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亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

2022 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022.

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

INTERIM RESULTS

For the first half year of 2022, the Group's revenue amounted to HK\$498,402,000 (six months ended 30 June 2021: HK\$450,039,000), representing 10.75% increase as compared with corresponding period in the previous financial year. The increase in revenue was mainly attributable to: i) the business growth in Malaysia and; ii) the business transferred from certain customers in a region, whom experienced satellite failure with their original service providers. Profit attributable to equity shareholders amounted to HK\$133,808,000 (six months ended 30 June 2021: HK\$120,478,000), representing 11.06% increase as compared with corresponding period in the previous financial year. Basic earnings per share and diluted earnings per share were both HK14.41 cents (six months ended 30 June 2021: HK12.97 cents).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.00 cents per ordinary share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK4.00 cents per ordinary share). The details of interim dividend of the Group are set out in note 7 of this announcement.

The interim dividend will be paid on or about Tuesday, 11 October 2022 to shareholders whose names appear on the register of members at the close of business on Wednesday, 21 September 2022.

* *For identification purpose only*

BUSINESS REVIEW

In-Orbit Satellites

For the first half year of 2022, the Group's in-orbit satellites namely, APSTAR-5C, APSTAR-6C, APSTAR-7, APSTAR-9, APSTAR-6D (operated by APT Mobile Satcom Limited ("APT Mobile"), an associate of the Group) and their corresponding ground TT&C (telemetry, tracking and command) systems and earth station have been operating under good condition and continued to provide reliable and high quality services to the Group's customers.

The Group's in-orbit satellites integrated to form the super wide and strong satellite service capability provided to Asia, Europe, Africa and Oceania, 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 ("HTS") capacities covering the Southeast Asia region, and provides high quality broadband telecommunication services for that 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-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 (operated by APT Mobile), 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

The Group has been entered into an agreement with other investors to establish an entity for developing the APSTAR-6E Satellite in 2020. An entity, APSTAR Alliance Satcom Limited (“APSTAR Alliance”) was established in Hong Kong in 2021 as an associate of the Group. All obligations and rights of the Group under the APSTAR-6E Satellite Contract (the “Satellite Contract”), which entered into by the Group with the authorization of other investors has been assigned and transferred to APSTAR Alliance. 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. The development of APSTAR-6E is in line with the schedule and the satellite is expected to be put into service in the year of 2023.

Ground Facilities

In line with its HTS satellite development strategy, the Group completed the construction or acquired full service capacity of multiple gateway station in Hong Kong, Australia, Indonesia and Malaysia providing gateway services to the customers. 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, support the in orbit APSTAR HTS satellites and reserves the ability to expand and support other satellite systems. The gateway station facilities will greatly enhance the Group’ service capabilities in both satellite and terrestrial network in the Asia Pacific region and will conducive to maintaining the Group’s competitive advantages in satellite qualities and overall services capabilities.

The Group has started the construction of a satellite earth station at Chung Hom Kok in Hong Kong (“CHK Station”), the ground facilities in CHK Station will further enhance the Group’s ground facility service capabilities. Furthermore, it can also be used as a backup of the Group’s TT&C station in Tai Po, and eliminate the risk of 5G signal interference in Tai Po in the future.

Transponder Lease Services

In 2022 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 has not been improved and satellite transponder bandwidth lease price still in a relatively significant decline trend. Changes in the market environment, in particular, the impact of COVID-19 pandemic for the global economy resulted in some satellite communication projects being postponed, delayed and cancelled, which had a greater impact on the transponder leasing business.

To cope with the difficult market conditions, the Group strives to overcome the difficulties brought about by the COVID-19 and 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 and the Southeast Asia market, and fulfilled the positive growth in business volume.

Satellite TV Broadcasting Services, Satellite-Based Telecommunication Services, Data Centre Services and Gateway Stations Services

With the Non-domestic Television Programme Service Licence, the Unified Carrier Licence, the satellite earth station facilities, data centre facilities and gateway stations facilities, the Group will continue to expand the scope of services and provide customers with services such as satellite TV broadcasting and transmission services, satellite telecommunication services, data centre services and gateway stations services.

BUSINESS PROSPECTS

Looking forward to the second half of 2022, the situations of oversupply and keen competition in the global and Asia Pacific region satellite transponder market will not be changed. The COVID-19 pandemic will continue to have a great impact on the market. The Group will face greater market expansion pressure for its transponder lease business. While expanding its traditional satellite capacity leasing business on APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will further expand its market and business on a larger scale, including the variety of businesses such as on-stop broadcasting services, satellite project management services, spectrum resources and satellite TT&C services as well as gateway operation services, etc. Meanwhile, the Group will continue to fully leverage its strengths of healthy financial position and sufficient capital and on the basis of completing the APSTAR-6E satellite project and the construction of satellite ground facilities in CHK Station 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 POSITION

As at 30 June 2022, the Group's financial position remains sound. Please refer to the financial review section of this announcement for more detailed analysis.

CORPORATE GOVERNANCE

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

FINANCIAL REVIEW

As at 30 June 2022, the Group's financial position remains sound. The table below sets out the financial performance for the six months ended 30 June 2022 and 2021:

Financial Highlights

	Six months ended 30 June		Change
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Revenue	498,402	450,039	+10.75%
Gross profit	251,454	218,984	+14.83%
Profit before taxation	168,264	148,492	+13.32%
Profit attributable to shareholders	133,808	120,478	+11.06%
Basic earnings per share (<i>HK cents</i>)	14.41	12.97	+11.10%
EBITDA (<i>note 1</i>)	413,245	374,720	+10.28%
EBITDA Margin (%)	82.9%	83.3%	-0.40 percentage points
	At	At	
	30 June	31 December	
	2022	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Total cash and bank balance	1,372,977	1,363,964	+0.66%
Total assets	7,212,357	7,295,364	-1.14%
Total liabilities	1,169,849	1,161,255	+0.74%
Net assets per share (<i>HK\$</i>)	6.51	6.61	-1.51%
Gearing ratio (%) (<i>note 2</i>)	16.2%	15.9%	+0.30 percentage points
Liquidity ratio	6.61 times	6.65 times	-0.04 times

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

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

Revenue

	Six months ended 30 June		Change
	2022 HK\$'000	2021 HK\$'000	
Income from provision of satellite transponder capacity	456,962	414,919	+10.13%
Income from provision of satellite-based broadcasting and telecommunications services	2,219	2,372	-6.45%
Other satellite-related service income	39,221	32,748	+19.77%
Total	<u>498,402</u>	<u>450,039</u>	<u>+10.75%</u>

For the first half year of 2022, the Group's revenue amounted to HK\$498,402,000 (six months ended 30 June 2021: HK\$450,039,000), representing 10.75% increase as compared with corresponding period in the previous financial year. The increase in revenue was mainly attributable to: i) the business growth in Malaysia and; ii) the business transferred from certain customers in a region, whom experienced satellite failure with their original service providers. The profit attributable to shareholders increased by 11.06% to HK\$133,808,000.

Other net (losses)/gains

	Six months ended 30 June		Change
	2022 HK\$'000	2021 HK\$'000	
Interest income on bank deposits and other interest income	7,631	9,768	-21.88%
Foreign currencies exchange loss	(15,842)	(4,575)	+246.27%
Rental income in respect of properties	681	701	-2.85%
Gain on disposal of property, plant and equipment	-	22	-100.00%
Other income	1,189	1,056	+12.59%
Total	<u>(6,341)</u>	<u>6,972</u>	<u>-190.95%</u>

Total other net (losses)/gains for the six months ended 30 June 2022 decreased to loss of HK\$6,341,000. The decrease was mainly because the significant increase in foreign currencies exchange loss for the current period.

Finance costs

Finance costs of HK\$3,096,000 were recognised for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$3,158,000). The finance cost comprises the Group's interest on lease liabilities, which were approximately 1.96% lower than that of the corresponding period last year.

Fair value changes on financial assets

Based on the market price as at 30 June 2022, the balance of 141,651,429 ordinary shares of CNC Holdings Limited was remeasured at a fair value of HK\$2,691,000, with fair value gain of HK\$708,000 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 for the six months ended 30 June 2022 increased to HK\$34,456,000, as compared to HK\$28,014,000 for the same period of last year. The increase was mainly due to the increase in provision for Hong Kong profits tax for the current period. The details of income tax of the Group are set out in note 6 of this announcement.

EBITDA

As a result of the increase in revenue, EBITDA for the six months ended 30 June 2022 increased by 10.28% to HK\$413,245,000, while the margin decreased from 83.3% to 82.9%.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's capital expenditure incurred for property, plant and equipment was HK\$2,859,000 (six months ended 30 June 2021: HK\$42,938,000). The capital expenditure was mainly for the addition of equipment (six months ended 30 June 2021: 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"), a wholly-owned subsidiary of the Company, 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 loan at 30 June 2022 (31 December 2021: 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 loan at 30 June 2022 (31 December 2021: HK\$Nil).

As at 30 June 2022, the Group's total liabilities were HK\$1,169,849,000, an increase of HK\$8,594,000 as compared to 31 December 2021, mainly due to the increase in lease liabilities. The gearing ratio (total liabilities/total assets) has increased to 16.2%, representing a 0.3 percentage point increase as compared to 31 December 2021.

For the six months ended 30 June 2022, the Group recorded a net cash outflow of HK\$400,725,000 (six months ended 30 June 2021: HK\$1,308,000) which included net cash inflow of HK\$223,398,000 generated from operating activities. This was offset by net cash outflow of HK\$413,915,000 used in investing activities and HK\$210,208,000 used in financing activities.

As at 30 June 2022, the Group has HK\$1,372,977,000 of cash and bank balances, 87.27% of which were denominated in United States Dollar, 10.30% in Renminbi, 2.41% in Hong Kong Dollar and 0.02% in other currencies. The balance comprised of HK\$291,930,000 cash and cash equivalents and HK\$1,081,047,000 bank deposits with original maturity beyond 3 months. 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 depreciated against the Hong Kong Dollar during the six months ended 30 June 2022.

Charges on group assets

At 30 June 2022, 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 HK\$2,851,000 (31 December 2021: HK\$2,909,000).

Capital commitments

As at 30 June 2022, the Group had outstanding contracted capital commitments of HK\$215,683,000 (31 December 2021: HK\$223,658,000).

Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 22 of this announcement.

FINANCIAL HIGHLIGHTS

Unaudited condensed consolidated statement of profit or loss

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
Revenue	3,4	498,402	450,039
Cost of services		<u>(246,948)</u>	<u>(231,055)</u>
Gross profit		251,454	218,984
Other net (losses)/gains	5(a)	(6,341)	6,972
Valuation loss on investment properties	10	(687)	(575)
Administrative expenses		<u>(49,241)</u>	<u>(47,605)</u>
Profit from operations		195,185	177,776
Fair value changes on financial assets	13	708	(425)
Finance costs	5(b)	(3,096)	(3,158)
Share of loss of associates		<u>(24,533)</u>	<u>(25,701)</u>
Profit before taxation	5	168,264	148,492
Income tax	6	<u>(34,456)</u>	<u>(28,014)</u>
Profit for the period and attributable to equity shareholders of the Company		<u>133,808</u>	<u>120,478</u>
Earnings per share	8		
– Basic and diluted		<u>14.41 cents</u>	<u>12.97 cents</u>

Unaudited condensed consolidated statement of comprehensive income

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Profit for the period	133,808	120,478
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of:		
– financial statements of operations outside Hong Kong	(35,731)	558
Share of other comprehensive income of associates	679	122,265
Other comprehensive income for the period	(35,052)	122,823
Total comprehensive income for the period	98,756	243,301

Unaudited condensed consolidated statement of financial position

At 30 June 2022

(Expressed in Hong Kong dollars)

		At 30 June 2022 \$'000	At 31 December 2021 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	4,383,944	4,564,484
Investment properties	10	9,676	10,821
Intangible assets	11	282,272	286,640
Interest in associates	12	751,263	809,084
Club membership		380	380
Prepayments		99,265	95,378
Deferred tax assets		36	36
		<u>5,526,836</u>	<u>5,766,823</u>
Current assets			
Financial assets measured at fair value			
through profit or loss	13	2,691	1,983
Trade receivables, net	14	279,261	139,540
Deposits, prepayments and other receivables		30,592	23,054
Bank deposits with original maturity			
beyond 3 months		1,081,047	662,117
Cash and cash equivalents	16	291,930	701,847
		<u>1,685,521</u>	<u>1,528,541</u>
Current liabilities			
Payables and accrued charges	17	98,839	100,763
Deferred income		42,370	46,758
Dividend payable		8,370	5,603
Lease liabilities		43,530	41,566
Current taxation		61,821	35,244
		<u>254,930</u>	<u>229,934</u>
Net current assets		<u>1,430,591</u>	<u>1,298,607</u>
Total assets less current liabilities carried forward		<u>6,957,427</u>	<u>7,065,430</u>

Unaudited condensed consolidated statement of financial position (continued)

At 30 June 2022

(Expressed in Hong Kong dollars)

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Total assets less current liabilities brought forward	6,957,427	7,065,430
Non-current liabilities		
Deposits received	46,157	46,120
Deferred income	104,151	104,861
Lease liabilities	148,950	141,347
Deferred tax liabilities	615,661	638,993
	914,919	931,321
Net assets	6,042,508	6,134,109
Capital and reserves		
Share capital	18 92,857	92,857
Share premium	1,230,581	1,230,581
Contributed surplus	511,000	511,000
Revaluation reserve	124,601	123,922
Exchange reserve	8,961	44,692
Other reserves	1,202	1,202
Accumulated profits	4,073,306	4,129,855
Total equity	6,042,508	6,134,109

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 June 2022

(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 2021	92,857	1,230,581	511,000	4,017	20,805	1,202	4,080,045	5,940,507
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	-	-	-	-	-	-	120,478	120,478
Other comprehensive income	-	-	-	122,265	558	-	-	122,823
Total comprehensive income	-	-	-	122,265	558	-	120,478	243,301
Dividend approved in respect of the previous year (note 7(b))	-	-	-	-	-	-	(176,429)	(176,429)
Balance at 30 June 2021	<u>92,857</u>	<u>1,230,581</u>	<u>511,000</u>	<u>126,282</u>	<u>21,363</u>	<u>1,202</u>	<u>4,024,094</u>	<u>6,007,379</u>
Balance at 1 January 2022	92,857	1,230,581	511,000	123,922	44,692	1,202	4,129,855	6,134,109
Changes in equity for the six months ended 30 June 2022:								
Profit for the period	-	-	-	-	-	-	133,808	133,808
Other comprehensive income	-	-	-	679	(35,731)	-	-	(35,052)
Total comprehensive income	-	-	-	679	(35,731)	-	133,808	98,756
Dividend approved in respect of the previous year (note 7(b))	-	-	-	-	-	-	(190,357)	(190,357)
Balance at 30 June 2022	<u>92,857</u>	<u>1,230,581</u>	<u>511,000</u>	<u>124,601</u>	<u>8,961</u>	<u>1,202</u>	<u>4,073,306</u>	<u>6,042,508</u>

Unaudited condensed consolidated cash flow statement

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	\$'000	\$'000
Operating activities			
Cash generated from operations		253,895	266,135
Hong Kong profits tax paid		(18,677)	(104,168)
Overseas tax paid		(11,820)	(10,237)
		<u>223,398</u>	<u>151,730</u>
Investing activities			
Payment for purchase of property, plant and equipment		(1,628)	(10,072)
Increase in prepayments		(5,327)	(168,159)
Increase in pledged bank deposits		–	(2)
(Increase)/decrease in bank deposits with original maturity beyond 3 months		(418,930)	206,556
Other cash flows arising from investing activities		11,970	9,301
		<u>(413,915)</u>	<u>37,624</u>
Financing activities			
Capital element of lease rentals paid		(19,522)	(13,641)
Interest element of lease rentals paid		(3,096)	(3,158)
Dividend paid to equity shareholders of the Company		(187,590)	(173,863)
		<u>(210,208)</u>	<u>(190,662)</u>
Net cash used in financing activities		(210,208)	(190,662)
Net decrease in cash and cash equivalents		(400,725)	(1,308)
Cash and cash equivalents at 1 January	16	701,847	613,037
Effect of foreign exchange rates changes		(9,192)	(2,625)
Cash and cash equivalents at 30 June	16	291,930	609,104

Notes to the unaudited condensed consolidated interim financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial information of APT Satellite Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates has been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). It was authorised for issue on 23 August 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual consolidated financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 and HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

The interim financial information is presented in Hong Kong dollars. The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual consolidated financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) and should be read in conjunction with the 2021 annual consolidated financial statements.

The interim financial information is unaudited, but has been reviewed by BDO Limited (“BDO”), in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to IFRS/HKFRS 3	Reference to the Conceptual Framework
Amendments to IAS/HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS/HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards/HKFRSs 2018–2020 Cycle	Amendments to IFRS/HKFRS 1 First-time Adoption of International Financial Reporting Standards/Hong Kong Financial Reporting Standards, IFRS/HKFRS 9 Financial Instruments and IFRS/HKFRS 16 Leases

The application of the amendments of IFRSs/HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior period and/on the disclosures set out in these unaudited condensed consolidated financial statements.

3. SEGMENTAL REPORTING

Operating segments

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the executive directors for their decisions about resources allocation with respect to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. Since over 90% of the Group's revenue, operating results and assets during the six months ended 30 June 2022 and 2021 were derived from the provision of satellite transponder capacity and related services, no other discrete financial information is provided to the executive directors for the purposes of resource allocation and assessment. Accordingly, only entity-wide disclosures, major customers and geographical information is presented.

Whilst the Group's customer base is diversified, it includes one customer with whom transaction has exceeded 10% of the Group's revenue (2021: one customer). For the six months ended 30 June 2022, revenue of \$156,931,000 (six months ended 30 June 2021: \$122,866,000) was derived from this customer and attributable to the provision of satellite transponder capacity and related services.

Geographical information

The Group's non-current 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 entity-wide analysis of the carrying amount of non-current assets by location of assets is presented.

The Group is domiciled in Hong Kong. Given the wide-area broadcasting nature of the Group's satellite operation, the satellite coverage information at individual country level may not always be readily available and the cost of obtaining such information could be excessive. Accordingly, the geographical revenue information is presented at regional level. The revenue derived from customers in (a) Hong Kong, (b) Greater China (which includes Mainland China, Taiwan and Macau but excludes Hong Kong), (c) Southeast Asia and (d) other regions for the six months ended 30 June 2022 are \$45,111,000, \$235,747,000, \$170,597,000, and \$46,947,000 respectively (six months ended 30 June 2021: \$45,400,000, \$207,152,000, \$136,900,000, and \$60,587,000 respectively).

4. REVENUE AND SEASONALITY OF OPERATIONS

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:

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Recognised overtime:		
– Income from provision of satellite transponder capacity	456,962	414,919
– Income from provision of satellite-based broadcasting and telecommunications services	2,219	2,372
– Other satellite-related service income	39,221	32,748
	<u>498,402</u>	<u>450,039</u>

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

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
(a) Other net losses/(gains)		
Interest income on bank deposits	(6,301)	(7,165)
Other interest income	(1,330)	(2,603)
Foreign currencies exchange loss	15,842	4,575
Rental income in respect of properties less direct outgoing expenses of \$Nil (2021: \$41,000)	(681)	(701)
Gain on disposal of property, plant and equipment	–	(22)
Other income	(1,189)	(1,056)
	<u>6,341</u>	<u>(6,972)</u>
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
(b) Finance costs		
Interest on lease liabilities	3,096	3,158

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
(c) Other items		
Depreciation		
– Property, plant and equipment	189,773	186,374
– Right-of-use assets	16,410	12,599
Amortisation	4,368	4,368
Loss/(gain) on disposal of property, plant and equipment	481	(22)
Reversal of impairment loss on trade and other receivables recognised	(8,642)	(9,794)
	<u>(8,642)</u>	<u>(9,794)</u>

6. INCOME TAX

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	43,510	21,732
Under-provision in respect of prior years	289	503
	<u>43,799</u>	<u>22,235</u>
Current tax – Outside Hong Kong		
Provision for the period	14,196	9,296
Over-provision in respect of prior years	(207)	–
	<u>13,989</u>	<u>9,296</u>
Deferred taxation – Hong Kong	<u>(23,332)</u>	<u>(3,517)</u>
Actual tax expense	<u>34,456</u>	<u>28,014</u>

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

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period, 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.

For one of the subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

Deferred taxation in respect of Hong Kong Profits Tax was calculated at 16.5% (2021: 16.5%) of the estimated temporary differences for the period.

7. DIVIDENDS

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Interim dividend proposed after the end of the reporting period of 5.00 cents (2021: 4.00 cents) per ordinary share	46,429	37,143

As the interim 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.

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the period, of 20.50 cents (2021: 19.00 cents) per ordinary share	190,357	176,429

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$133,808,000 (six months ended 30 June 2021: \$120,478,000) and the weighted average of 928,573,000 ordinary shares (30 June 2021: 928,573,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of satellite transponder capacities and teleport services, and therefore recognised the additions to right-of-use assets of \$24,256,000 (six months ended 30 June 2021: \$7,779,000).

(b) Acquisitions and disposals

During the six months ended 30 June 2022, the Group acquired property, plant and equipment, including construction-in-progress but excluding right-of-use assets, at a total cost of \$2,859,000 (six months ended 30 June 2021: \$42,938,000). Items of property, plant and equipment with a net book value of \$562,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: \$1,000), resulting in a loss on disposal of \$481,000 (six months ended 30 June 2021: a gain on disposal of \$22,000).

(c) Impairment loss

The Group conducted a review of its property, plant and equipment for the six months ended 30 June 2022 and 2021 and no impairment loss is recognised.

10. INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2022 at \$9,676,000 (31 December 2021: \$10,821,000) 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. Fair value change including a valuation loss of \$687,000 (six months ended 30 June 2021: \$575,000) and an exchange loss of \$458,000 (six months ended 30 June 2021: an exchange gain of \$433,000) have been recognised in profit or loss during the six months ended 30 June 2022.

11. INTANGIBLE ASSETS

Intangible asset with indefinite useful life

During 2009, the Group obtained the right to operate a satellite at an orbital slot. Such intangible assets is considered to have an indefinite life and not subject to amortisation.

During the six months ended 30 June 2022 and 2021, the Group conducted a review for impairment of the intangible assets and concluded no impairment loss is recognised.

Leased intangible assets – orbital slots

The amortisation charge for the period of \$4,368,000 (six months ended 30 June 2021: \$4,368,000) is included in “cost of services” in the condensed consolidated statement of profit or loss.

12. INTEREST IN ASSOCIATES

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 (equivalent to \$2,454 million), of which the Group has committed to contribute RMB600 million (equivalent to \$736 million), representing 30% of the equity interest in APT Mobile. Details of which can be referred to in the Company's announcements on 23 July 2016 and 14 August 2016 in relation to the establishment of APT Mobile.

The principal activities of APT Mobile are the construction and development of global high-throughput satellite communication system. As at 30 June 2022, 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 RMB600 million (equivalent to \$736 million) (31 December 2021: RMB600 million (equivalent to \$736 million)). APT Mobile is accounted for using the equity method in the condensed consolidated financial statements.

On 31 August 2021, the Group entered into an Investors' Agreement for the establishment of APSTAR Alliance Satcom Limited ("APSTAR Alliance") in Hong Kong. The total registered capital of APSTAR Alliance is US\$30 million (equivalent to \$234 million), of which the Group has committed to contribute US\$6 million (equivalent to \$46.8 million), representing 20% of the equity interest in APSTAR Alliance. The principal activities of APSTAR Alliance are the construction and development of global high-throughput satellite communication system. As at 30 June 2022, APSTAR Alliance was engaged in a project for the procure and launching of the APSTAR-6E Satellite and the capital contribution made by the Group amounted to US\$6 million (equivalent to \$46.8 million) (31 December 2021: US\$6 million (equivalent to \$46.8 million)). APSTAR Alliance is accounted for using the equity method in the condensed consolidated financial statements.

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

At 30 June 2022, the investment in the listed shares of CNC Holdings Limited was remeasured at a fair value of \$2,691,000 (31 December 2021: \$1,983,000), based on the market price as at the end of the reporting period, with fair value gain of \$708,000 (six months ended 30 June 2021: fair value loss of \$425,000) 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:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 30 days	214,797	104,656
31 - 60 days	17,103	1,400
61 - 90 days	17,683	2,677
91 - 120 days	5,573	4,595
Over 120 days	24,105	26,212
	<u>279,261</u>	<u>139,540</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 from the end of the reporting period.

15. PLEDGE OF ASSETS

At 30 June 2022, 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 \$2,851,000 (31 December 2021: \$2,909,000).

16. CASH AND CASH EQUIVALENTS

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Deposits with bank and other financial institutions with original maturity less than 3 months	66,265	484,278
Cash at bank and on hand	225,665	217,569
	<u>291,930</u>	<u>701,847</u>

Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated cash flow statement

17. PAYABLES AND ACCRUED CHARGES

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

18. SHARE CAPITAL

Authorised and issued share capital

	At 30 June 2022		At 31 December 2021	
	No. of shares		No. of shares	
	'000	\$'000	'000	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	2,000,000	200,000	2,000,000	200,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January and 30 June/31 December	928,573	92,857	928,573	92,857

19. FAIR VALUE MEASUREMENT

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

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

	At 30 June 2022			At 31 December 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Investment properties (<i>note 10</i>)	–	–	9,676	–	–	10,821
Financial assets measured at fair value through profit or loss (<i>note 13</i>)	2,691	–	–	1,983	–	–

During the six months ended 30 June 2022 and year ended 31 December 2021, there were no transfers between levels of fair value hierarchy. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2022 and 31 December 2021.

20. COMMITMENTS

At 30 June 2022, the Group had the following outstanding capital commitments not provided for in the condensed consolidated financial statements:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Contracted for in respect of acquisition of property, plant and equipment	<u>215,683</u>	<u>223,658</u>

21. MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Income from fellow subsidiaries for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	183,798	143,791
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>)	3,360	3,735
Income from an associate for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	18,307	8,153
Income from a subsidiary of an associate for providing satellite transponder capacity and satellite-based telecommunication services (<i>note (i)</i>)	10,651	12,301
Income from an associate for technical support and project management services (<i>note (ii)</i>)	1,983	7,286
Management fees to a fellow subsidiary (<i>note (iii)</i>)	(380)	(659)
Expenses to fellow subsidiaries for satellite transponder capacity and satellite-based telecommunication services (<i>note (iv)</i>)	(4,086)	(2,456)
Expenses to an associate for satellite transponder capacity and satellite-based telecommunication services (<i>note (iv)</i>)	(208)	–
Expenses to a subsidiary of an associate for satellite transponder capacity and satellite-based telecommunication services (<i>note (iv)</i>)	<u>(10,506)</u>	<u>–</u>

Notes:

- (i) The terms and conditions of these transponder capacity utilisation agreements are similar to those contracted with other customers of the Group.
- (ii) Proceeds from an associate for technical support and project management services provided during the period.
- (iii) Management fees were paid to a fellow subsidiary for services received during the period.
- (iv) Transponder capacity services cost was paid to fellow subsidiaries, an associate and a subsidiary of an associate for services received during the period.

22. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors declared an interim dividend of \$46,429,000. Further details are disclosed in note 7.

HUMAN RESOURCES

As at 30 June 2022, the Group had 109 employees (30 June 2021: 109 employees). The Group continues to provide on the job training to employees, which meet their needs and periodically review its emolument policy based on the respective responsibilities of employees and current market trends.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2022 to Friday, 23 September 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed interim 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m on Tuesday, 20 September 2022.

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2022, the Company has met the code provisions ("Code Provision") set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, save for the following Code Provisions:

- B.2.2: the Chairman of the Board and the President are not subject to retirement by rotation given that would help the Company maintain its consistency of making business decisions.

AUDIT AND RISK MANAGEMENT COMMITTEE

In the meeting on 22 August 2022, the Audit and Risk Management Committee reviewed with the management the accounting principles and practices adopted by the Group and the Company's unaudited interim financial report for the six months ended 30 June 2022, and discussed auditing and internal control matters. The Audit and Risk Management Committee comprises four independent non-executive directors, Dr. Lui King Man (Chairman), Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo.

INTERIM REPORT

The unaudited financial information set out above does not constitute the Company's 2022 interim financial report for the six months ended 30 June 2022, but represents an extract from the interim financial report.

The Company's 2022 Interim Report containing information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.apstar.com) in due course.

NOTE OF APPRECIATION

I would like to express my sincere gratitude to all the customers of the Group and my grateful gratitude to all 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 August 2022

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

Executive Directors:

Wang Hongbin (*President*) and Yan Zhao (*Vice President*)

Non-Executive Directors:

Li Zhongbao (*Chairman*), Yin Yen-liang, Fu Zhiheng, Lim Kian Soon, He Xing, Lim Seng Kong and Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-Executive Directors:

Lui King Man, Lam Sek Kong, Cui Liguu and Meng Xingguo