	2,393	2,617	2,494	10,502	428,260	198	13,404	-	459,868
Written back on disposal	-	(512)	(1,920)	(304)	(907,542)	-	(250)	-	(910,528)
At 31 December 2019	52,251	13,390	47,782	105,473	3,120,812	18,422	13,154	-	3,371,284
<b>Net book value:</b>									
At 31 December 2019	64,856	62,662	6,351	28,149	4,797,978	1,807	186,439	6,542	5,154,784
At 31 December 2018	67,249	11,137	3,795	30,747	5,226,238	197	-	54,457	5,393,820

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Reconciliation of carrying amount (Continued)

*Note (i):* 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. See note 2.

*Note (ii):* During the year ended 31 December 2018, a communication satellite of the Group suffered 50% power loss and the Group conducted an impairment assessment of that communication satellite and recognised an impairment loss of \$150,000,000, representing 50% of its then net book value. There was no impairment loss recognised in respect of property, plant and equipment in 2019.

*Note (iii):* As at 31 December 2019, the Group holds a communication satellite under finance lease in connection with APSTAR-5C amounted to \$931,624,000 (2018: \$976,675,000). Upon the adoption of IFRS/HKFRS 16 the depreciated carrying amount of this communication satellite is become right-of-use assets but continued to be shown as communication satellites in the above table. During the year, depreciation of the communication satellite was \$45,051,000.

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

	Land and buildings	
	2019 \$'000	2018 \$'000
Medium-term leases in Hong Kong	64,856	67,249

### (c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	31 December	1 January
		2019 \$'000	2019 \$'000
Communication satellite and equipment	(i)	197,674	23,559
Other properties leased for own use, carried at depreciated cost	(ii)	1,919	1,199
		199,593	24,758

Annual Report 2019

118

Notes to the Consolidated Financial Statements



## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (c) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 \$'000	2018 (Note) \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Communication satellite and equipment	12,856	–
Other properties leased for own use	548	–
	<b>13,404</b>	–
Interest on lease liabilities (note 4(b))	3,560	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	22,738	–
Total minimum lease payments for leases previously classified as operating leases under IAS/HKAS 17	–	49,098

*Note:* The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

During the year, additions to right-of-use assets were \$176,084,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(a) and note 25 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (c) Right-of-use assets (Continued)

#### (i) Communication satellite and equipment

The Group holds several communication satellite and equipment for a period of five to fifteen years and rentals are fixed for the whole lease term. None of the leases includes variable lease payments.

#### (ii) Other properties leased for own use, carried at depreciated cost

The Group has obtained the right to use the other properties through tenancy agreements. Leases are negotiated for a period of three to five years and rentals are fixed for the whole lease term. None of the leases includes variable lease payments.

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

The cost of renovation work on office property amounting to \$55,025,000 was transferred from construction in progress to leasehold improvements upon completion of the renovation during the year ended 31 December 2019.

## 12 INVESTMENT PROPERTIES

The investment properties were revalued at 31 December 2019 at \$10,826,000 (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 loss of \$547,000 (2018: \$527,000) has been recognised in the profit or loss for the year.

The investment properties, situated in Mainland China under medium term leases, are rented out under operating leases and the rental income earned from the investment properties during the year was \$825,000 (2018: \$861,000).

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 \$'000	2018 \$'000
Within 1 year	841	910
After 1 year but within 2 years	841	–
After 2 years but within 3 years	841	–
	<b>2,523</b>	910

Annual  
Report  
2019

120

Notes to the  
Consolidated  
Financial  
Statements

## 13 INTANGIBLE ASSETS

	Notes	2019 \$'000	2018 \$'000
Orbital slot	(i)	133,585	133,585
Leased intangible assets – orbital slots	(ii)	170,527	–
		<b>304,112</b>	133,585

### (i) Intangible asset with indefinite useful life

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 and not subject to amortisation.

No impairment of the intangible asset was recorded as at 31 December 2019 and 2018.

The recoverable amount of the intangible asset is estimated based on value-in-use calculations. These calculations use cash flow projection based on budget and business plan approved by management for the year ending 31 December 2020. Cash flows beyond 2019 are derived based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at a growth rate generally expected for the industry and achievable by the Group. The discount rate used for the cash flow projection is 11.29% (2018: 10.51%).

### (ii) Leased intangible assets - 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.

The amortisation charge for the year of \$8,736,000 (2018: \$Nil) is included in "cost of services" in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 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 31 December 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.

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

	2019 \$'000	2018 \$'000
<b>Gross amounts of the associate's</b>		
Current assets	231,172	143,717
Non-current assets	2,103,026	1,410,369
Current liabilities	(68,926)	(43,959)
Non-current liabilities	(850,657)	(97,558)
Equity	1,414,615	1,412,569
Revenue	47,525	28,174
(Loss)/profit from continuing operations	(40,976)	564
Other comprehensive income	–	–
Total comprehensive income	(40,976)	564
<b>Reconciled to the Group's interest in an associate</b>		
Gross amount of net assets of the associate	1,414,615	1,412,569
Group's effective interest	30%	30%
<b>Group's share of net assets of the associate</b>	424,385	423,771
Adjustment in relation to the Group's share of capital contribution to the associate outstanding from another investor	–	20,492
Adjustment in relation to the Group's share of unrealised gain for the assets contributed by the Group and others	(20,074)	(7,235)
<b>Carrying amount in the consolidated financial statements</b>	404,311	437,028

Annual Report 2019

122

Notes to the Consolidated Financial Statements

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

As at 31 December 2019, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$4,250,000 (2018: \$9,207,000), based on the market price at the end of the reporting period, with fair value loss of \$4,958,000 (2018: gain of \$1,841,000) recognised in profit or loss.

## 16 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation / establishment / operation*	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Company	held by a subsidiary	
APT Satellite Company Limited ("APT HK")	Hong Kong	Ordinary Class "A" \$100; Non-voting Deferred Class "B" \$542,500,000	100%	100%	–	Provision of satellite transponder capacity
APT Satellite TV Development Limited	Hong Kong	\$2	100%	100%	–	Provision of satellite television programme services
APT Datamatrix Limited	Hong Kong	\$2	100%	–	100%	Provision of data centre services
APT Telecom Services Limited	Hong Kong	\$2	100%	–	100%	Provision of telecommunication services
Ying Fai Realty (China) Limited	Hong Kong/PRC	\$20	100%	–	100%	Property holding
亞太衛星通信(深圳)有限公司	Wholly-owned foreign enterprises, PRC	Registered capital \$613,000,000	100%	–	100%	Provision of satellite transponder capacity
Middle East Ventures Limited	British Virgin Islands	US\$1	100%	100%	–	Investment holding
Middle East Satellite FZE	Ras Al Khaimah Free Trade Zone, United Arab Emirates	AED300,000	100%	–	100%	Management and project management consultancy

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 17 PREPAID EXPENSES

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

	2019 \$'000	2018 \$'000
Non-current prepaid expenses balance at 1 January ( <i>Note</i> )	–	1,030,819
Movements during the year:		
– additions	–	128,893
– reclassified to current portion (included in deposits, prepayments and other receivables under current assets)	–	(8,736)
– capitalised under communication satellites	–	(980,449)
Non-current prepaid expenses at 31 December	–	170,527

*Note:* Upon the adoption by IFRS/HKFRS 16, prepaid expenses were reclassified to “Intangible assets” (see note 2).

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.

## 18 TRADE RECEIVABLES, NET

	2019 \$'000	2018 \$'000
Due from third parties	105,733	114,484
Due from fellow subsidiaries	62,238	42,754
Due from holding company of a shareholder of the Company	5,163	2,520
	<b>173,134</b>	159,758

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

Annual  
Report  
2019

124

Notes to the  
Consolidated  
Financial  
Statements

## 18 TRADE RECEIVABLES, NET (Continued)

### Ageing analysis

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

	2019 \$'000	2018 \$'000
Within 30 days	40,419	39,276
31 – 60 days	20,313	31,954
61 – 90 days	16,051	21,440
91 – 120 days	14,838	16,413
Over 120 days	81,513	50,675
	<b>173,134</b>	<b>159,758</b>

## 19 PLEDGED ASSETS

At 31 December 2019, pledged bank deposits of \$368,000 (2018: \$12,262,000) related to certain commercial arrangements made during the year.

At 31 December 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 \$3,142,000 (2018: \$3,258,000).

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

	2019 \$'000	2018 \$'000
Deposits with banks and other financial institutions with maturity less than 3 months	–	199,773
Cash at bank and on hand	350,983	469,055
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	<b>350,983</b>	<b>668,828</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

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

	2019	2018
	\$'000	(Note) \$'000
Profit before taxation	<b>436,093</b>	619,628
Adjustment for:		
– Depreciation	<b>459,868</b>	419,297
– Amortisation	<b>8,736</b>	–
– Loss on disposal of property, plant and equipment	<b>847</b>	107
– Loss on disposal of a joint venture	–	78
– Valuation loss on investment properties	<b>547</b>	527
– Fair value changes on financial assets measured at fair value through profit or loss	<b>4,958</b>	(1,841)
– Interest income	<b>(11,238)</b>	(26,410)
– Finance costs	<b>8,986</b>	10,562
– Impairment loss for property, plant and equipment	–	150,000
– Impairment loss for trade and other receivables recognised/(reversed)	<b>4,988</b>	(1,726)
– Share of loss/(profit) of an associate	<b>12,293</b>	(169)
Operating profit before changes in working capital:	<b>926,078</b>	1,170,053
– (Increase)/decrease in trade receivables, net	<b>(3,301)</b>	44,949
– Increase in prepaid expenses	–	(107,127)
– Decrease/(increase) in deposits, prepayments and other receivables	<b>47,505</b>	(93,838)
– (Decrease)/increase in payables and accrued charges	<b>(11,333)</b>	15,660
– Increase/(decrease) in rentals received in advance	<b>7,124</b>	(46,240)
– Increase/(decrease) in deferred income	<b>1,355</b>	(3,162)
– Decrease in deposits received	<b>(19,835)</b>	(1,597)
Cash generated from operations	<b>947,593</b>	978,698

Annual Report 2019

126

Notes to the Consolidated Financial Statements



## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

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

*Note:* The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS/HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of \$183,721,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS/HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 20(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS/HKFRS 16 are set out in note 2.

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Annual  
Report  
2019

127

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loan (note 22) \$'000	Lease liabilities (note 25) \$'000	Total \$'000
<b>At 31 December 2018</b>	<b>425,438</b>	<b>–</b>	<b>425,438</b>
Impact on initial application of IFRS/ HKFRS 16 (note 2)	–	24,542	24,542
<b>At 1 January 2019</b>	<b>425,438</b>	<b>24,542</b>	<b>449,980</b>
<b>Changes from financing cash flows:</b>			
Interest paid	(2,483)	–	(2,483)
Repayment of bank borrowings	(427,299)	–	(427,299)
Capital element of lease rentals paid	–	(15,978)	(15,978)
Interest element of lease rentals paid	–	(3,560)	(3,560)
<b>Total changes from financing cash flows</b>	<b>(429,782)</b>	<b>(19,538)</b>	<b>(449,320)</b>
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year	–	176,084	176,084
Interest expenses (note 4(b))	–	3,560	3,560
Disposal of other property	–	(927)	(927)
Loan arrangement fee reclassified as bank charge	4,344	–	4,344
<b>Total other changes</b>	<b>4,344</b>	<b>178,717</b>	<b>183,061</b>
<b>At 31 December 2019</b>	<b>–</b>	<b>183,721</b>	<b>183,721</b>

Annual  
Report  
2019

128

Notes to the  
Consolidated  
Financial  
Statements

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loan (note 22) \$'000	Lease liabilities (note 25) \$'000	Total \$'000
<b>At 1 January 2018</b>	913,463	–	913,463
<b>Changes from financing cash flows:</b>			
Interest paid	(38,471)	–	(38,471)
Proceeds from bank borrowings	837,704	–	837,704
Repayment of bank borrowings	(1,327,700)	–	(1,327,700)
Total changes from financing cash flows	(528,467)	–	(528,467)
<b>Other changes:</b>			
Capitalised borrowing costs (note 4(b))	30,216	–	30,216
Loan arrangement fee reclassified as prepayment	10,226	–	10,226
Total other changes	40,442	–	40,442
<b>At 31 December 2018</b>	425,438	–	425,438

Annual  
Report  
2019

129

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 \$'000	2018 (Note) \$'000
Within operating cash flows	22,738	48,098
Within financing cash flows	19,538	–
	<b>42,276</b>	48,098

Note: As explained in note 20(b), the adoption of IFRS/HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 \$'000	2018 \$'000
Lease rentals paid	<b>42,276</b>	48,098

## 21 PAYABLES AND ACCRUED CHARGES

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

	2019 \$'000	2018 \$'000
Accounts payables due within 3 months	5,243	18,155
Accrued expenses	77,908	78,392
	<b>83,151</b>	96,547

Annual  
Report  
2019

130

Notes to the  
Consolidated  
Financial  
Statements

## 22 SECURED BANK BORROWINGS

	2019 \$'000	2018 \$'000
Bank loans	–	425,438
Less: amount due within one year included under current liabilities	–	(261,330)
	–	164,108

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

	2019 \$'000	2018 \$'000
Within one year or on demand	–	261,330
After one year but within five years	–	164,108
	–	425,438

## 23 DEPOSITS RECEIVED

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

## 24 DEFERRED INCOME

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS/HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	22,775	29,362	6,597	7,384	-	-
After 1 year but within 2 years	21,539	27,299	7,381	7,901	-	-
After 2 years but within 5 years	72,911	88,614	10,564	10,943	-	-
After 5 years	66,496	74,023	-	-	-	-
	<b>160,946</b>	<b>189,936</b>	17,945	18,844	-	-
	<b>183,721</b>	<b>219,298</b>	24,542	26,228	-	-
Less: total future interest expenses		(35,577)		(1,686)		-
Present value of lease liabilities		<b>183,721</b>		24,542		-

*Note:* The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS/HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS/HKFRS 16 are set out in note 2.

Annual  
Report  
2019

132

Notes to the  
Consolidated  
Financial  
Statements

## 26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 \$'000	2018 \$'000
Provision for Hong Kong Profits Tax for the year	91,939	36,699
Provisional Profits Tax paid	(59,957)	(50,350)
	31,982	(13,651)
Taxation outside Hong Kong payable	3,843	–
Balance of provision for taxation outside Hong Kong relating to prior years	42,428	43,255
	<b>78,253</b>	<b>29,604</b>

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

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

	Depreciation allowances in excess of related depreciation \$'000	Losses \$'000	Other temporary differences \$'000	Total \$'000
<b>Deferred tax arising from:</b>				
At 1 January 2018	687,656	(321)	(1,298)	686,037
Charged/(credited) to profit or loss	53,293	(312)	(126)	52,855
At 31 December 2018	740,949	(633)	(1,424)	738,892
At 1 January 2019	740,949	(633)	(1,424)	738,892
Credited to profit or loss	(55,033)	(63)	(2,961)	(58,057)
At 31 December 2019	685,916	(696)	(4,385)	680,835

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2019 \$'000	2018 \$'000
<b>Represented by:</b>		
Deferred tax assets	(920)	(877)
Deferred tax liabilities	681,755	739,769
	<b>680,835</b>	<b>738,892</b>

### (c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of \$90,180,000 (2018: \$86,339,000) and other deductible temporary differences of \$3,851,000 (2018: \$5,484,000) as the utilisation of these temporary differences is considered to be less than probable. The tax losses do not expire under current tax legislation.

## 27 SHARE CAPITAL

### (a) Movements in components of equity

At 31 December 2019, the Company's reserves available for distribution amounted to \$793,741,000 (2018: \$754,783,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

Annual  
Report  
2019

134

Notes to the  
Consolidated  
Financial  
Statements



## 27 SHARE CAPITAL (Continued)

### (a) Movements in components of equity (Continued)

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

	Share capital \$'000	Share premium \$'000	The Company Contributed surplus \$'000	Accumulated profits \$'000	Total \$'000
Balance at 1 January 2018	93,081	1,235,362	584,358	201,177	2,113,978
Changes in equity for 2018:					
Profit and total comprehensive income	-	-	-	104,215	104,215
Dividend approved in respect of the previous year (note 8(ii))	-	-	-	(97,735)	(97,735)
Dividend declared in respect of the current year (note 8(i))	-	-	-	(37,232)	(37,232)
Balance at 31 December 2018	93,081	1,235,362	584,358	170,425	2,083,226
Balance at 1 January 2019	93,081	1,235,362	584,358	170,425	2,083,226
Changes in equity for 2019:					
Profit and total comprehensive income	-	-	-	187,887	187,887
Dividend approved in respect of the previous year (note 8(ii))	-	-	-	(107,043)	(107,043)
Dividend declared in respect of the current year (note 8(i))	-	-	-	(41,886)	(41,886)
Balance at 31 December 2019	93,081	1,235,362	584,358	209,383	2,122,184

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 27 SHARE CAPITAL (Continued)

### (b) Authorised and issued share capital

	2019		2018	
	No. of shares (‘000)	\$’000	No. of shares (‘000)	\$’000
<b>Authorised:</b>				
Ordinary shares of \$0.10 each	<b>2,000,000</b>	<b>200,000</b>	2,000,000	200,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	<b>930,809</b>	<b>93,081</b>	930,809	93,081

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

Annual  
Report  
2019

136

Notes to the  
Consolidated  
Financial  
Statements

## 27 SHARE CAPITAL (Continued)

### (c) Capital management

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

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

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

The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a slight increase in the Group's total debt and but no effect on the Group's adjusted net debt-to-capital ratio on 1 January 2019 when compared to its position as at 31 December 2018.

During 2019, the Group's strategy, which remain unchanged from 2018, is to maintain the net debt-to-adjusted capital ratio at a percentage that is below 30%. Pursuant to this strategy, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 27 SHARE CAPITAL (Continued)

### (c) Capital management (Continued)

The Group's adjusted net debt-to-adjusted capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS/HKFRS 16 was as follows:

	31 December 2019 \$'000	1 January 2019 (Note) \$'000	31 December 2018 (Note) \$'000
<b>Current liabilities:</b>			
Payables and accrued charges	83,151	96,547	96,547
Secured bank borrowings due within one year	–	261,330	261,330
Lease liabilities	22,775	6,597	–
	<b>105,926</b>	364,474	357,877
<b>Non-current liabilities:</b>			
Secured bank borrowings due after one year	–	164,108	164,108
Lease liabilities	160,946	17,945	–
	<b>266,872</b>	546,527	521,985
Total debt	<b>266,872</b>	546,527	521,985
Less: Cash and cash equivalents	<b>(350,983)</b>	(668,828)	(668,828)
Bank deposits with original maturity beyond 3 months	<b>(547,330)</b>	(5,758)	(5,758)
Pledged bank deposits	<b>(368)</b>	(12,262)	(12,262)
	<b>(631,809)</b>	(140,321)	(164,863)
<b>Net debt</b>	<b>(631,809)</b>	(140,321)	(164,863)
	<b>5,853,234</b>	5,647,487	5,647,487
Total equity	<b>5,853,234</b>	5,647,487	5,647,487
<b>Adjusted capital</b>	<b>5,853,234</b>	5,647,487	5,647,487
<b>Net debt-to-adjusted capital ratio</b>	<b>N/A</b>	N/A	N/A

Note: The Group has initially applied IFRS/HKFRS 16 at 1 January 2019 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS/HKAS 17. Under this approach, comparative information is not restated. See note 2.

Annual Report 2019

138

Notes to the Consolidated Financial Statements

## 28 RESERVES

### (i) Share premium

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

### (ii) Contributed surplus

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

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

### (iii) Revaluation reserve

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

### (iv) Exchange reserve

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

### (v) Other reserves

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

Annual  
Report  
2019

139

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and the Group's financial assets measured at fair value through profit or loss. The maximum exposure to credit risk is presented by the carrying amount of those financial assets. The Group's credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with good credit rating for which the Group considers to have low credit risk.

#### *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the region in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 35% (2018: 16%) and 43% (2018: 44%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of revenue recognition. Normally, the group does not obtain collateral from customers because it usually receives trade deposits which represent a quarter/a month of utilisation fees payable to the Group.

Annual  
Report  
2019

140

Notes to the  
Consolidated  
Financial  
Statements

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

#### Trade receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for customers in different geographic regions, the loss allowance based on past due status is further distinguished between the Group's different customer bases as follows:

- (i) Greater China (which includes Mainland China, Taiwan, Macau and Hong Kong)
- (ii) Southeast Asia countries
- (iii) Other regions

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables of the Group's different customer bases:

- (i) Greater China

	2019		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	<b>100.00%</b>	<b>539</b>	<b>539</b>
<b>Assessment on collective basis</b>			
Current (not past due)	–	61,679	–
Less than 1 month past due	–	16,211	–
1 to 3 months past due	–	1,474	–
More than 3 months past due	–	4,078	–
Total		<b>83,981</b>	<b>539</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

Trade receivables (Continued)

#### (i) Greater China (Continued)

	2018		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	100.00%	743	743
<b>Assessment on collective basis</b>			
Current (not past due)	–	26,140	–
Less than 1 month past due	–	7,946	–
1 to 3 months past due	–	9,875	–
More than 3 months past due	–	8,120	–
<b>Total</b>		<b>52,824</b>	<b>743</b>

#### (ii) Southeast Asia countries

	2019		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	100.00%	24,347	24,347
<b>Assessment on collective basis</b>			
Current (not past due)	0.65%	7,078	46
Less than 1 month past due	0.97%	19,293	188
1 to 3 months past due	0.93%	18,047	169
More than 3 months past due	6.02%	20,529	1,236
<b>Total</b>		<b>89,294</b>	<b>25,986</b>

Annual  
Report  
2019

142

Notes to the  
Consolidated  
Financial  
Statements



## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

Trade receivables (Continued)

#### (ii) Southeast Asia countries (Continued)

	2018		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	100.00%	15,639	15,639
<b>Assessment on collective basis</b>			
Current (not past due)	0.09%	5,815	5
Less than 1 month past due	0.18%	34,511	63
1 to 3 months past due	0.56%	21,783	122
More than 3 months past due	3.59%	15,532	557
<b>Total</b>		<b>93,280</b>	<b>16,386</b>

#### (iii) Other regions

	2019		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	<b>100.00%</b>	<b>3,657</b>	<b>3,657</b>
<b>Assessment on collective basis</b>			
Current (not past due)	0.27%	5,455	15
Less than 1 month past due	0.81%	3,703	30
1 to 3 months past due	1.73%	9,194	159
More than 3 months past due	9.11%	9,062	826
<b>Total</b>		<b>31,071</b>	<b>4,687</b>

Annual  
Report  
2019

143

Notes to the  
Consolidated  
Financial  
Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

*Trade receivables (Continued)*

(iii) Other regions (Continued)

	2018		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
<b>Assessment on individual basis</b>	100.00%	7,836	7,836
<b>Assessment on collective basis</b>			
Current (not past due)	0.68%	2,513	17
Less than 1 month past due	2.97%	8,517	253
1 to 3 months past due	4.16%	11,238	467
More than 3 months past due	20.88%	11,693	2,441
Total		41,797	11,014

These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of the economic conditions over the expected lives of the receivables.

Annual  
Report  
2019

144

Notes to the  
Consolidated  
Financial  
Statements

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

#### *Trade receivables (Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 \$'000	2018 \$'000
Balance at 1 January	28,143	32,330
Amounts written off during the year	(1,919)	(2,461)
Impairment losses recognised/(reversed) during the year	4,988	(1,726)
Balance at 31 December	31,212	28,143

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during 2019:

- increase in balance past due over three months resulted in an increase in loss allowance of \$4,988,000; and
- a write-off of trade receivables with a gross carrying amount of \$1,919,000 resulted in a decrease in loss allowance of \$1,919,000.

#### *Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss are equity investments in liquid securities quoted on a recognised stock exchange with insignificant credit risk.

### (b) Liquidity risk

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Liquidity risk (Continued)

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

	2019					
	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1	More than 2	More than 5 years \$'000
				year but less than 2 years \$'000	years but less than 5 years \$'000	
Payables and accrued charges	83,151	(83,151)	(83,151)	-	-	-
Lease liabilities	183,721	(219,298)	(29,362)	(27,299)	(88,614)	(74,023)
	<b>266,872</b>	<b>(302,449)</b>	<b>(112,513)</b>	<b>(27,299)</b>	<b>(88,614)</b>	<b>(74,023)</b>
	2018					
	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1	More than 2	More than 5 years \$'000
				year but less than 2 years \$'000	years but less than 5 years \$'000	
Payables and accrued charges	96,547	(96,547)	(96,547)	-	-	-
Secured bank borrowings	425,438	(447,352)	(275,773)	(171,579)	-	-
	<b>521,985</b>	<b>(543,899)</b>	<b>(372,320)</b>	<b>(171,579)</b>	<b>-</b>	<b>-</b>

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.

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Currency risk

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

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

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

#### (i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Hong Kong Dollars)	
	2019 Renminbi '000	2018 Renminbi '000
Trade receivables, net	76,585	37,119
Deposits, prepayments and other receivables	5,630	2,742
Bank balance with original maturity beyond 3 months	194,262	–
Cash and cash equivalents	24,711	345,142
Payables and accrued charges	(838)	(15,598)
Overall net exposure	300,350	369,405

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Currency risk (Continued)

#### (ii) Sensitivity analysis

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

	2019		2018	
	Increase/ decrease in foreign exchange rates %	Effect on profit after taxation and accumulated profits \$'000	Increase/ decrease in foreign exchange rates %	Effect on profit after taxation and accumulated profits \$'000
Renminbi	+/-5	+/-12,540	+/-5	+/-15,423

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

Annual  
Report  
2019

148

Notes to the  
Consolidated  
Financial  
Statements

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (d) Equity price risk

The Group is exposed to equity price changes arising from financial assets measured at fair value through profit and loss as disclosed in note 15. As at 31 December 2019, it is estimated that an increase/decrease of 50% (2018: 50%) in the share price of the issuer of the listed investments, with all other variables held constant, would have increased/decreased the Group's profit after taxation for the year (and accumulated profits) by \$2,125,000 (2018: \$4,604,000), as a result of changes in fair value of the financial assets measured at fair value through profit and loss.

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

### (e) Fair values

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

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

	2019			2018		
	Level 1 \$'000	Level 2 \$'000	Level 3* \$'000	Level 1 \$'000	Level 2 \$'000	Level 3* \$'000
<b>Assets</b>						
Investment properties (note 12)	-	-	10,826	-	-	11,373
Financial assets measured at fair value through profit or loss (note 15)	4,250	-	-	9,207	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Fair values (Continued)

During the years ended 31 December 2018 and 2019, there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2018 and 2019.

\* 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.

## 30 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. During the year, the Group has fully repaid US\$54,782,000 (equivalent to \$427,300,000) against the 2016 Facility and the Term Loan Facility has expired thereupon.

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 bank facility at 31 December 2019 (2018: \$Nil).

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 bank facility at 31 December 2019 (2018: \$Nil).

All facilities are subject to the fulfilment of covenants related to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, the Group has complied with all of the above covenants.

Annual  
Report  
2019

150

Notes to the  
Consolidated  
Financial  
Statements



### 30 CONTINGENT LIABILITIES (Continued)

The Company has given bank guarantee in respect of the banking facilities granted to APT HK (see note 22). The extent of such banking facilities utilised by APT HK at 31 December 2019 amounted to \$Nil (2018: \$427,230,000).

Assets pledged to secure bank borrowings and facilities are disclosed in note 19.

### 31 COMMITMENTS

At 31 December 2019, the Group had the following outstanding capital commitments not provided for in the consolidated financial statements:

	2019 \$'000	2018 \$'000
Contracted for	321,061	269,064
Authorised but not contracted for	–	194,667
	<b>321,061</b>	<b>463,731</b>

### 32 LEASING ARRANGEMENTS

#### The Group as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings \$'000	Satellite transponder capacity \$'000
Within one year	431	16,348
After one year but within five years	1,059	16,462
	<b>1,490</b>	<b>32,810</b>

The Group is the lessee in respect of a number of land and buildings and satellite transponder capacity held under leases which were previously classified as operating leases under HKAS 17. The group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the group adjusted the opening balances at 1 January 2019 to recognise 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 1(h), and the details regarding the group's future lease payments are disclosed in note 25.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 LEASING ARRANGEMENTS (Continued)

### The Group as lessor

Property rental income earned during the year was \$1,613,000 (2018: \$1,552,000). At the end of the reporting period, certain properties with an aggregate carrying value of \$15,143,000 (2018: \$16,010,000) were held for rental purposes and the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to \$1,381,000 (2018: \$983,000). Depreciation charged for the year in respect of these properties was \$160,000 (2018: \$160,000).

## 33 RETIREMENT BENEFITS SCHEMES

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

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

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

Annual  
Report  
2019

152

Notes to the  
Consolidated  
Financial  
Statements

### 34 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Except for those disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

	2019 \$'000	2018 \$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services ( <i>note (i)</i> )*	211,630	198,762
Income from a holding company of a shareholder of the Company for providing satellite transponder capacity and satellite-based telecommunication services ( <i>note (i)</i> )	39,157	31,601
Income from an associate of the Company for providing satellite transponder capacity and satellite-based telecommunication services ( <i>note (i)</i> )	842	–
Income from a subsidiary of an associate of the Company for providing satellite transponder capacity and satellite-based telecommunication services ( <i>note (i)</i> )	4,471	–
Income from a subsidiary of an associate of the Company for loan provided ( <i>note (ii)</i> )	–	4,669
Income from a subsidiary of an associate of the Company for training services ( <i>note (iii)</i> )	–	1,628
Income from an associate of the Company for technical support and project management services ( <i>note (iv)</i> )	35,146	16,847
Management fees paid to a fellow subsidiary ( <i>note (v)</i> )	(637)	(681)
Payment to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services ( <i>note (vi)</i> )*	(16,430)	(40,328)

\* These transactions also constitute connected transactions under the Main Board Listing Rules, details of which are set out in the paragraph headed “Connected transactions” in the Directors’ Report of the annual report for the year ended 31 December 2019.

Annual Report 2019

153

Notes to the Consolidated Financial Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

	Payables and accrued charges		Rentals in advance and deferred income	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
An associate	–	–	3,744	–
Fellow subsidiaries	4,608	15,292	8,139	18,237

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 year.
- (iii) Proceeds from a subsidiary of an associate of the Company for training services provided during the year.
- (iv) Proceeds from an associate for technical support and project management services provided during the year.
- (v) Management fees were paid to a fellow subsidiary for services received during the year.
- (vi) Transponder capacity services cost was paid to a fellow subsidiary of the Company for services received during the year.

Annual  
Report  
2019

154

Notes to the  
Consolidated  
Financial  
Statements

### 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Key management personnel remuneration

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

	2019 \$'000	2018 \$'000
Short-term employee benefits	13,740	15,301
Performance related bonuses	5,292	11,074
Retirement scheme contributions	1,600	1,565
	<b>20,632</b>	<b>27,940</b>

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

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

	Number of individuals 2019	Number of individuals 2018
\$1,000,001 to \$1,500,000	–	–
\$1,500,001 to \$2,000,000	1	1
\$2,000,001 to \$2,500,000	1	–
\$2,500,001 to \$3,000,000	1	1
\$3,000,001 to \$3,500,000	2	–
\$3,500,001 to \$4,000,000	1	1
\$4,000,001 to \$4,500,000	1	2
\$4,500,001 to \$5,000,000	–	–
\$5,000,001 to \$5,500,000	–	1
\$5,500,001 to \$6,000,000	–	1
	<b>7</b>	<b>7</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 \$'000	2018 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries	16	615,857	615,857
<b>Current assets</b>			
Amounts due from subsidiaries		1,517,738	1,479,759
Other receivables and prepayments		223	219
Cash and cash equivalents		174	859
		<b>1,518,135</b>	<b>1,480,837</b>
<b>Current liabilities</b>			
Payables and accrued charges		11,808	12,928
Dividend payable		–	540
		<b>11,808</b>	<b>13,468</b>
<b>Net current assets</b>		<b>1,506,327</b>	<b>1,467,369</b>
<b>Net assets</b>		<b>2,122,184</b>	<b>2,083,226</b>
<b>Capital and reserves</b>			
Share capital	27	93,081	93,081
Share premium	28(i)	1,235,362	1,235,362
Contributed surplus	28(ii)	584,358	584,358
Accumulated profits		209,383	170,425
<b>Total equity</b>		<b>2,122,184</b>	<b>2,083,226</b>

## 36 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Directors consider the immediate parent and ultimate controlling party of the Group as of 31 December 2019 to be APT Satellite International Company Limited which is incorporated in the British Virgin Islands, and China Aerospace Science and Technology Corporation which is a state-owned corporation established in the PRC, respectively. Both entities do not produce financial statements available for public use.

Annual  
Report  
2019

156

Notes to the  
Consolidated  
Financial  
Statements

## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS

### (a) Key sources of estimation uncertainty

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

Notes 12, 15 and 29 contain information about the assumptions and their risk factors relating to the fair value of assets.

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

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

#### (i) *Impairment of intangible asset*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

#### (ii) Trade receivables and other receivables

The management of the Group estimates the loss allowance required for the potential credit loss of trade receivables and other receivables at the end of each reporting period based on the ageing of its customer accounts and its historical write-off experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date. The Group performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' current credit worthiness. The Group provides loss allowances on its trade receivables and other receivables by taking into account the ageing of the trade receivables and credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date. Any changes in these factors may have a material impact on the calculation of the loss allowance. For the year ended 31 December 2019, the Group has recognised impairment loss on trade receivables and other receivables amounting to \$4,988,000 (2018: the Group has reversed impairment loss on trade receivables and other receivables amounting to \$1,726,000) in the profit or loss.

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

Annual  
Report  
2019

158

Notes to the  
Consolidated  
Financial  
Statements



## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

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

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

For the year ended 31 December 2019, the Group has not recognised any impairment loss on property, plant and equipment (2018: \$150,000,000) in the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

#### (iv) Depreciation

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

#### (v) Contingencies and provisions

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

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

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

Annual  
Report  
2019

160

Notes to the  
Consolidated  
Financial  
Statements

### 38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IFRS/HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS/HKAS 1 and IAS/HKAS 8, <i>Definition of material</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 39 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of \$139,621,000. Further details are disclosed in note 8.

# FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

## RESULTS

	Years ended 31 December				2019 \$'000
	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	
Revenue	1,194,411	1,229,933	1,207,440	1,237,712	<b>1,062,565</b>
Cost of services	(465,898)	(492,588)	(467,079)	(501,610)	<b>(526,450)</b>
Gross profit	728,513	737,345	740,361	736,102	<b>536,115</b>
Other net income	68,910	14,203	18,680	165,761	<b>60,143</b>
Valuation gain/(loss) on investment properties	(238)	(531)	1,214	(527)	<b>(547)</b>
Impairment loss in respect of property, plant and equipment	(12,219)	-	-	(150,000)	-
Impairment loss in respect of club membership	(5,157)	-	-	-	-
Administrative expenses	(131,949)	(118,732)	(121,985)	(123,078)	<b>(133,381)</b>
Profit from operations	647,860	632,285	638,270	628,258	<b>462,330</b>
Fair value changes on financial instrument measured at fair value through profit or loss	(3,686)	(15,723)	(16,573)	1,841	<b>(4,958)</b>
Finance costs	(18,039)	(9,283)	-	(10,562)	<b>(8,986)</b>
Loss on disposal of a joint venture	-	-	-	(78)	-
Share of (loss)/profit of an associate	-	24	95	169	<b>(12,293)</b>
Profit before taxation	626,135	607,303	621,792	619,628	<b>436,093</b>
Income tax	(112,304)	(113,695)	(117,235)	(112,621)	<b>(73,767)</b>
Profit for the year and attributable to equity shareholders of the Company	513,831	493,608	504,557	507,007	<b>362,326</b>

## ASSETS AND LIABILITIES

	At 31 December				2019 \$'000
	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	
Total assets	6,141,254	6,463,035	7,325,765	7,154,466	<b>7,083,839</b>
Total liabilities	(1,690,889)	(1,613,841)	(2,025,085)	(1,506,979)	<b>(1,230,605)</b>
Net assets	4,450,365	4,849,194	5,300,680	5,647,487	<b>5,853,234</b>

Annual Report 2019

162

Five-Year Financial Summary