FLASH NOTE

14 March 2013

APT Satellite (1045 HK)

Additional satellite to drive growth

Fundamentals

Rising contribution from new APSTAR 7 satellite

We recently visited APT Satellite which issued positive profit alert due to rising contribution from its new APSTAR 7 that replaced the old APSTAR 2R in May 2012. APSTAR 7 carries extra 12 Ku-band with 71% utilisation rate in 1H12 had contributed extra HK$30m to revenue in 1H12. We conservative estimates that net profit is likely to rise to HK$380m in FY12 and HK$480m due to rising contribution from APSTAR 7 assuming no price hike and stable utilisation which both have upside risk according to management due to hotbird effect.

Satellite rental is a sticky and non-cyclical business

It costs about US$30m to change satellite per channel and take cumbersome work to change direction of each receiver in each region. It also poses great operational risks to broadcaster if the new satellite is unstable and thus it is rare for channel to switch satellite. Satellite rental is also non-cyclical as contracts with channels normally last for 2-3 years and TV watching is habit which is anti-recession.

Rising transponder demand with limited orbital slots available

Demand for transponder capacity is rising, especially in Asia Pacific due to increase in satellite TV channels, including niche and local language channels, high definition TV channel migration which uses 2x the bandwidth of SD channel. and more pay TV platforms in Asia Pacific region. According to management, the industry faces limited orbital slots in the region which will drive prices higher in the next few years as demand will continue to be more than supply.

Possible cooperation with Parentco in 2H13

APT could start cooperation with Parentco in 2H13 by leasing APSTAR 7B to enhance profitability. We believe APT could benefit from asset restructuring within the group on a longer term basis.

Catalysts

We believe FY12 annual results announcement on 22th March, possible increase in dividend payout ratio from 10% in FY11. We believe disposal of shares by China Aerospace (31 HK) which holds 3.9% stake is company specific and does not relate to the improving fundamental of APT, and disposal would enhance trading liquidity.

Valuation

Based on our conservative estimates, APT is trading at 7.3x FY12 and 5.7x FY13 PE. We believe APT is still cheap as its peers are trading at 17x FY13 PE in Europe. Our short term target price is set at 10x FY13 PE, which is HK$7.74 per share.

HK$ M (Dec YE)	FY07A	FY08A	FY09A	FY10A	FY11A
Revenue (HK$, M)	452	404	578	719	758
EBIT (HK$, M)	81	110	211	279	317
Net profit (HK$, M)	6	50	254	198	281
Adjusted NP (HK$, M)	5	(6)	218	198	216
Adjusted EPS (HK$)	0.01	(0.02)	0.53	0.32	0.35
Adjusted PE (x)	366	-	8.7	14.4	13.2

Sources: Bloomberg, CIRL

Short Term (3 Month)

Trading Buy

Trading Buy *

Trading Sell

Current Price: HK$4.42

Target Price: HK$7.74

Kenneth Li

Kenneth.li@cinda.com.hk

(852) 2235 7619

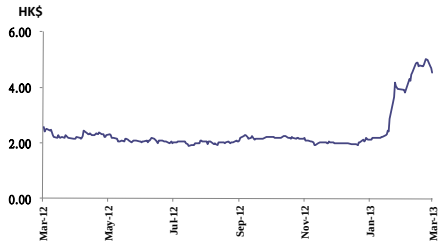
Trading data

Ticker	1045 HK
52-Week Range (HK$)	1.74/5.17
3 Mth Avg Daily Vol (m)	2.4
No of Shares (m)	622
Market Cap (HK$m)	2,849
Major Shareholders (%)	CASC (40%)
Auditors	KPMG
Result Due	FY12: Mar

Company description

APT Satellite engages in satellite transponder rental. The company has 3 satellites in geo-stationary orbit which consist of APSTAR 5, APSTAR 6 and APSTAR 7. The three satellites have a total of 135 transponders, of which 86 are C-band and 49 are Ku-band.

Price chart



*** Note:**

FLASH NOTE represent short-term trading ideas by Cinda International Research which are distinguished from our normal coverage.
The recommended stocks may not be continually followed.

Rising contribution from new APSTAR 7

We recently visited APT Satellite which issued positive profit alert due to rising contribution from its new APSTAR 7 satellite that successfully replaced the old APSTAR 2R in May 2012. APSTAR 7 which carries extra 12 Ku-band and covers 75% of the world's population had contributed approximately an additional of HK$30m revenue in 1H12. We conservative estimates that net profit is likely to rise to HK$380m in FY12 and HK$480m due to rising contribution from APSTAR 7 assuming no price hike and stable utilisation rate which both have upside risk according to management due to hotbird effect.

Before APSTAR 2R was replaced, APT terminated lease agreement with Telesat in regards to APSTAR 2R in 2009. Because the old APSTAR 2R satellite had only 3.5 years of operational life remaining, it was difficult for APT to raise rental fees and hard to attract and new and valuable channels to join as broadcaster will wait after the satellite transition to complete. In May 2012, APSTAR 2R was successfully replaced by APSTAR 7, this brand new satellite has 15 years of operation life and carries extra 12 Ku-band transponders. These have made APSTAR 7 to become the "hot bird" in Asia Pacific regions. Management believe APSTAR 7 will help to create addition revenue in FY13 and FY14 as satellite still have room to fit more channel contents with 71.25% utilization rate in 1H12. Rental costs for existing channels will also rise and new channels will also need to pay higher rental costs as utilization rate increase means less capacity available.

APSTAR 7B which was the back-up of APSTAR 7 in case of launch failure was transferred to parentco China Satellite Communication "China Satcom" in September 2012. APSTAR 7B has similar capacity of APSTAR 7 with 28 C-band transponders and 23 Ku-band transponder. According to management, APT could lease APSTAR 7B in 2H13, we believe this is positive to APT as this will save the large CAPEX of US$280m per satellite and APSTAR 7B has good orbital slot.

Exhibit 1: APSTAR satellite fleet

Satellite	APSTAR 5	APSTAR 6	APSTAR 7	APSTAR 2R (Replaced)	APSTAR 7B (Back up)
Launch date	June 2004	April 2005	March 2012	October 1997	March 2012
Operation life	>15 years	>15 years	>15 years	15 years	>15 years
Orbit position	138° E	134° E	76.5° E	76.5° E	87.5° E
Number of C-band transponder	20	38	28	28	28
Number of Ku-band transponder	9	12	28	16	23
Overall utilization rate in 1H12	82.10%	75.18%	71.25%		
Number of channels	72	22	95		
% channel in HD format	15%	0	20%		

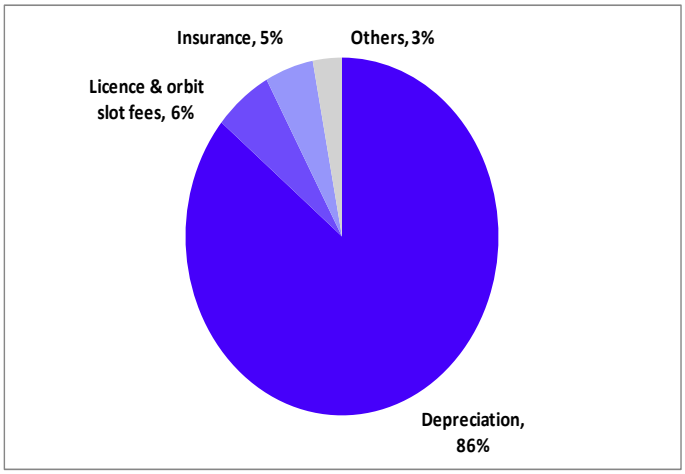
Source: Company, CIRL

Operating leverage to enhance profitability in 2H12 and FY13

APT's depreciation and licence and orbit slot fees are fixed costs accounted for 86% and 6% in cost of service in 1H12 respectively. Extra revenue generated from APSTAR 7, price hike and higher utilisation rate will mainly contribute to pre-tax profit as APT's administrative costs of around HK$110m each year will be stable as management commented that the number of workers will be unchanged regardless of the number of satellite it operates.

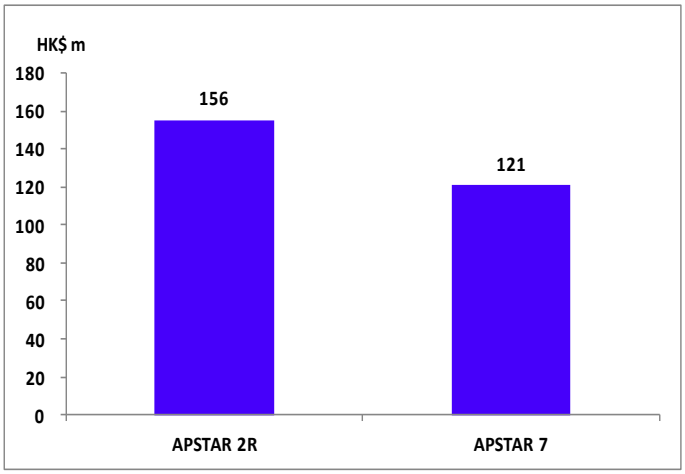
As satellites are depreciated in straight line according to the life of the satellite, the CAPEX for APSTAR 7 was US$280m, which will depreciate over 18 years with depreciation costs of HK$121m per year. On the other hand, Satellite 2R was acquired at HK$467m and depreciated for 3 years with HK$156m depreciation cost per year. This means that APSTAR enjoys approximately HK$35m savings of depreciation cost each year from the new APSTAR 7 as it depreciate over the life of the satellite.

Exhibit 2: Cost of service for APT in 1H12



Source: Company, CIRL

Exhibit 3: Annual depreciation expense of APSTAR 2R and 7



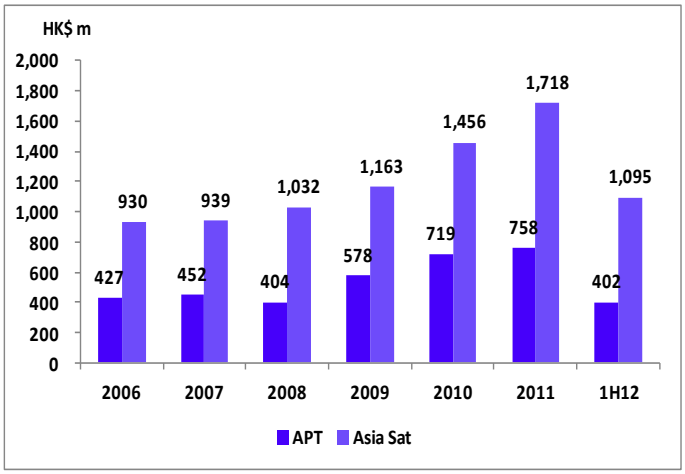
Source: Company, CIRL estimates

Satellite rental is a sticky and non-cyclical business

After the channel broadcaster choose a particular satellite for broadcasting, it is rare for the broadcaster to switch to another satellite. According to management, this is because it costs about US$30m for channel broadcaster to change satellite provider per channel and it is cumbersome work for broadcaster to manually change the direction of each and every satellite receiver on the ground in each region in order to receive the new satellite signal. In addition, it poses great operational risks to broadcaster if the new satellite is unstable as broadcasting is 24 hours business and cannot be interrupted.

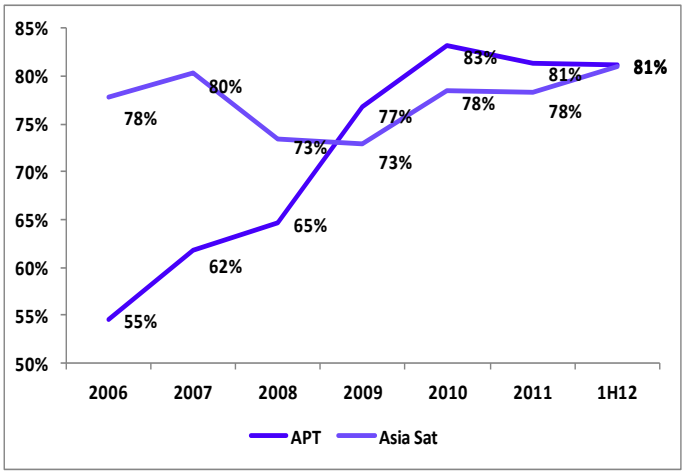
Satellite rental is also non-cyclical business as contracts with channels on average last for 2-3 years with long term clients lasting even longer. According to management, HBO is the largest client in APSTAR 7 with contract last for the whole operation life of the satellite and Walt Disney has also signed 10 years contract with APT for APSTAR 7. In addition, the revenue of APT and Asia Sat are non-cyclical as their revenues are not affected by global economic crisis in 2008 and 2009. Other global satellite operators also exhibit non-cyclical characteristics as SES and Eutelsat's revenue are unaffected by global financial crisis in 2008 and 2009 as well as European debt crisis in 2010-2012.

Exhibit 4: Historical revenue of APT and Asia Sat



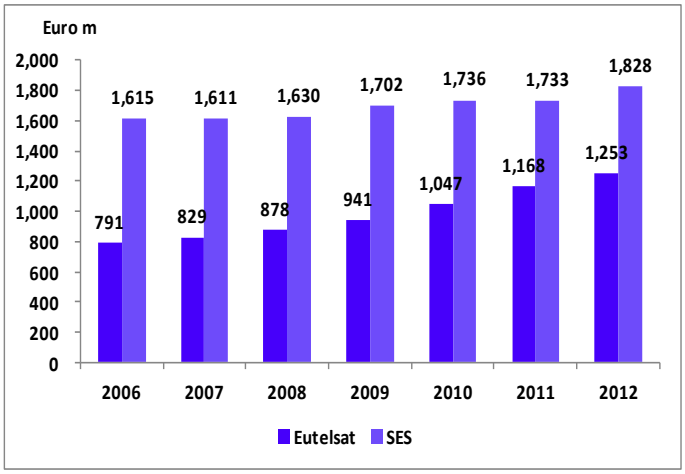
Source: Bloomberg, CIRL

Exhibit 5: Historical EBITDA margin of APT and Asia Sat



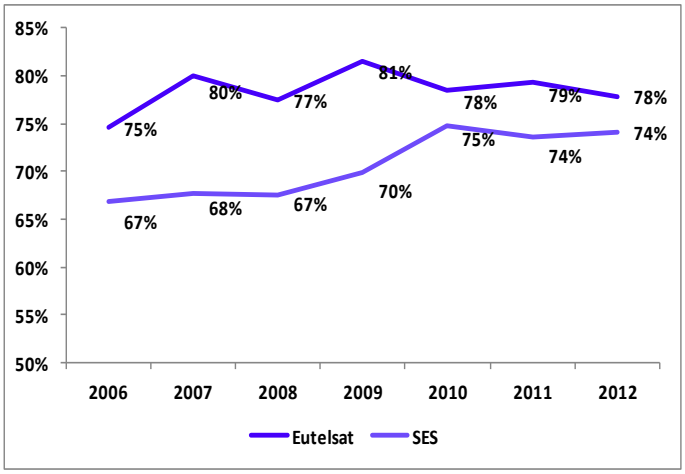
Source: Bloomberg, CIRL

Exhibit 6: Historical revenue of SES and Eutelsat



Source: Bloomberg, CIRL

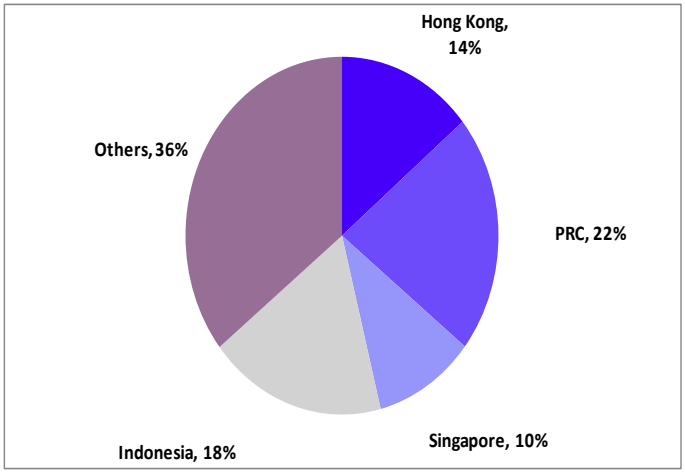
Exhibit 7: Historical EBITDA margin of SES and Eutelsat



Source: Bloomberg, CIRL

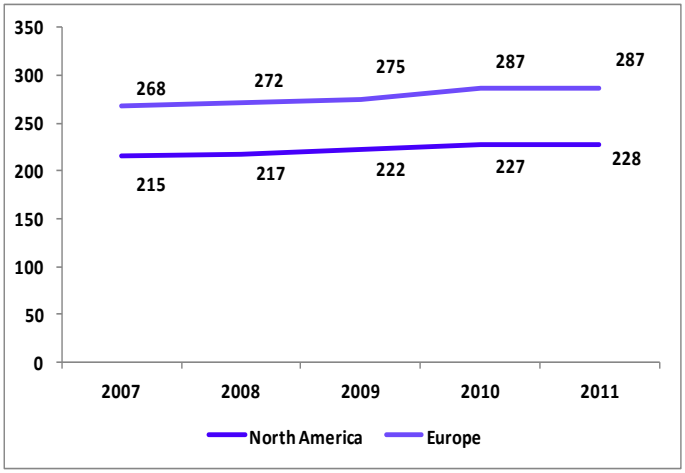
In addition, TV viewing time is also non-cyclical. According to Eurodata, TV viewing time in minutes per day in both North America and European edging slightly higher each year despite global financial crisis in 2008 and 2009 and European debt crisis in 2010 and 2011. As the US and European is matured market for TV viewing, we believe Asian TV viewing is on the rise due to rising income level.

Exhibit 8: Revenue breakdown for APT in 1H12



Source: Company, CIRL

Exhibit 9: TV viewing time in minutes per day



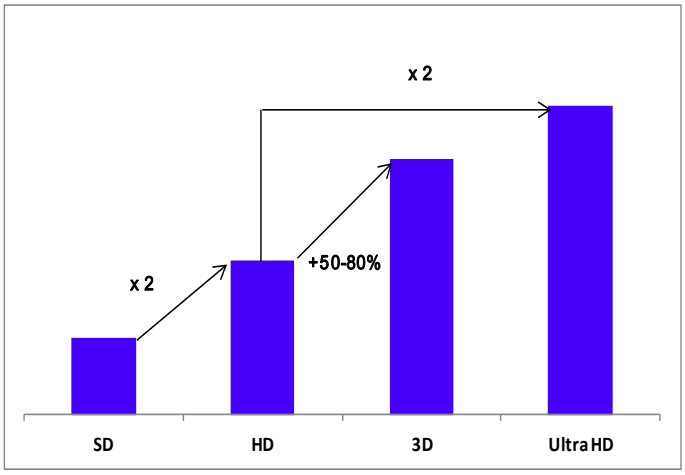
Source: Eurodata, TV worldwide, CIRL

Rising transponder demand with limited orbital slot

Demand for satellite transponder capacity is rising, especially in Asia Pacific due to high definition “HD” TV channel migration, more pay TV platforms in Asia Pacific region and more niche and local language satellite TV channels.

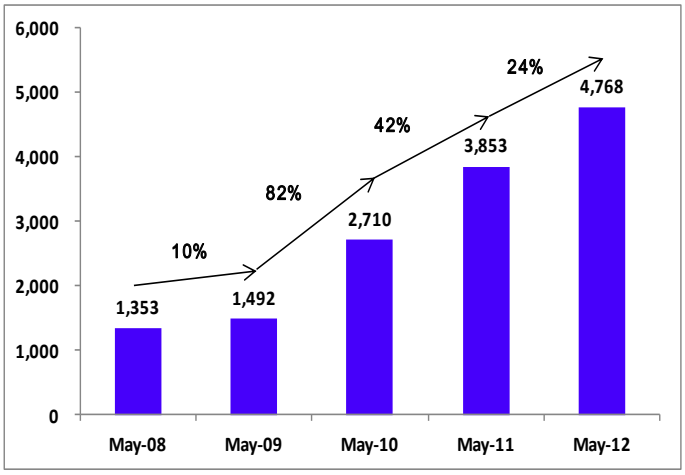
According to Satellite Industry Association “SIA”, HD satellite TV channels have increased dramatically over the past few years due to the rising penetration of HD TV worldwide. As a result, the proportion of HD satellite TV channels rose dramatically from just 3% in 2007 to 14% in 2011. More HD channels means there are greater need for satellite bandwidth as HD channels demand twice as much bandwidth compared to SD channels. In addition, the introduction of ultra HD TV in 2015 will also facilitates increasing need for capacity as ultra HD TV channels demand twice as much bandwidth compared to HD channels.

Exhibit 10: Satellite channels – Bandwidth needs by technology



Source: SES, CIRL

Exhibit 11: Worldwide HD satellite TV channels



Source: SIA, CIRL

Exhibit 12: Number of channels per transponder with different channel format

Number of channels per transponder (36Mhz)

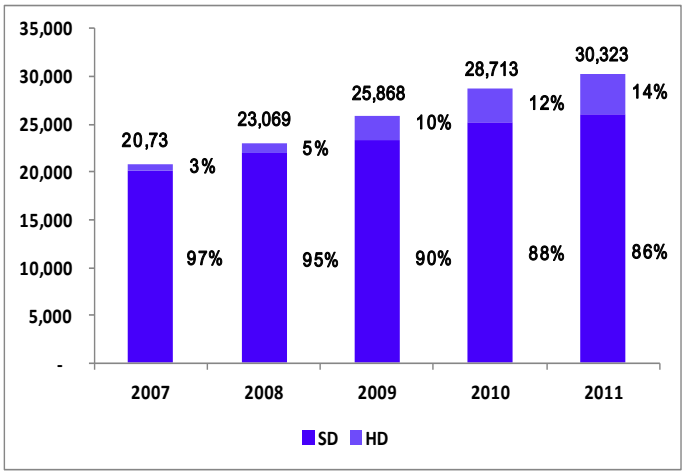
Ramp-up	Format	Diffusion mode	MPEG-2	MPEG-4	HEVC (Mid 2010s)
1990s-2000s	SD	DVB-S	10	20	40
		DVB-S2	13	26	52
2000s-2010s	HD	DVB-S	~2.5	5	10
		DVB-S2	3 à 4	6 à 7	12 à 13
2020s	Ultra HD (4k 50fps)	DVB-S		n/a	~15
		DVB-S2		1	2

Source: Eutelsat

Source: Eutelsat

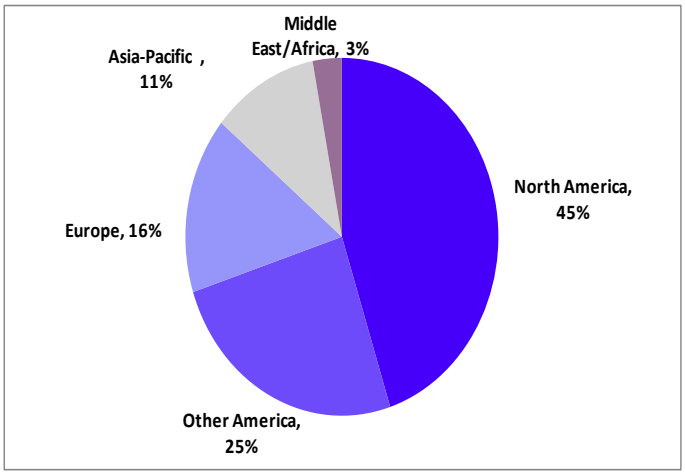
Geographically Asia-Pacific market still lags other regions in terms of HD channels, According to SIA, Asia-Pacific only accounted for 11% of the total HD satellite channels which represents huge rooms for growth as income increase in the region, there will be greater demand for more high quality definition TV channels.

Exhibit 13: Global satellite TV broadcast channels



Source: Booz&co, CIRL

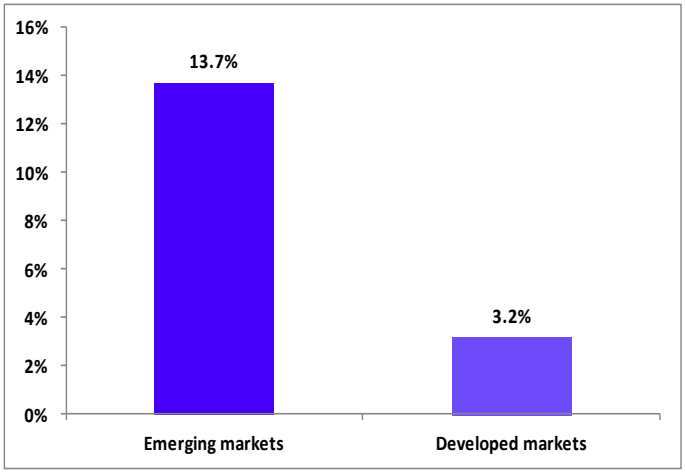
Exhibit 14: HD channels by region



Source: SIA, CIRL

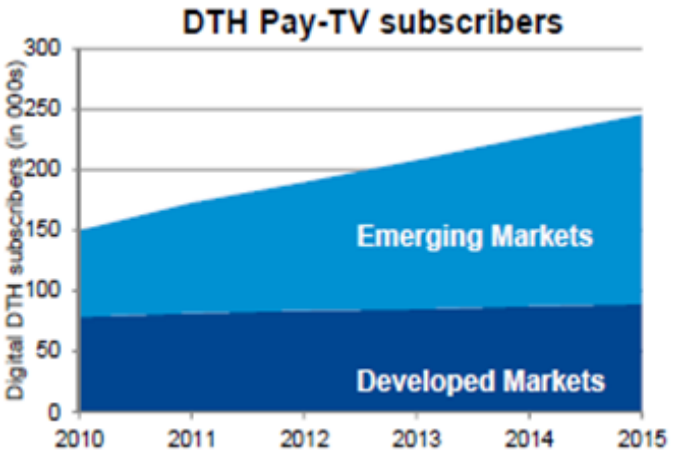
Direct to Home "DTH" TV is projected to grow across the world with the uptake in emerging markets and growth in HD being the main driver of demand. According to Screen Digest, DTH pay-TV revenues is forecasted to grow by CAGR of 13.7% between 2011-15 in emerging markets compared to 3.2% in developed market, driven by rising DTH pay-TV subscribers in emerging markets. In addition, the number of satellite channels is expected to rise by 3.4% CAGR in 2011-20, Asia Pacific is expected to rise at a faster pace of 4.3% CAGR during the same period driven by increase HD channels as well as rising number of niche and local language channels. As such, share of demand from DTH (Both pay and free-to-air) is expected to rise to 50% in 2011 to 53% by 2021 according to Euroconsult.

Exhibit 15: DTH Pay TV revenues CAGR (2011-15)



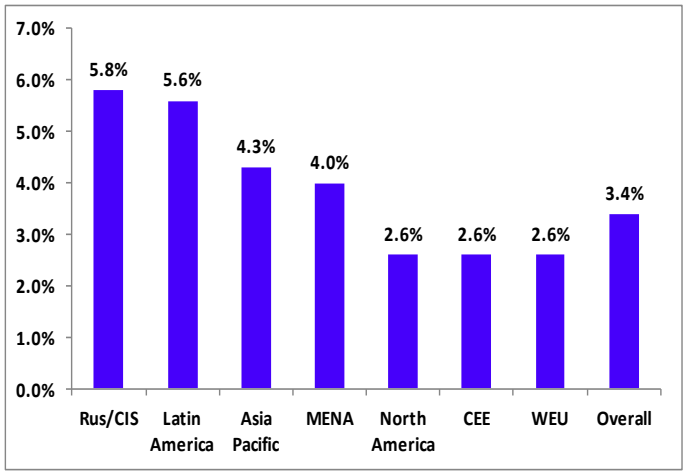
Source: Screen Digest, CIRL

Exhibit 16: DTH Pay-TV subscribers



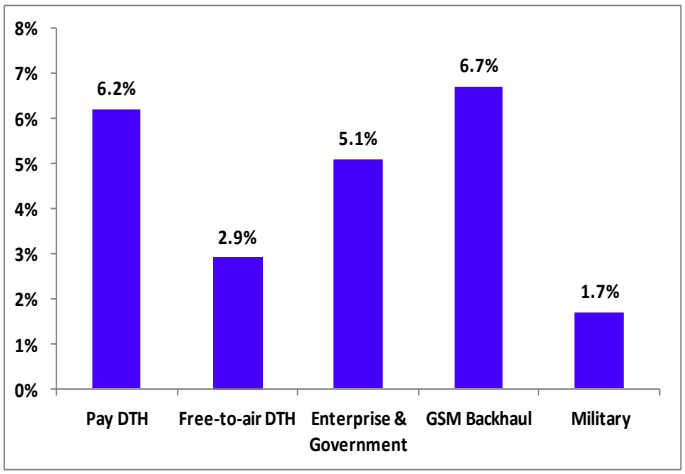
Source: Dataxis, SES, CIRL

Exhibit 17: Channel CAGR by region, 2011-20E



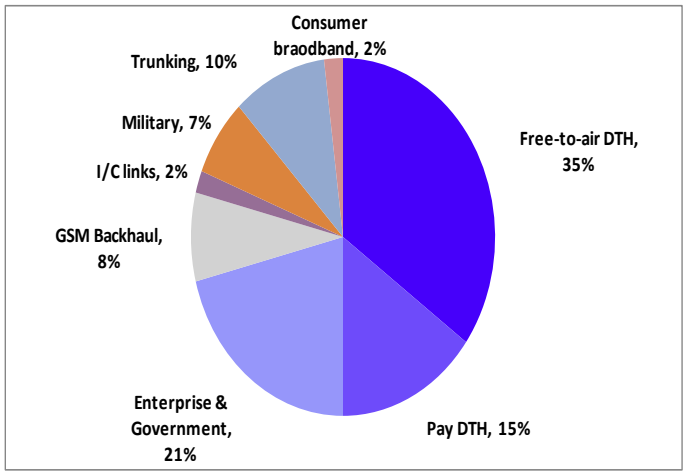
Source: Euroconsult, CIRL

Exhibit 18: Demand CAGR by applications, 2011-2021E



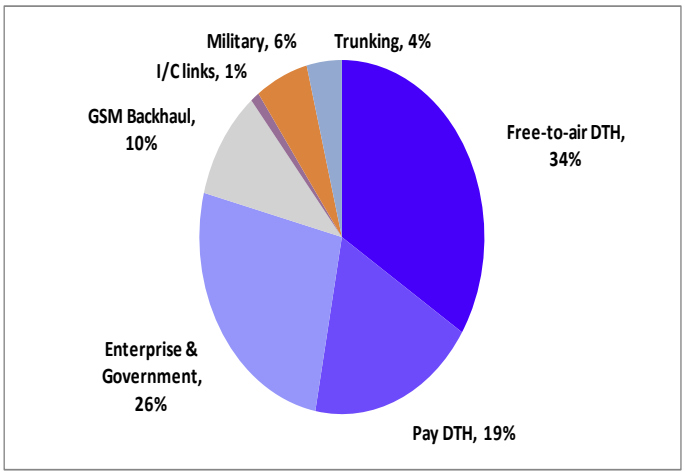
Source: SES, CIRL

Exhibit 19: Demand breakdown of C/Ku transponders, 2011



Source: Euroconsult, CIRL

Exhibit 20: Demand breakdown of C/Ku transponders, 2021E



Source: Euroconsult, CIRL

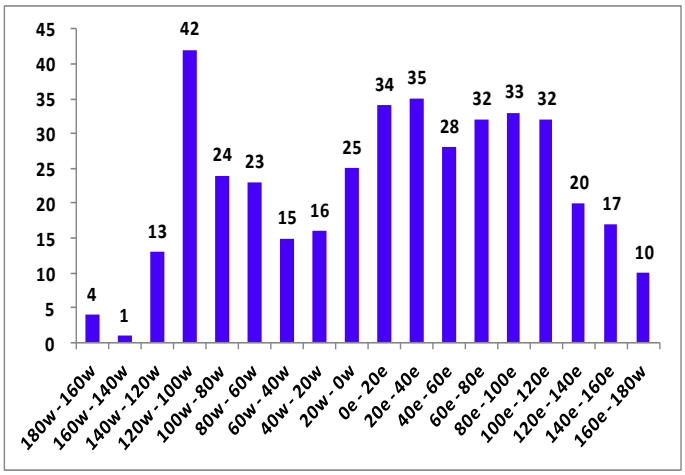
Limited orbital slot

According to SES, the new addition of C/Ku band transponder from new satellite launch is expected to grow by CAGR of 7% between 2011 - 2015. However, APT management believes many of these new transponder additions are for replacement purposes as geostationary satellite faces the issue of limited orbital slots.

Theoretically, each satellite needs to be separated by atleast 2° apart in order to avoid adjacent satellite interference "ASI". However, satellites in the orbital slots are crowded together and a number of them are in co-location strategy and some of them are located as close as just about 0.5° . Operators have to coordinate the right of using the respective orbital slot with adjacent orbital slot users. In the absence of successful coordination, operator cannot achieve the N stage in the register under the International Telecommunication Union "ITU" Registry. Some operators which have right or priority on the orbital slots may put the rights for auction or tendering and earlier case recorded the price up to US$100m.

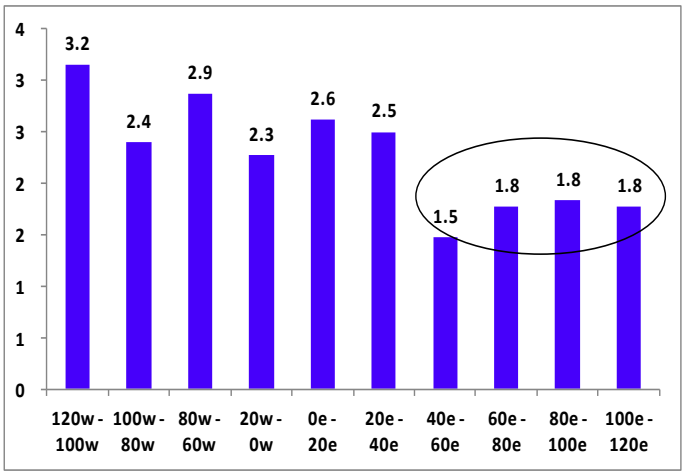
For the popular orbital longitude, which covers the most populations geographically, e.g. between 40° E to 120° E, covering Asia Pacific, Middle East and Africa, it is hard to get new orbital slot on these longitude because 1) satellite intensity is high as there are already many satellites in placed, 2) satellite per FSS in this popular longitude range is the lowest, ranging from 1.5-1.8, which means these markets are more fragmented and new satellite cooperation will be difficult. Due to limited orbital slot, demand will continue to be more than supply which will drive prices higher in the next few years.

Exhibit 21:Geo-satellite distribution



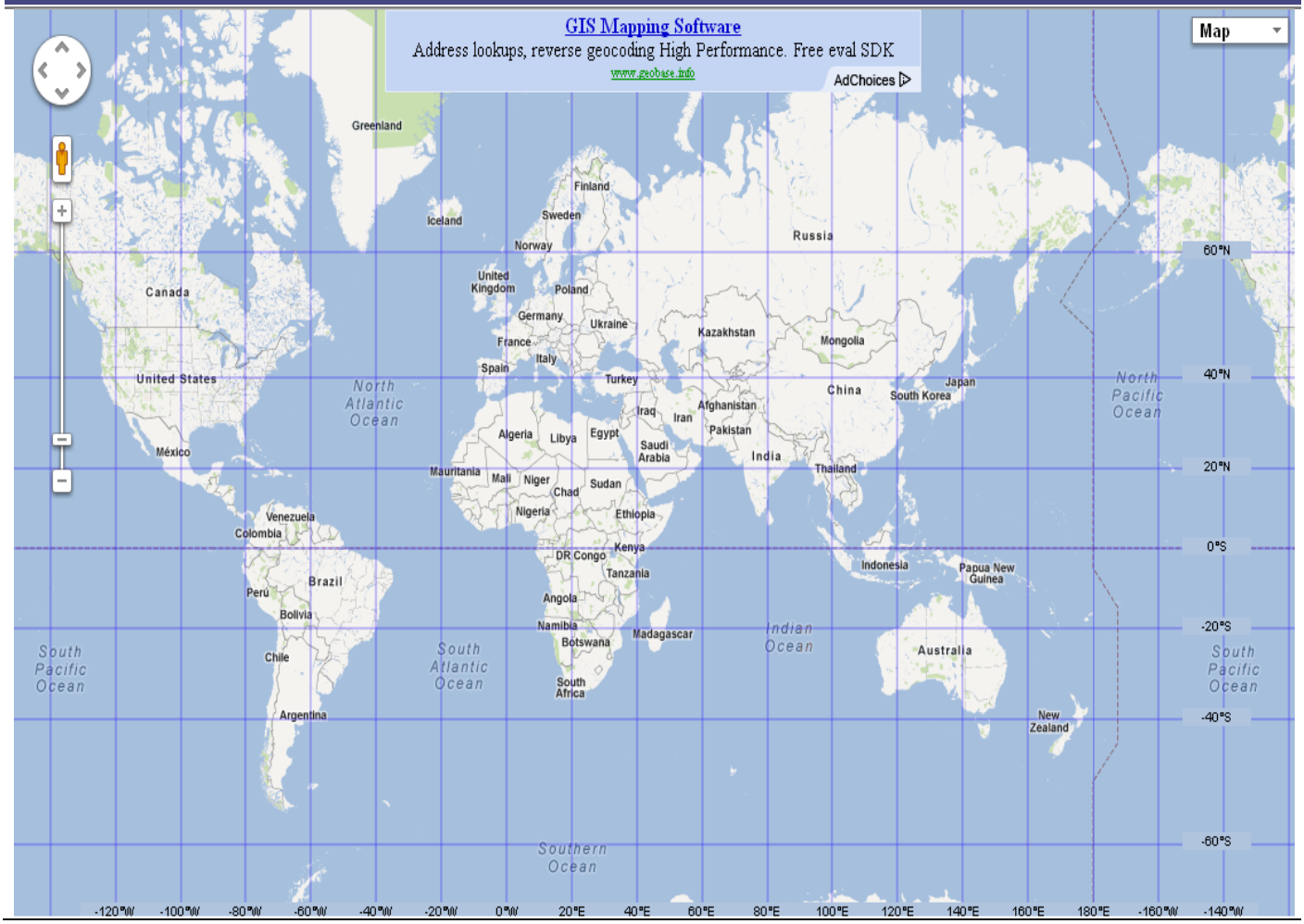
Source: www.satsig.net, CIRL

Exhibit 22: Geo-Satellite per FSS by longitude



Source: www.satsig.net, CIRL

Exhibit 23: World map with longitude lines



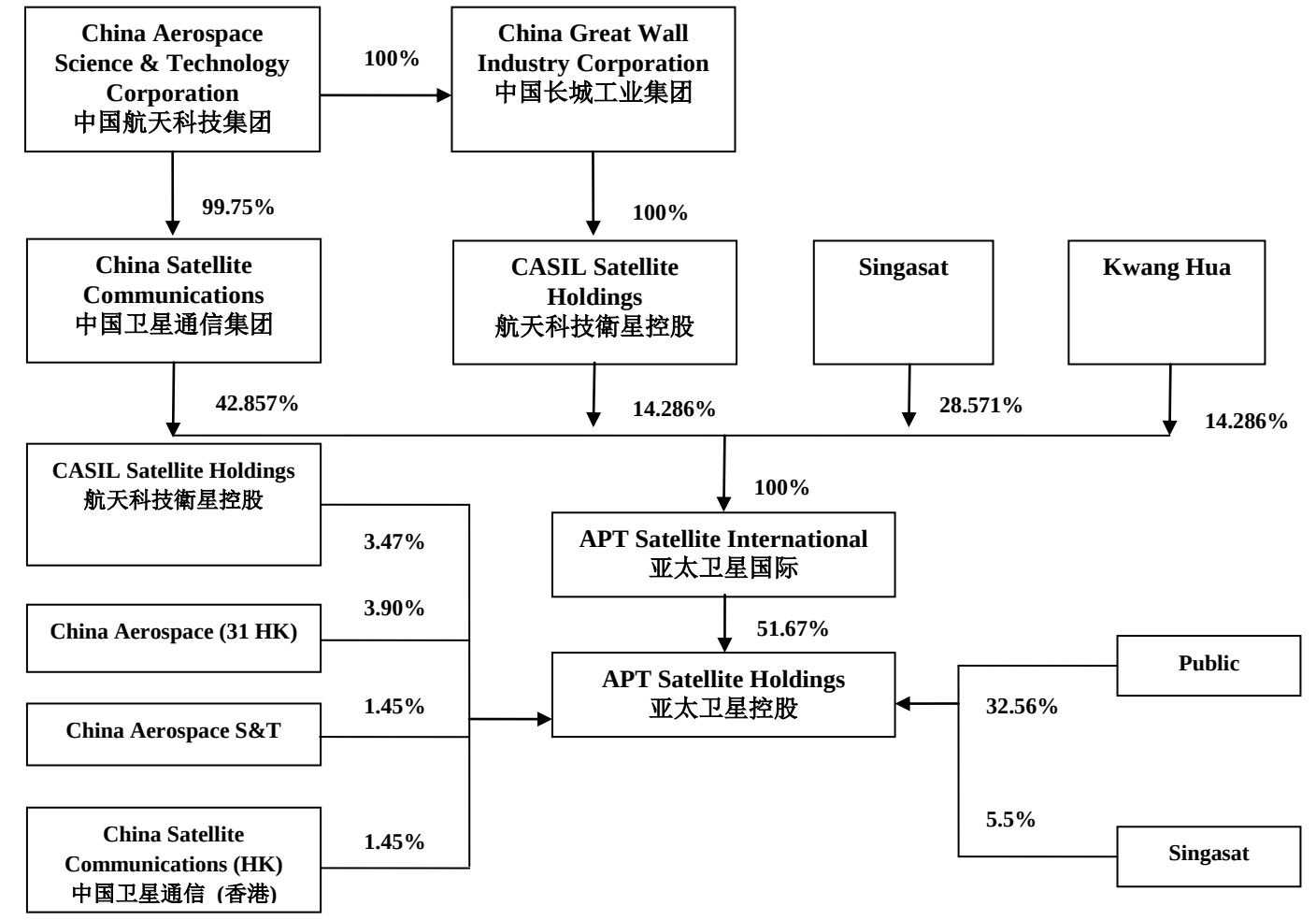
Source: Google, CIRL

Possible cooperation with Parentco in 2H13

APT could start cooperation with Parento China Satcom in 2H13 by leasing APSTAR 7B and subleasing it to clients. We believe such possible cooperation will be positive for APT in several aspects. Similar to APSTAR 7, APSTAR 7B has good orbital slot at 87.5° E, providing wide coverage for Asia Pacific, Middle East and Africa, about 75% of world's populations. By leasing APSTAR 7B, it saves the huge CAPEX as launching a new satellite costs approximately US$280m. In addition, popular orbital slots such as APSTAR 7B is difficult to obtain.

We believe APT could benefit from possible asset restructuring within the group on a longer term basis as it is the only listed subsidiary for China Satcom. China Satcom has 9 satellites with a total of 227 transponders serving mainly China market. We believe these assets are valuable as China is still a closed and highly regulated satellite market for foreigners. The fact that Chinese consumers are becoming affluent and common language with large population would also make this market more attractive. As for the ultimate parentco China Aerospace Science & Technology Corporation "CASC", besides APT, it has two other list companies in Hong Kong, namely China Energine (1185 HK) which is currently engaged in renewable energy, the other is China Aerospace (31 HK) which engages in property and tourism development in Hainan Island. However we believe APT's business is the most related to those of CASC.

Exhibit 24: Financial summary



Source: Company, CIRL

Disposal of shares by China Aerospace (31 HK)

According to HKEX filing, CASC had disposed 1.15m APT shares on secondary market at HK$4.977 per share on 7th March 2013. However, we learned from management that the shares were not from CASC but from its subsidiary China Aerospace (31 HK), which holds 3.9% stake in APT. We believe disposal of shares by China Aerospace was related to its own poor financial performance which it had issued profit warning citing "no material one-off non-recurring income was recorded" in FY12. We believe the disposal does not reflect the improving outlook of APT.

However, we believe the disposals of the stake by China Aerospace will provide trading liquidity for APT given only 32.56% of the APT's shares are free-flow.

Exhibit 25: Comparison of satellite operators

Company name	APT Satellite	Asia Satellite	China Satcom
Stock code	1045 HK	1135 HK	Non-listed
Market cap	HK$2,916m	HK$11,306m	Non-listed
Number of satellite	3	3	9 (ex APT)
- **C-band transponder**	86	82	151
- **Ku-band transponder**	49	46	76
- **Total**	135	128	227
Focus region	Asia Pacific	Asia Pacific	China
Key customers	HBO Walt Disney CCTV	STAR TV FOX	CCTV All other major satellite channels in China
Major shareholders	CASC (40%)	CITIC Group (74.4%) Aberdeen AM (6.1%)	CASC (100%)

Source: Companies, CIRL

Attractive valuation and higher dividend payout likely

APT recorded HK$402m revenue and adjusted net profit of HK$126m in 1H12. APT had issued positive profit alert for FY12 results citing “significant increase in operating profit arising from the commencement of the new satellite, APSTAR 7”. According to management, APSTAR 7 had only started revenue contribution from June 2012 to December 2012 as APSTAR 2R was used during January to May 2012. According to management, the additional revenue from APSTAR 7 is approximately HK$30m per month compared to APSTAR 2R.

According to management, APSTAR 2W’s revenue contribution was about US$30m to US$40m per year with low utilization as the satellite was reaching the end of its operation life and lot of the Ku-bands were used or used to support C-band. Thus, we estimate the new Ku-bands in APSTAR 7 could contribute about HK$110m additional net profit with 72% utilization rate in 2H12. ASP hike of HK0.1m to HK$1.6m per C-band of APSTAR 7 in 2H12 as well as one-off management fee of APSTAR 7B both contributes about HK$9m net profit each based on our estimates. In addition, APSTAR has lower depreciation costs compared to APSTAR 2R, which helps to save about HK$17m in depreciation expenses in 2H12. We estimates FY12 net profit of HK$380m, up 35% yoy on net profit or 76% yoy on adjusted net profit basis. Based on 5 months of additional revenue from APSTAR 7 assuming no ASP hike in FY13, we forecasts FY13 net profit to reach HK$480m, which translates to 7.3x FY12 PE and 5.7x FY13 PE. We believe APT is cheap as its peers are trading at 17x FY13 PE in Europe. Our target price is conservatively set at 10x FY13 PE, which is HK$7.74 per share.

Exhibit 26: Peers comparison

	bloomberg code	Mkt Cap (HKD mn)	Price (HKD)	PER (x) FY11A	PER (x) FY12E	PER (x) FY13E	P/B (x) FY11A	P/B (x) FY12E	P/B (x) FY13E
SATELLITE OPERATORS									
ASIA SATELLITE	1135 HK	11,266	28.80	13.6			1.9		
APT SATELLITE HL	1045 HK	2,748	4.42	9.8			1.1		
EUTELSAT COMMUNI	ETL FP	61,074	277.46	18.0	18.9	16.6	4.4	3.4	3.7
SES	SESG FP	96,943	242.61	15.0	15.9	16.2	5.5	4.3	3.4
INMARSAT PLC	ISAT LN	35,477	79.22	21.3	17.0	19.6	4.3	3.8	4.1
Average		**41,502**		**15.5**	**17.3**	**17.5**	**3.4**	**3.9**	**3.7**
SATELLITE MANUFACTURER									
BOEING CO/THE	BA US	497,184	657.5	16.5	16.9	13.4	22.5	11.8	7.8
COM DEV INTL LTD	CDV CN	2,321	30.3	18.7	19.5	14.8	3.7		
LOCKHEED MARTIN	LMT US	230,996	716.1	10.9	10.9	10.3	9.1	10.6	12.6
ORBITAL SCIENCES	ORB US	7,214	120.6	15.1	15.4	14.6	1.6		
Average		**184,429**		**15.3**	**15.7**	**13.3**	**9.2**	**11.2**	**10.2**
EQUIPMENT MANUFACTURERS									
COMTECH TELECOMM	CMTL US	3,191	189.7	15.1	17.2	28.9	1.0	0.0	0.0
HARRIS CORP	HRS US	39,626	351.1	173.7	8.7	9.0	2.6	2.2	2.6
HONEYWELL INTL	HON US	449,674	573.7	19.8	16.5	15.0	5.4	4.7	4.4
VIASAT INC	VSAT US	16,161	362.8	259.1	66.1		2.5	0.0	2.3
Average		**127,163**		**116.9**	**27.1**	**17.6**	**2.9**	**1.7**	**2.3**
CONSUMER SATELLITE SERVICES									
BRITISH SKY BROA	BSY LN	162,190	100.3	15.5	16.9	15.3	26.9	15.6	15.0
DIRECTV	DTV US	231,033	403.1	11.2	12.4	10.6			
DISH NETWORK-A	DISH US	121,765	268.8	24.6	14.4	15.2			
SIRIUS XM RADIO	SIRI US	159,527	24.3	5.7	51.0	31.8	59.3	22.4	4.2
Average		**168,423**		**14.3**	**23.7**	**18.2**	**43.1**	**19.0**	**9.6**

Source: Bloomberg, CIRL

Exhibit 27: Financial summary

Income statement

Year to Dec (RMB mn)	FY07A	FY08A	FY09A	FY10A	FY11A
Revenue	**452**	**404**	**578**	**719**	**758**
Gross profit (reported)	137	126	256	350	396
EBITDA	**304**	**325**	**476**	**598**	**629**
Depreciation	(223)	(215)	(265)	(319)	(312)
EBIT	**81**	**110**	**211**	**279**	**317**
Net interest income (exp.)	(55)	(25)	(5)	(6)	(22)
Associates	(1)	2	0	0	0
Exceptionals/others	0	4	6	0	65
Profit before tax	**25**	**92**	**212**	**272**	**360**
Tax expenses	(20)	(43)	42	(74)	(79)
Minority interest	1	0	0	0	0
Adjusted net profit	**5**	**(6)**	**218**	**198**	**216**
Dividends	0	0	0	0	28

Balance sheet

Year to Dec (RMB mn)	FY07A	FY08A	FY09A	FY10A	FY11A
Cash & equiv	396	122	284	198	355
Trade receivables	80	67	117	60	54
Other receivables	23	27	12	18	18
Inventories	0	0	0	0	0
Other current assets	6	102	0	0	2
Fixed assets	2,508	2,183	2,522	3,363	4,078
Intangible assets	0	0	134	134	134
Investment, associates etc	122	44	50	30	129
Total assets	**3,136**	**2,546**	**3,119**	**3,803**	**4,768**
Account payables	0	0	0	0	0
Other payables	39	41	199	177	72
Short-term debt	218	0	70	139	180
Other current liabs	134	145	156	161	171
Long-term debts	462	0	140	549	1,228
Deferred tax and others	66	87	33	94	161
Other long-term liabs	227	232	232	196	198
Total liabilities	**1,147**	**506**	**829**	**1,315**	**2,010**
Share capital	1,329	1,329	1,329	1,336	1,336
Reserves	659	712	960	1,152	1,422
Shareholders' equity	**1,988**	**2,041**	**2,289**	**2,488**	**2,758**
Minorities	1	0	0	0	0
Total equity	**1,989**	**2,041**	**2,289**	**2,488**	**2,758**
Net cash (debt)	368	(122)	(66)	566	1,168

Cash flow

Year to Dec (RMB mn)	FY07A	FY08A	FY09A	FY10A	FY11A
Pre-tax profit	25	92	212	272	360
Taxes paid	(19)	(7)	(13)	(10)	(11)
Depreciation	222	214	265	319	312
Associates	0	0	0	0	0
CFO bef. WC change	303	331	481	598	694
Change in working cap	(15)	(29)	(46)	25	(41)
Cashflow from operation	**269**	**295**	**421**	**613**	**642**
CAPEX	(11)	(6)	(507)	(1,164)	(1,177)
Free cash flow	**258**	**289**	**(85)**	**(551)**	**(535)**
Dividends	0	0	0	0	(12)
Balance sheet adj.	0	0	0	0	0
Sharse issued	0	0	0	0	0
Others	0	0	0	(14)	0
Net cash flow	**(32)**	**(193)**	**154**	**(147)**	**112**
Net cash (debt) start	341	312	122	276	121
Net cash (debt) at year-end	312	122	276	121	240

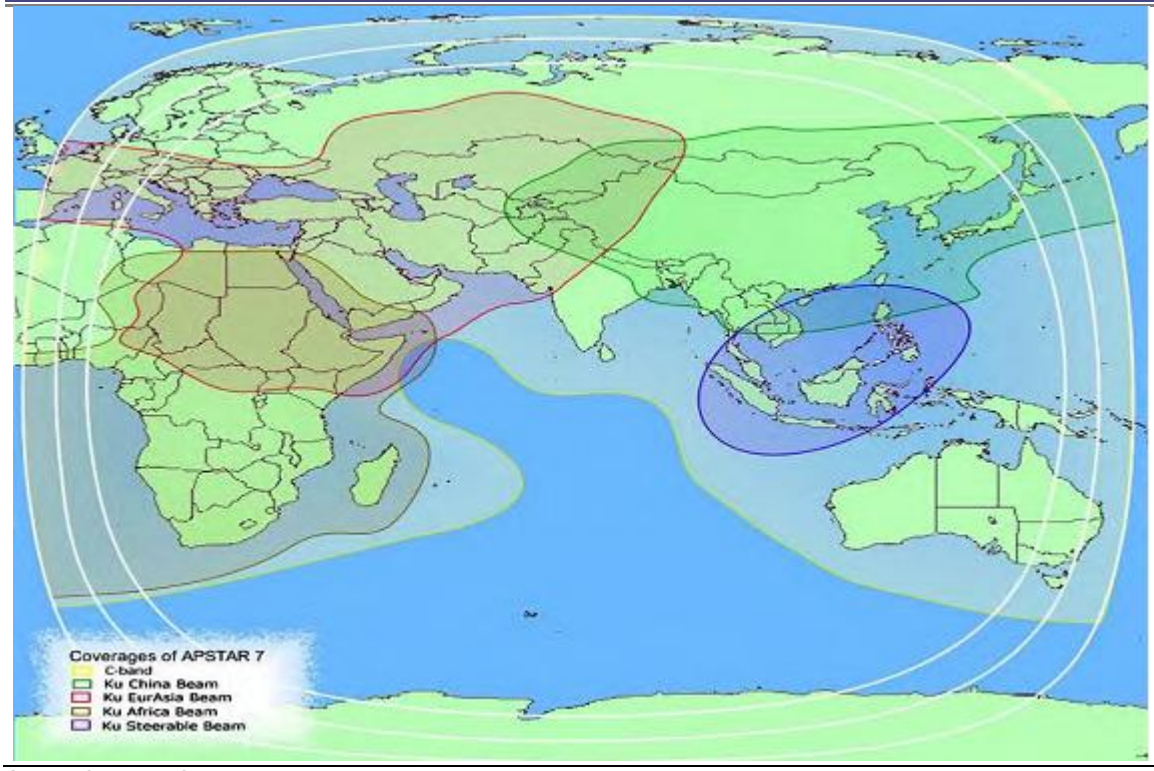
Ratios

Year to Dec (RMB mn)	FY07A	FY08A	FY09A	FY10A	FY11A
Growth rate (%)					
Revenue	5.8	(10.6)	43.2	24.4	5.4
EBITDA	13.0	6.9	46.5	25.6	5.2
EBIT	117.8	35.5	91.5	32.1	13.9
Net profit	(107.0)	788.5	412.4	(21.9)	41.5
Fully diluted EPS	(107.0)	788.5	412.4	(48.0)	41.4
Margins (%)					
Gross margin (reported)	30.3	31.2	44.3	48.7	52.3
EBIT	117.8	35.5	91.5	32.1	13.9
Net margin	1.2	12.3	44.0	27.6	37.0
Other ratios					
ROE (%)	0.3	2.4	11.1	8.0	10.2
ROA (%)	0.2	1.9	8.1	5.2	5.9
Net gearing (%)	14.3	(6.0)	(3.3)	19.7	38.2
Interest coverage (x)	1.5	4.4	43.3	44.0	14.5
Receivables days	64.9	66.7	58.1	44.8	27.3
Payables days	0.0	0.0	0.0	0.0	0.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	81.3	46.2	(19.9)	27.1	22.0

Source: Bloomberg, CIRL

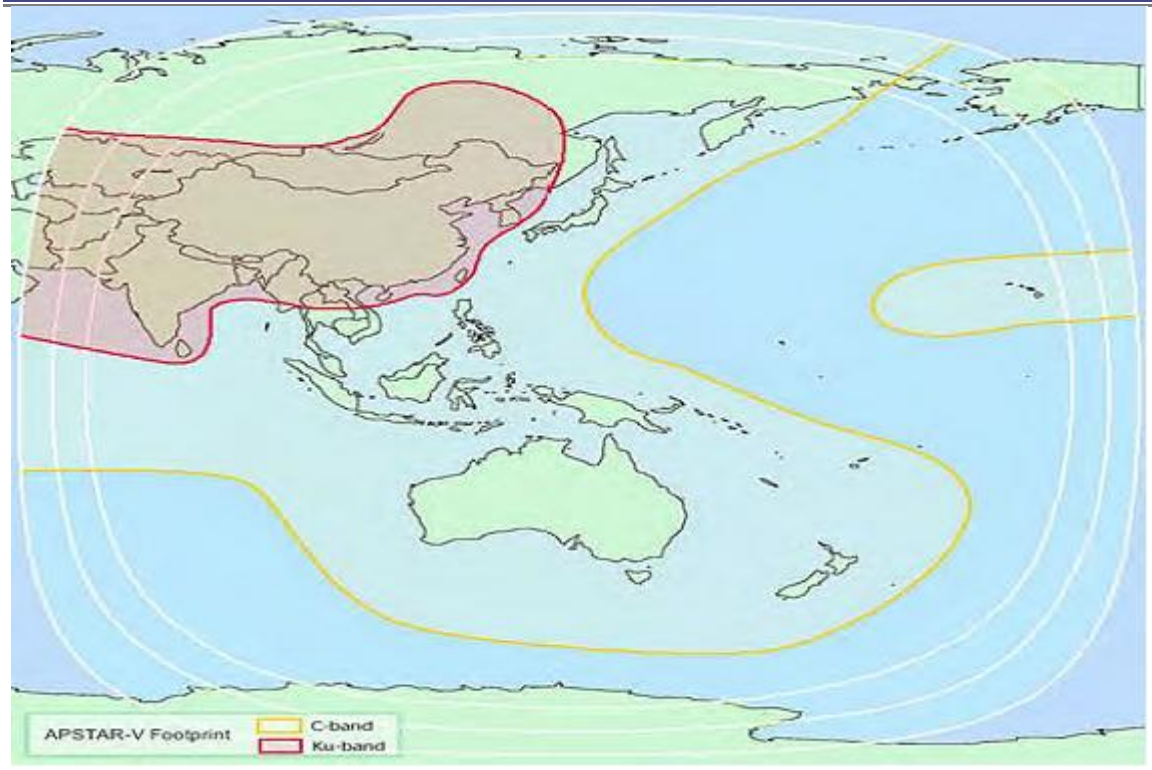
APPENDIX

Exhibit 28: APSTAR 7 Satellite Coverage



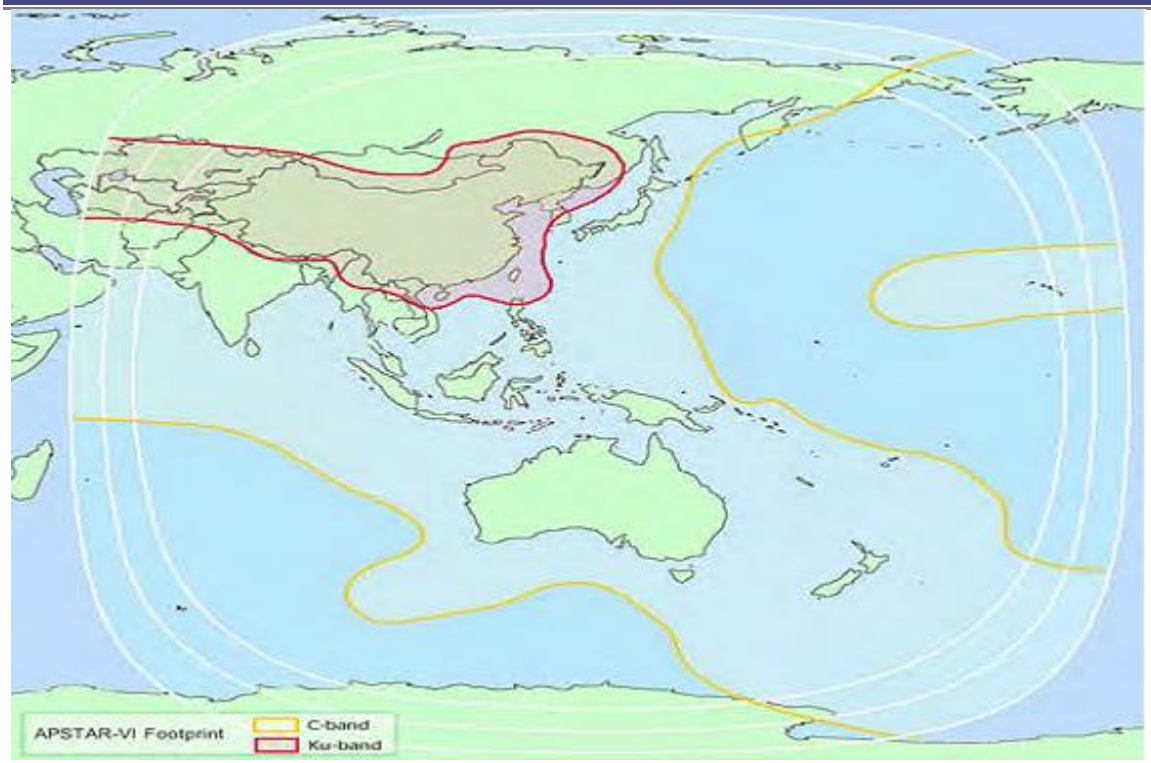
Source: Company, CIRL

Exhibit 29: APSTAR 5 Satellite Coverage



Source: Company, CIRL

Exhibit 30: APSTAR 6 Satellite Coverage



Source: Company, CIRL

Rating Policy

	Rating	Definition
Stock Rating	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
Sector Rating	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

Analysts List

Antony Cheng	Research Director	(852) 2235 7127	antony.cheng@cinda.com.hk
Hayman Chiu	Senior Research Analyst	(852) 2235 7677	hayman.chiu@cinda.com.hk
Kenneth Li	Senior Research Analyst	(852) 2235 7619	kenneth.li@cinda.com.hk
Lewis Pang	Research Analyst	(852) 2235 7847	lewis.pang@cinda.com.hk
Susanna Chui	Research Analyst	(852) 2235 7131	susanna.chui@cinda.com.hk

Analyst Certification

I, Kenneth Li hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was / were, is / are or will be directly or indirectly, related to the specific recommendations or views expressed in this report / note.

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