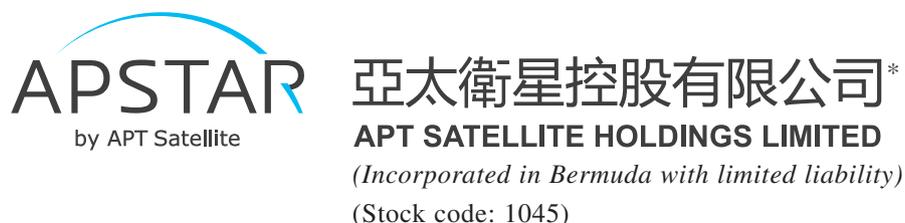


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2020 ANNUAL RESULTS ANNOUNCEMENT

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 2020.

RESULTS

Revenue

In 2020, the Group’s revenue amounted to HK\$889,231,000 (2019: HK\$1,062,565,000), representing a decrease of 16.3% amounting to HK\$173,334,000 as compared to 2019.

Profit before taxation

In 2020, the Group’s profit before taxation amounted to HK\$281,447,000 (2019: HK\$436,093,000), representing a decrease of 35.5% amounting to HK\$154,646,000 as compared to 2019.

Profit attributable to equity shareholders

In 2020, the Group’s profit attributable to equity shareholders amounted to HK\$231,462,000 (2019: HK\$362,326,000), representing a decrease of 36.1% amounting to HK\$130,864,000 as compared to 2019. Basic earnings per share and diluted earnings per share were HK24.88 cents (2019: HK38.93 cents).

* For identification purpose only

DIVIDENDS

During the year, the Company has declared and paid an interim dividend in cash of HK3.50 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 HK19.00 cents per ordinary share for the financial year ended 31 December 2020 (2019: HK15.00 cents per ordinary share).

The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the “Annual General Meeting”) which will be held on Monday, 24 May 2021. The final dividend will be paid on or about Friday, 18 June 2021 to shareholders whose names appear on the register of members at the close of business on Monday, 7 June 2021.

BUSINESS REVIEW

In-Orbit Satellites

During the year, the Group’s in-orbit satellites namely, APSTAR-5C, APSTAR-6C, APSTAR-7, APSTAR-9, and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under normal condition and continued to provide reliable and high quality services to the Group’s customers. In addition, APSTAR-6D (operated by APT Mobile Satcom Limited (“APT Mobile”), an associate of the Group) was successfully launched on 9 July 2020.

The Group’s in-orbit satellites integrated to form the super wide and strong satellite service capability provided to Asia, Australia, Middle East, Africa, Europe, and the Pacific region, covering more than 75% of the world’s population.

APSTAR-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 satellite capacities covering the Southeast Asia region, and will provide high quality broadband telecommunication services for the region. APSTAR-5C was jointly built by the Group and Telesat Canada. The Group holds approximately 57% interest in the satellite.

APSTAR-6C Satellite

APSTAR-6C, 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 has been deorbited in December 2020 as the satellite has reached its end-of-lifetime.

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 partial area in 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.

APSTAR-6D Satellite

APSTAR-6D, positioned at 134 degree East Longitude in geostationary orbit. APSTAR-6D Satellite is the first HTS satellite optimized for satellite broadband mobility services in the region, the satellite is equipped with high throughput multiple spot beams and other unique and advanced features to meet the market demand in China and the whole Asia Pacific region.

New Satellite Project

APSTAR-6E Satellite

In order to meet the demand for satellite broadband communication in the market as well as best use of the advanced satellite technology, the Group has been entered into an agreement with other investors to establish an entity (“Joint Venture”) for developing the APSTAR-6E Satellite. As authorised by the other investors, the Group has been entered into a satellite contract (the “Satellite Contract”) with China Great Wall Industry (Hong Kong) Corp. Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of China Great Wall Industry Corporation on 6 November 2020 in respect of the manufacturing, delivery and launching services of the APSTAR-6E Satellite. Once the Joint Venture is established, all obligations and rights of the Group under the Satellite Contract will be assigned and transferred to the Joint Venture, and the Joint Venture will fully reimburse the Group for all contractual price and other fees that has been paid with interest subsequently. APSTAR-6E satellite is based on DFH-3E platform and equipped with high throughput payload, which is expected to be suitable for broadband communication with good cost effectiveness. APSTAR-6E is expected to put into service in the year of 2023.

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 best locations in the region 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 in satellite qualities and overall services capabilities.

The gateway station facilities, equipped with sophisticated equipment and connected to local optical fiber network, can support the Group's HTS satellites, including the in-orbit APSTAR-5C and 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 multiple gateway stations in Indonesia and Malaysia. The construction of the Hong Kong gateway station is completed. One more gateway station in Australia is expected to be put into service in 2021. These new gateway station facilities will expand the Group's capability to offer the network and hosting services to other users.

TRANSPONDER LEASE SERVICES

In 2020, 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, the global Coronavirus (COVID-19) outbreak brings some satellite communication projects being postponed, delayed and cancelled, which led 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, and 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, 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. The Group has provided two 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.

BUSINESS PROSPECTS

In 2021, 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 still brings challenges and difficulties to the market development. The Group is expected to face greater market expansion pressure for its transponder lease business. With the in-depth development of APSTAR-5C's HTS resources business, the APSTAR-6D in operation and the gateway stations, 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 and further expand satellite project management, frequency resources and satellite control and monitoring service as well as gateway station operation services. 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.

FINANCIAL REVIEW

As at 31 December 2020, the Group's financial position remains sound. The table below sets out the financial performance for the years ended 31 December 2020 and 31 December 2019:

Financial Highlights

	2020	2019	
	HK\$'000	HK\$'000	Changes
Revenue	889,231	1,062,565	-16.3%
Gross profit	393,819	536,115	-26.5%
Profit before taxation	281,447	436,093	-35.5%
Profit attributable to equity shareholders	231,462	362,326	-36.1%
Basic earnings per share (<i>HK cents</i>)	24.88	38.93	-36.1%
EBITDA (<i>Note 1</i>)	676,106	872,185	-22.5%
EBITDA Margin (%)	76.0%	82.1%	-6.1 percentage points

	At 31 December		Changes
	2020	2019	
	HK\$'000	HK\$'000	
Total cash and bank balance	1,291,345	898,681	+43.7%
Total assets	7,195,891	7,083,839	+1.6%
Total liabilities	1,255,384	1,230,605	+2.0%
Net assets per share (HK\$)	6.40	6.29	+1.7%
Gearing ratio (%) (Note 2)	17.4%	17.4%	-0.0 percentage point
Liquidity ratio	5.16 times	4.44 times	+0.72 times

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

Note 2: Gearing ratio is calculated as total liabilities divided by total assets.

Revenue

	2020	2019	Changes
	HK\$'000	HK\$'000	
Income from provision of satellite transponder capacity	842,050	1,002,090	-16.0%
Income from provision of satellite-based broadcasting and telecommunications services	8,277	8,992	-8.0%
Other satellite-related service income	38,904	51,483	-24.4%
Total	889,231	1,062,565	-16.3%

For the year ended 31 December 2020, the Group's revenue amounted to HK\$889,231,000 (2019: HK\$1,062,565,000), representing 16.3% decrease as compared with 2019, mainly due to (i) the non-renewal of contract by a major customer in a region due to its own business re-alignment and (ii) certain impact of COVID-19 pandemic on the market environment leading to the drop in the usage and price of transponder compared with same period of last year which caused the decline of operating income. The profit attributable to shareholders decreased by 36.1% to HK\$231,462,000.

Other net income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Changes
Interest income on bank deposits and other interest income	19,196	11,238	+70.8%
Foreign currencies exchange gain/(loss)	19,677	(542)	+3,730.4%
Government grants	5,762	–	+100%
Rental income in respect of properties less direct outgoing expenses	1,339	1,521	–12.0%
Insurance and other compensations	14,304	34,465	–58.5%
Dividend income	78	–	+100%
Other income	2,714	13,461	–79.8%
	<hr/>	<hr/>	<hr/>
Total	63,070	60,143	+4.9%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Total other net income for the year ended 31 December 2020 increased to HK\$63,070,000. The increase was mainly because during the year the Group has received government grants of HK\$5,762,000 (2019: HK\$Nil) in respect of the wage subsidies under the Employment Support Scheme.

Finance costs

Finance costs HK\$6,797,000 was recognised for the year ended 31 December 2020 (2019: HK\$8,986,000). The decrease was primarily due to the full repayment of secured bank borrowings in 2019.

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

Based on the market price as at 31 December 2020, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$2,408,000, with fair value loss of HK\$1,842,000 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 13 of this announcement.

Income tax

Income tax expenses for the year ended 31 December 2020 decreased to HK\$49,985,000, as compared to HK\$73,767,000 in 2019. The decrease was mainly due to the decrease in provision for Hong Kong Profits Tax for the current year. The details of income tax of the Group are set out in note 8 of this announcement.

EBITDA

As a result of the decrease in revenue, EBITDA for the year ended 31 December 2020 decreased to HK\$676,106,000, with the margin decreased from 82.1% to 76.0%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2020, the Group's capital expenditure incurred for property, plant and equipment was HK\$40,222,000 (2019: HK\$22,081,000). The capital expenditure was mainly for the payment of leasehold improvement and the addition of equipment (2019: addition of equipment). The above capital expenditures were financed by internally-generated funds and cash flows from operating activities.

APT Satellite Company Limited ("APT HK"), as borrower, and the Company, as guarantor, entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of facilities not exceeding an aggregate loan amount of US\$215,600,000 (equivalent to HK\$1,681,680,000) (the "2016 Facility"). The 2016 Facility comprises three components, including term loan facilities of up to US\$130,000,000 (equivalent to HK\$1,014,000,000) (the "Term Loan Facility"), revolving loan facility of up to US\$70,000,000 (equivalent to HK\$546,000,000) and a facility of up to US\$15,600,000 (equivalent to HK\$121,680,000) on certain commercial arrangements. During the year ended 31 December 2019, the Group has fully repaid 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 HK\$93,600,000). There was no outstanding balance of the revolving bank facility at 31 December 2020 (2019: HK\$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 HK\$100,000,000. There was no outstanding balance of the revolving bank facility at 31 December 2020 (2019: HK\$Nil).

As at 31 December 2020, the Group's total liabilities were HK\$1,255,384,000, an increase of HK\$24,779,000 as compared to 31 December 2019, mainly due to the increase in current taxation. The gearing ratio (total liabilities/total assets) remain unchanged at 17.4%.

For the year ended 31 December 2020, the Group recorded a net increase in cash and cash equivalent of HK\$262,054,000 (2019: decrease of HK\$317,845,000) which included net cash inflow of HK\$698,028,000 generated from operating activities and positive effect of foreign exchange rate changes of HK\$20,201,000. This was offset by net cash outflow of HK\$258,999,000 used in investing activities and HK\$197,176,000 used in financing activities.

As at 31 December 2020, the Group has approximately HK\$1,291,345,000 of cash and bank balances, 62.6% of which were denominated in United States Dollar, 35.9% in Renminbi and 1.5% in Hong Kong Dollar and other currencies which comprising HK\$613,037,000 cash and cash equivalents, HK\$677,938,000 bank deposits with original maturity beyond 3 months and HK\$370,000 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 appreciated against the Hong Kong Dollar during the year ended 31 December 2020.

Charges on group assets

At 31 December 2020, pledged bank deposits of HK\$370,000 (2019: HK\$368,000) related to certain commercial arrangements made during the year.

At 31 December 2020, 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\$3,025,000 (2019: HK\$3,142,000).

Capital commitments

As at 31 December 2020, the Group had outstanding capital commitments of HK\$550,416,000 (2019: HK\$321,061,000).

On 6 November 2020, APT HK, a wholly-owned subsidiary of the Company, entered into a Satellite Contract with fellow subsidiaries of the Company to procure and launch a new satellite APSTAR-6E on behalf of an entity to be set up and invested by the Group and other investors. The procurement payments made by APT HK on behalf of that entity are to be reimbursed by that entity once it is set up and the Satellite Contract is novate. The contract sum payable by APT HK is US\$137,590,000 (equivalent to HK\$1,073,202,000) of which US\$1,000,000 (equivalent to HK\$7,800,000) has already been paid in 2020 and included in "prepayments" under non-current assets.

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 9 of this announcement.

FINANCIAL HIGHLIGHTS

Consolidated statement of profit or loss

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Revenue	4	889,231	1,062,565
Cost of services		<u>(495,412)</u>	<u>(526,450)</u>
Gross profit		393,819	536,115
Other net income	6	63,070	60,143
Valuation loss on investment properties		(22)	(547)
Administrative expenses		<u>(153,676)</u>	<u>(133,381)</u>
Profit from operations		303,191	462,330
Fair value changes on financial assets	13	(1,842)	(4,958)
Finance costs	7 (a)	(6,797)	(8,986)
Share of loss of an associate		<u>(13,105)</u>	<u>(12,293)</u>
Profit before taxation	7	281,447	436,093
Income tax	8	<u>(49,985)</u>	<u>(73,767)</u>
Profit for the year and attributable to equity shareholders of the Company		<u>231,462</u>	<u>362,326</u>
Earnings per share			
Basic and diluted	10	<u>24.88 cents</u>	<u>38.93 cents</u>

Consolidated statement of comprehensive income

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Profit for the year	231,462	362,326
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss		
Exchange differences on translation of: – financial statements of operations outside Hong Kong*	<u>33,015</u>	<u>(7,650)</u>
Other comprehensive income for the year	<u>33,015</u>	<u>(7,650)</u>
Total comprehensive income for the year	<u>264,477</u>	<u>354,676</u>

* Included exchange gain on translation of financial statements of an associate of \$24,617,000 (2019: loss of \$7,586,000).

Consolidated statement of financial position

at 31 December 2020

(Expressed in Hong Kong dollars)

		At 31 December 2020 \$'000	At 31 December 2019 \$'000
Non-current assets			
Property, plant and equipment	11	4,844,717	5,154,784
Investment properties		10,804	10,826
Intangible assets	12	295,376	304,112
Interest in an associate		415,823	404,311
Club membership		380	380
Prepayments		163,800	105,882
Deferred tax assets		44	920
		<u>5,730,944</u>	<u>5,981,215</u>
Current assets			
Financial assets measured at fair value through profit or loss	13	2,408	4,250
Trade receivables, net	14	156,211	173,134
Deposits, prepayments and other receivables		14,983	26,559
Pledged bank deposits		370	368
Bank deposits with original maturity beyond 3 months		677,938	547,330
Cash and cash equivalents		613,037	350,983
		<u>1,464,947</u>	<u>1,102,624</u>
Current liabilities			
Payables and accrued charges	15	80,805	83,151
Rentals received in advance and deferred income		41,629	64,158
Dividend payable		2,497	–
Lease liabilities		34,728	22,775
Current taxation		124,282	78,253
		<u>283,941</u>	<u>248,337</u>
Net current assets		<u>1,181,006</u>	<u>854,287</u>
Total assets less current liabilities carried forward		<u>6,911,950</u>	<u>6,835,502</u>

Consolidated statement of financial position (continued)

at 31 December 2020

(Expressed in Hong Kong dollars)

		At 31 December 2020 \$'000	At 31 December 2019 \$'000
Total assets less current liabilities brought forward		6,911,950	6,835,502
Non-current liabilities			
Deposits received		45,546	53,771
Deferred income		99,506	85,796
Lease liabilities		159,786	160,946
Deferred tax liabilities		666,605	681,755
		971,443	982,268
Net assets		5,940,507	5,853,234
Capital and reserves			
Share capital	16	92,857	93,081
Share premium		1,230,581	1,235,362
Contributed surplus		511,000	511,000
Revaluation reserve		4,017	4,017
Exchange reserve		20,805	(12,210)
Other reserves		1,202	442
Accumulated profits		4,080,045	4,021,542
Total equity		5,940,507	5,853,234

Consolidated statement of changes in equity

for the year ended 31 December 2020

(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 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 9(ii))	-	-	-	-	-	-	(107,043)	(107,043)
Dividend declared in respect of the current year (note 9(i))	-	-	-	-	-	-	(41,886)	(41,886)
Balance at 31 December 2019	<u>93,081</u>	<u>1,235,362</u>	<u>511,000</u>	<u>4,017</u>	<u>(12,210)</u>	<u>442</u>	<u>4,021,542</u>	<u>5,853,234</u>
Balance at 1 January 2020	93,081	1,235,362	511,000	4,017	(12,210)	442	4,021,542	5,853,234
Changes in equity for 2020:								
Profit for the year	-	-	-	-	-	-	231,462	231,462
Other comprehensive income	-	-	-	-	33,015	-	-	33,015
Total comprehensive income	-	-	-	-	33,015	-	231,462	264,477
Dividend approved in respect of the previous year (note 9(ii))	-	-	-	-	-	-	(139,621)	(139,621)
Dividend declared in respect of the current year (note 9(i))	-	-	-	-	-	-	(32,578)	(32,578)
Repurchase of own shares (note 16(b))	(224)	(4,781)	-	-	-	-	-	(5,005)
Statutory reserve transfer during the year	-	-	-	-	-	760	(760)	-
Balance at 31 December 2020	<u>92,857</u>	<u>1,230,581</u>	<u>511,000</u>	<u>4,017</u>	<u>20,805</u>	<u>1,202</u>	<u>4,080,045</u>	<u>5,940,507</u>

(Expressed in Hong Kong dollars)

Notes:

1 GENERAL INFORMATION

APT Satellite Holdings Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The address of its principal place of business is 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are maintenance, operation and provision of satellite transponder and related services and satellite-based broadcasting and telecommunications services and other services.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020, but are extracted from those consolidated financial statements.

The consolidated 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, the consolidated financial statements also comply with HKFRSs. The consolidated 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 (the “Listing Rules”).

3 CHANGES IN ACCOUNTING POLICIES

The IASB/HKICPA has issued the following amendments to IFRS/HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS/HKFRS 3, *Definition of a Business*
- Amendments to IFRS/HKFRS 9, IAS/HKAS 39 and IFRS/HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS/HKAS 1 and IAS/HKAS 8, *Definition of Material*
- Amendment to IFRS/HKFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS/HKFRS 16, *Covid-19-Related Rent Concessions*. Impact of the adoption of the amended IFRS/HKFRS is discussed below:

Amendments to IFRS/HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. The adoption of the amendment has no significant impact on the Group's financial statements.

4 REVENUE

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

	2020 \$'000	2019 \$'000
Income from provision of satellite transponder capacity*	842,050	1,002,090
Income from provision of satellite-based broadcasting and telecommunications services	8,277	8,992
Other satellite-related service income	38,904	51,483
	<u>889,231</u>	<u>1,062,565</u>

* Included income from sub-leasing satellite transponder capacity of \$207,930,000 (2019: \$217,836,000).

5 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 2020 and 2019 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 exceeded 10% of the Group's revenue (2019: one customer). For the year ended 31 December 2020, revenue of approximately \$223,802,000 (2019: \$178,587,000) was 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 2020 were \$99,162,000, \$379,700,000, \$268,457,000 and \$141,912,000 respectively (2019: \$96,848,000, \$396,993,000, \$409,343,000 and \$159,381,000 respectively).

6 OTHER NET INCOME

Other net income primarily includes the following:

	2020 \$'000	2019 \$'000
Interest income on bank deposits	14,780	10,658
Other interest income	4,416	580
Foreign currencies exchange gain/(loss)	19,677	(542)
Government grants	5,762	–
Rental income in respect of properties less direct outgoing expenses of \$77,000 (2019: \$92,000)	1,339	1,521
Insurance and other compensations	14,304	34,465
Other service income	–	12,173
Dividend income	78	–
Others	2,714	1,288
	<u>63,070</u>	<u>60,143</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 \$'000	2019 \$'000
(a) Finance costs		
Interest on bank borrowings	–	2,169
Interest on lease liabilities	6,797	3,560
Other borrowing costs	–	3,257
	<u>6,797</u>	<u>8,986</u>

	2020	2019
	\$'000	\$'000
(b) Other items		
Auditors' remuneration		
– audit and related services	1,230	1,415
– tax services	33	155
– other services	14	14
Depreciation	427,225	459,868
Amortisation	8,736	8,736
Loss on disposal of property, plant and equipment	2	847
Occupancy costs: short-term lease payments not included in the measurement of lease liabilities		
– land and buildings and equipment	257	246
– satellite transponder capacity	8,871	22,492
Impairment loss on trade and other receivables recognised	40,279	4,988
	<u>40,279</u>	<u>4,988</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020	2019
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	49,729	111,580
Over-provision in respect of prior years	(4,356)	–
	<u>45,373</u>	<u>111,580</u>
Current tax – Outside Hong Kong		
Provision for the year	23,841	23,750
Over-provision in respect of prior years	(4,955)	(3,506)
	<u>18,886</u>	<u>20,244</u>
Deferred taxation – Hong Kong	<u>(14,274)</u>	<u>(58,057)</u>
Actual tax expense	<u>49,985</u>	<u>73,767</u>

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

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 withholding taxes 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.

9 DIVIDENDS

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

	2020 \$'000	2019 \$'000
Interim dividend declared and paid of 3.50 cents (2019: 4.50 cents) per ordinary share	32,578	41,886
Final dividend proposed after the end of the reporting period of 19.00 cents (2019: 15.00 cents) per ordinary share	<u>176,429</u>	<u>139,621</u>
	<u><u>209,007</u></u>	<u><u>181,507</u></u>

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

	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 15.00 cents (2019: 11.50 cents) per ordinary share	<u><u>139,621</u></u>	<u><u>107,043</u></u>

10 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 \$231,462,000 (2019: \$362,326,000) and the weighted average of 930,190,000 ordinary shares (2019: 930,809,000 ordinary shares) in issue during the year.

	2020 '000	2019 '000
<i>Issued ordinary shares at 1 January</i>	930,809	930,809
Effect of shares repurchased (<i>note 16(b)</i>)	<u>(619)</u>	<u>–</u>
 <i>Weighted average number of ordinary shares at 31 December</i>	 <u><u>930,190</u></u>	 <u><u>930,809</u></u>

(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 2020 and 2019.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the year, additions to right-of-use assets were \$84,725,000 (2019: \$176,084,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements of \$35,069,000 and transfer of lease prepayments from non-current prepayments of \$49,656,000 upon lease commencement.

(b) Additions and transfer of construction in progress

The cost of communications satellite equipment amounting to \$11,056,000 (2019: cost of leasehold improvements and communications satellite equipment amounting to \$57,706,000) was transferred from construction in progress to communications satellite equipment upon completion of the work during the year ended 31 December 2020.

12 INTANGIBLE ASSETS

	<i>Notes</i>	2020 \$'000	2019 \$'000
Orbital slot	(i)	133,585	133,585
Leased intangible assets – orbital slots	(ii)	161,791	170,527
		295,376	304,112

(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 2020 and 2019.

The recoverable amount of the intangible asset is estimated based on value-in-use calculation. These calculations use cash flow projection based on budget and business plan approved by management for the year ending 31 December 2021. Cash flows beyond 2020 are extrapolated based on revenue from committed service agreements for the provision of satellite transponder capacity and projected at growth rates of 1% – 2% which are generally expected for the industry and achievable by the Group during the forecast period. The discount rate used for the cash flow projection is 10.94% (2019: 11.29%) which is pre-tax and reflects specific risks relating to the relevant cash-generating unit that the intangible asset belongs to.

(ii) Leased intangible assets – orbital slots

The amortisation charge for the year of \$8,736,000 (2019: \$8,736,000) is included in “cost of services” in the consolidated statement of profit or loss.

13 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2020, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$2,408,000 (2019: \$4,250,000), based on the market price at the end of the reporting period, with fair value loss of \$1,842,000 (2019: \$4,958,000) recognised in profit or loss.

14 TRADE RECEIVABLES, NET

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

	2020	2019
	\$'000	\$'000
Within 30 days	39,100	40,419
31 – 60 days	20,431	20,313
61 – 90 days	14,373	16,051
91 – 120 days	9,134	14,838
Over 120 days	73,173	81,513
	<u>156,211</u>	<u>173,134</u>

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

15 PAYABLES AND ACCRUED CHARGES

	2020	2019
	\$'000	\$'000
Trade payables	3,006	5,243
Accrued expenses	77,799	77,908
	<u>80,805</u>	<u>83,151</u>

As at 31 December 2020 and 2019, the trade payables were aged within 3 months based on due date.

16 SHARE CAPITAL

(a) Authorised and issued share capital

	2020		2019	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	<u>2,000,000</u>	<u>200,000</u>	<u>2,000,000</u>	<u>200,000</u>
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	930,809	93,081	930,809	93,081
Shares repurchased	<u>(2,236)</u>	<u>(224)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>928,573</u>	<u>92,857</u>	<u>930,809</u>	<u>93,081</u>

(b) Repurchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Period	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
September 2020	<u>2,236,000</u>	<u>2.28</u>	<u>2.12</u>	<u>5,005</u>

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

17 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared a final dividend of \$176,429,000. Further details are disclosed in note 9 of this announcement.

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.

HUMAN RESOURCES

As at 31 December 2020, the Group had 110 employees. The Group continues to provide on job training to employees and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting held on Friday, 19 March 2021, the Group's Audit and Risk Management Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited financial statements for the year ended 31 December 2020. The Audit and Risk Management Committee has also reviewed the result and statement of the Board in relation to effectiveness of the internal control system and the independence of the Company's auditors.

The Audit and Risk Management Committee comprises four independent non-executive directors including Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Ligu and Dr. Meng Xingguo.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

Throughout the year of 2020, the Company has met the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has repurchased and cancelled 2,236,000 shares of the Company during the year ended 31 December 2020. Other than the above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 May 2021 to Monday, 24 May 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting of the Company to be held on Monday, 24 May 2021, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 May 2021.

The register of members of the Company will be closed from Tuesday, 8 June 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 June 2021.

ANNUAL REPORT PUBLICATION

The Company's 2020 Annual Report for the year ended 31 December 2020 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

In 2020, 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, 22 March 2021

The Directors as at the date of this announcement are as follows:

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

He Xing

Tseng Ta-mon (*alternate director of Yin Yen-liang*)

Independent Non-Executive Directors:

Lui King Man

Lam Sek Kong

Cui Ligu

Meng Xingguo