

# ASIASAT

Asia Satellite Telecommunications Holdings Limited

Stock Code: 1135



INTERIM  
REPORT 2017

# AsiaSat

## ASIASAT

Asia Satellite Telecommunications Holdings Limited (the “Company”) indirectly owns Asia Satellite Telecommunications Company Limited (“AsiaSat”) and other subsidiaries (collectively the “Group”) and is listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (Stock Code 1135).

AsiaSat is Asia’s premier provider of high quality satellite services to the broadcasting and telecommunications markets. The Group owns six satellites, that are primarily located in prime geostationary positions over the Asian landmass and provide access to two-thirds of the world’s population.

## OUR VISION

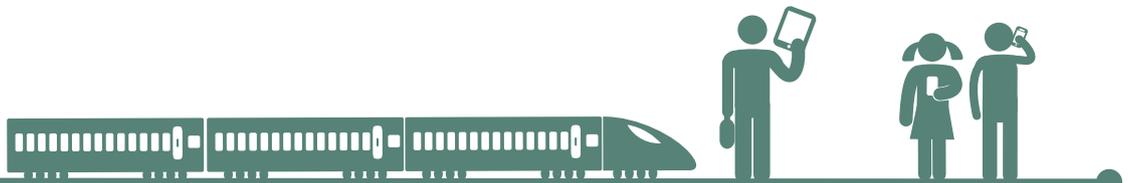
To be the foremost satellite solution provider in Asia and the instinctive and desired partner of choice.

[www.asiasat.com](http://www.asiasat.com)



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## Corporate Information

### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

JU Wei Min

### DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Gregory M. ZELUCK

### EXECUTIVE DIRECTOR

Andrew G. JORDAN (*Chief Executive Officer*)

### NON-EXECUTIVE DIRECTORS

LUO Ning

Peter JACKSON

Julius M. GENACHOWSKI

Herman CHANG Hsiuguo (*appointed on 28 July 2017*)

Alex S. YING (*resigned on 28 July 2017*)

### ALTERNATE DIRECTOR

CHONG Chi Yeung (*alternate director to LUO Ning*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Marcel R. FENEZ (*appointed on 1 April 2017*)

Stephen LEE Hoi Yin

Steven R. LEONARD (*appointed on 1 April 2017*)

Maura WONG Hung Hung

Kenneth McKELVIE (*resigned on 1 April 2017*)

James WATKINS (*resigned on 1 April 2017*)

### AUDIT COMMITTEE

Marcel R. FENEZ (*Chairman*)

(*appointed on 1 April 2017*)

Stephen LEE Hoi Yin

Steven R. LEONARD (*appointed on 1 April 2017*)

Maura WONG Hung Hung

Herman CHANG Hsiuguo (*Non-voting*)

(*appointed on 28 July 2017*)

JU Wei Min (*Non-voting*)

Kenneth McKELVIE (*resigned on 1 April 2017*)

James WATKINS (*resigned on 1 April 2017*)

Alex S. YING (*Non-voting*) (*resigned on 28 July 2017*)

### COMPLIANCE COMMITTEE

Steven R. LEONARD (*Chairman*)

(*appointed on 1 April 2017*)

Marcel R. FENEZ (*appointed on 1 April 2017*)

Julius M. GENACHOWSKI

Peter JACKSON

Andrew G. JORDAN

Stephen LEE Hoi Yin

Kenneth McKELVIE (*resigned on 1 April 2017*)

James WATKINS (*resigned on 1 April 2017*)

### NOMINATION COMMITTEE

Maura WONG Hung Hung (*Chairman*)

Herman CHANG Hsiuguo (*appointed on 28 July 2017*)

JU Wei Min

Stephen LEE Hoi Yin

Steven R. LEONARD (*appointed on 1 April 2017*)

James WATKINS (*resigned on 1 April 2017*)

Alex S. YING (*resigned on 28 July 2017*)



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## Corporate Information

### REMUNERATION COMMITTEE

Stephen LEE Hoi Yin (*Chairman*)  
Marcel R. FENEZ (*appointed on 1 April 2017*)  
Peter JACKSON  
Maura WONG Hung Hung  
Gregory M. ZELUCK  
Kenneth McKELVIE (*resigned on 1 April 2017*)

### COMPANY SECRETARY

Sue YEUNG

### AUTHORISED REPRESENTATIVES

Andrew G. JORDAN  
Sue YEUNG

### AUDITORS

PricewaterhouseCoopers

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation  
Limited  
Standard Chartered Bank (Hong Kong) Limited

### OTHER BANKERS

China Construction Bank (Asia) Corporate Limited  
DBS Bank Limited (Hong Kong Branch)

### PRINCIPAL SOLICITORS

Mayer Brown JSM

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### HEAD OFFICE

12/F., Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong



# Chairman's Statement

## GENERAL PERFORMANCE

The company entered 2017 with expectations consistent with our sales forecast developed over the previous six months. While net revenues were stable, new customers continue to be attracted by competitive pricing. Thanks to our long-term investments in assets and partnerships, demand for our broadcast services remains strong as we expand into regions still developing their economic and technical capacities.

However, price pressures remain challenging in a highly competitive environment as a result of the cyclical over-supply of regional capacity and price expectations, particularly for data applications. For the data market there is the expectation that the new High Throughput Satellites (HTS) will lower the price for satellite capacity and even though this ubiquitous coverage from HTS satellite does not yet exist, in our markets, it is affecting our customers' perceptions on pricing levels. The fact that HTS technology is not widely available in the market today and that it is not suitable for all applications or services has led to ongoing misconceptions as to future price levels.

Nevertheless, we have seen increased demand for mobility-led data services (maritime and cellular backhaul) along with greater prospects for other Ka-band solutions for the aviation sector. In particular, the company has expanded its provision of capacity for China's aviation market.

Of all satellite operators providing inflight connectivity within China, AsiaSat provides the most capacity for this application, which is being used to serve several domestic and international airlines flying over China.

## INTERIM FINANCIAL RESULTS

### Revenue

For the first half of 2017, revenue was HK\$642 million (2016: HK\$640 million).

### Operating Expenses

Excluding depreciation, operating expenses in the first half of 2017 totalled HK\$152 million (2016: HK\$117 million), an increase of HK\$35 million largely attributable to currency fluctuations and the impact of a one-off reversal in prior period of a staff bonus provision. However, such costs were partially offset by a write back of impairment charges on trade receivables collected during the period.

### Other Gains

Other gains for the first half of 2017 were HK\$33 million (2016: HK\$1 million) mainly due to a one-off income of approximately HK\$32 million arising from the resolution of a long pending tax matter related to the provision of services to a customer.



## Chairman's Statement

### INTERIM FINANCIAL RESULTS (CONTINUED)

#### Finance Expenses

Finance expenses were HK\$61 million (2016: HK\$67 million) of which HK\$29 million (2016: HK\$46 million) were capitalised as costs for our new satellite, AsiaSat 9. Thus net finance expenses after capitalisation were HK\$32 million (2016: HK\$21 million) representing an increase of HK\$11 million as compared to the prior period.

#### Depreciation

Depreciation in the first half of 2017 was HK\$261 million (2016: HK\$261 million).

#### Income Tax Expenses/Credit

Income tax expenses were HK\$51 million, as compared to an income tax credit of HK\$7 million in the prior period, representing an increase of HK\$58 million, mainly due to the reversal of a tax provision of HK\$41 million made in 2016 when we reached an agreement with a tax authority on the treatment of certain revenues and expenses.

#### Profit

Profit attributable to owners for the first half of 2017 was HK\$180 million (2016: HK\$249 million), as a result of higher exchange losses, net finance expenses, staff costs and increased income tax expenses, mitigated by other gains as mentioned above.

#### Cash Flow

For the first six months of 2017, the Group generated a net cash inflow of HK\$257 million (2016: net cash outflow of HK\$13 million), including payment of capital expenditure of HK\$139 million (2016: HK\$183 million) and repayment of bank borrowings of HK\$144 million (2016: HK\$292 million). As of 30 June 2017, the Group had cash and bank balances of HK\$497 million (31 December 2016: HK\$241 million).

#### Dividend

The Board declares an interim dividend of HK\$0.18 per share (2016: HK\$ Nil per share) for this interim period. The interim dividend will become payable on or about 3 November 2017 to equity holders on the share register as at 10 October 2017. The share register will be closed from 3 to 10 October 2017 (both days inclusive).

#### Refinancing Loans

In July 2017, the Group refinanced the bank borrowings of July 2015 with the new term loans and revolving credits of US\$220 million with final maturity in July 2022. The new facilities offered better terms to the Group, further strengthening the Group's capital structure.



## Chairman's Statement

### INTERIM FINANCIAL RESULTS (CONTINUED)

#### Contracts on Hand

As at 30 June 2017, the value of contracts on hand remained stable at around HK\$4,076 million (31 December 2016: HK\$4,067 million).

#### SATELLITE FLEET

During the first half of 2017 the company's commitment to the provision of premium services within a highly dynamic technical and economic environment served to attract an expanded and diverse customer base for video broadcast and data connectivity. With the additional capacity and expanded coverage of the soon to be launched AsiaSat 9, along with the service flexibility supported by our restructured sales team, AsiaSat is more equipped and readily prepared to address the needs of our current and prospective commercial and technical customers and partners.

**AsiaSat 3S** located at 146 degrees East remains operational and in service.

**AsiaSat 4** at 122 degrees East provides TV broadcast distribution, Direct-to-Home (DTH) and broadband services across the Asia Pacific. A growing number of broadcasters have used AsiaSat 4 as a platform for TV distribution including Ultra HD (UHD) video content via the "4K-SAT" channel pioneered by AsiaSat to promote UHD broadcasting via satellite in Asia.

**AsiaSat 5** at 100.5 degrees East remains our primary distribution platform for live sports and news from around the world targeting viewers in the region with live news events such as the ASEAN Summit along with soccer tournaments and golf and baseball series. In addition, AsiaSat 5 also serves aviation and telecom customers through the delivery of innovative VSAT services.

**AsiaSat 6** at 120 degrees East provides a high-value platform for the delivery of quality High Definition TV (HDTV) services across China.

**AsiaSat 7** at 105.5 degrees East is the regional platform of choice for premium content distribution in South Asia and East Asia for global TV networks as well as an anchor satellite for aero services within China.

**AsiaSat 8** at 4 degrees West carries high-powered 24 Ku-band transponders plus a Ka-band payload. Following a utilisation agreement concluded with Spacecom in December 2016 for the use of the entire Ku-band payload for a minimum of four years, the satellite was relocated to 4 degrees West, commencing service in late-February 2017.



## Chairman's Statement

### SATELLITE FLEET (CONTINUED)

Construction of **AsiaSat 9**, the replacement satellite for AsiaSat 4 at 122 degrees East was completed in April 2017 with the launch date recently confirmed by launch-provider ILS to be at the end of September 2017 following Proton's successful return to flight in June 2017. With 28 C-band and 32 Ku-band transponders plus a Ka-band payload, AsiaSat 9 will provide additional power and spectrum capacity specifically tailored for emerging markets such as Indonesia and Myanmar.

As of 30 June 2017, the total number of transponders leased or utilised was 125 including the AsiaSat 8 with 24 Ku band lease to Spacecom, as compared with 99 as of 31 December 2016. Overall transponder utilisation for the period ended 30 June 2017 was 73% as compared to 67% as of 31 December 2016.

Meanwhile, the company is at the advanced planning stage for the design, procurement and launch of a High Throughput Satellite carrying Ka-band capacity for data services.

### NEW AND RENEWING CUSTOMERS

During the first six months of 2017, AsiaSat added a number of new customers and partners looking for innovative, reliable and cost competitive video and data distribution across the region.

Meanwhile our enhanced video customers and partnerships continue to benefit from our long-established, superior neighbourhood represented by over 250 video and radio broadcasters and some 700 television and radio channels serving more than 830 million homes via terrestrial, cable TV, DTH and IPTV platforms in the Asia-Pacific.

Among the AsiaSat roster of additional and renewing customers were broadcast and data distributors in Australia, India, Pakistan, Bangladesh, Myanmar, Singapore, Taiwan, Hong Kong and China, as well as Europe and the United States. During the first half of 2017 the Company signed new and renewal agreements with Globecast, the European Broadcasting Union, KBZ of Myanmar, and commitments for RTR Planeta of Russia's television service in Asia and TRT of Turkey for a new HD international news service.

Sales opportunities for video and data distribution in emerging markets in South Asia and South East Asia, such as Myanmar and Sri Lanka, continue to evolve as the company matches its DTH capacity to the region's changing demographics and economic development. In the meantime, the increase of capacity use due to upgrades from Standard Definition (SD) to High Definition (HD) services remained in line with expectations along with the high utilisation rate of the company's wide-beam C-band capacity, as a result of new HD services introduced by customers from Asia, Europe and the Middle East.



## Chairman's Statement

### NEW AND RENEWING CUSTOMERS (CONTINUED)

For Occasional Use (OU) services, during the first six months of the year AsiaSat supplied capacity for distribution of the Australian Open Tennis tournament, the German Bundesliga, English Premier League and FA Cup football, the Golden Globes and the Academy Awards in California, the World Economic Forum in Davos and The One Belt One Road Forum in Beijing along with the 20th Anniversary Celebrations of Hong Kong's Handover to China.

### MARKET REVIEW

While the global satellite market remains challenging, the economic and demographic positives for much of the Asia Pacific continue to be compelling with on-going annual GDP growth in markets such as China, India, Indonesia and Vietnam conservatively forecast to remain above 5% per year to 2020 and beyond.

The youthful demographics and increasingly sophisticated demand for technically flexible video and data services translates into positive prospects for satellite services in the region. Our detailed market knowledge and long-term relationships provide us with a unique capacity to meet the needs and expectations of our service partners and end users alike.

The fast evolving business models for Over-the-Top (OTT) services and a more pervasive high-speed distribution ground segment for mobile and fixed-line broadband video and data is attracting new investment to the telecoms and video sectors leading to improved demand for satellite services, albeit at lower pricing for the price pressure reasons outlined above.

With just 20% of pay TV homes across the region having migrated from SD to HD services AsiaSat is well positioned to benefit from a significant gap in the market, while HD pay TV penetration reaches over 70% in some countries in the Americas such as Brazil and the United States. Furthermore, as of early 2017 just 12% of Asian TV households had access to UHD 4K services largely due to a lack of genuine 4K content. We envisage that a largely untapped hunger for higher value 4K and 8K formatted Ultra High Definition (UHD) and video gaming services will be boosted by the 2020 Japan Olympics and other high-value sports and entertainment events over the next 3-5 years.



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## Chairman's Statement

### OUTLOOK

For the remainder of 2017, we do not anticipate any significant changes in broad market conditions and challenges for AsiaSat are consistent with those for the broader satellite industry. The increased competition from terrestrial systems affecting satellite operators in other parts of the world is not expected to significantly impact Asia in the near-to-medium term, due to the lack of quality terrestrial networks in many areas of the Asia-Pacific region.

As a result of the early repayment of a bank loan drawn down in July 2015, the Group will write off the balance of the unamortised arrangement fees of approximately HK\$26 million thus impacting profits during the second half of 2017. The new facilities offered better terms to the Group, further strengthening the Group's capital structure.

### ACKNOWLEDGEMENTS

I would like to take this opportunity to thank past Board members Mr. James Watkins, Mr. Kenneth McKelvie and Mr. Alex Ying for their valuable contributions and to welcome Mr. Steven Leonard, Mr. Marcel Fenez and Mr. Herman Chang as new members of the AsiaSat Board of Directors.

Finally, I express my gratitude to the management team and operations staff who work so hard to retain AsiaSat's position at the forefront of our industry. I also sincerely thank our customers and shareholders for their continuous support to the company.

**JU Wei Min**

*Chairman*

17 August 2017



## Corporate Governance

### STATEMENT

In the interest of the shareholders of the Company, the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. The Company complied with the requirements of local and relevant overseas regulators, and applied the principles and complied with the provisions of the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange.

### CODE ON CORPORATE GOVERNANCE PRACTICES

All independent non-executive directors (“INED”s) and non-executive directors (“NED”s) are appointed for a specific term of three years each or, in the case of initial appointment, for the period up to the next re-election at the Company’s annual general meeting. They are all subject to retirement, rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-laws.

The Company is committed to maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the CG Code throughout the six months ended 30 June 2017.

### DIRECTORS’ SECURITIES TRANSACTIONS: IN RESPECT OF MODEL CODE (APPENDIX 10)

The Company has adopted procedures governing Directors’ securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the period from 1 January 2017 to 30 June 2017.

### AUDIT COMMITTEE

The Audit Committee consists of six members, four of whom are INEDs who satisfy independence, financial literacy and experience requirements, whilst the other two members are NEDs and have only observer status with no voting rights. The Committee is chaired by an INED, who possesses appropriate professional qualifications and experience in financial matters.

The Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 in conjunction with management and the independent auditors of the Company. The Committee recommended to the Board that it should approve the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017.



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## Corporate Governance

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2017, the Trust, which was set up to administer the Company's Share Award Scheme, has purchased a total of 819,500 ordinary shares of HK\$0.10 each of the Company at an average price of HK\$9.70 per share on the Stock Exchange. The purchase involved a total cash outlay of HK\$7,927,000. The aggregate price of the purchased shares was charged to equity as "Shares held under Share Award Scheme".

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

### **GUIDELINES ON CONDUCT**

The Company periodically issues notices to its Directors and employees reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before publication of the announcements of the interim and annual results.



## Other Information

### SHARE OPTION SCHEME

The Company has granted Mr. Andrew G. JORDAN share options (the "Share Options") in respect of 2,956,130 shares which entitle Mr. Jordan to subscribe for one share at a price of HK\$12.50 upon the exercise of one Share Option at no consideration. The share option scheme (the "Scheme") was approved by the shareholders in the Company's Annual General Meeting held on 14 June 2017. The purpose of the Scheme is to retain the CEO for the development of the Group's business. The Scheme is set up for a term of 10 years and will expire on 13 October 2026. 20% of the Share Options shall vest at the end of each calendar year for five years commencing with 2017, provided that the vesting in each calendar year is conditional upon (i) the Group having achieved its performance targets as set by the Board for that calendar year, and (ii) Mr. Jordan's continued service with AsiaSat during that calendar year.

There was no movement in the share options granted under the Scheme during the six months ended 30 June 2017 and details of the share options outstanding are as follows:

Name of Director	Date of grant	Number of share options					Exercisable
		Balance as at 1 January 2017	Granted during the period	Exercised during the period	Balance as at 30 June 2017	Exercise price per share HK\$	
Andrew G. JORDAN	14 October 2016	2,956,130	—	—	2,956,130	12.50	31 December 2017–13 October 2026

### DIRECTORS' INTERESTS

As at 30 June 2017, as recorded in the register required to be maintained under Section 352 of the Securities and Futures Ordinance ("SFO") (Cap. 571), the following Directors have the following interests in the share capital of the Company:

Directors	Long or short position	Number of shares		Number of underlying shares held under equity derivatives	Total	% of the Issued Share Capital of the Company
		Personal interests	Total			
Peter JACKSON	Long position	800,264	800,264	—	800,264	0.20
	Short position	—	—	—	—	—
Andrew G. JORDAN	Long position	116,000	116,000	2,956,130*	3,072,130	0.79
	Short position	—	—	—	—	—

\* These underlying shares of the Company represented the share options granted by the Company. Details of these share options are shown in the section "Share Option Scheme".



## Other Information

### SUBSTANTIAL EQUITY HOLDERS

As at 30 June 2017, according to the register required to be kept under Section 336 of Part XV of the SFO and information otherwise reported to the Company, the following persons held an interest of 5% or more in the shares in the Company:

Name	Capacity	Long or short position	No. of ordinary shares in the Company	% of the Issued Share Capital of the Company
Bowenvale Limited	Beneficial owner	Long position	291,174,695 <sup>(1)&amp;(2)</sup>	74.43
Able Star Associates Limited	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
CITIC Corporation Limited	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
CITIC Limited	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
CITIC Group Corporation	Interest in controlled corporation	Long position	291,174,695 <sup>(1)</sup>	74.43
Jupiter Investment Holdings, L.L.C.	Interest in controlled corporation	Long position	291,174,695 <sup>(2)</sup>	74.43
The Carlyle Group L.P.	Interest in controlled corporation	Long position	291,174,695 <sup>(2)</sup>	74.43
Aberdeen Asset Management plc and its Associates	Investment manager	Long position	23,463,500	5.99

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is wholly-owned by CITIC Asia Satellite Holding Company Limited ("CITIC Asia") which in turn is wholly-owned by CITIC Projects Management (HK) Limited ("CITIC Projects"). CITIC Projects is a wholly-owned subsidiary of CITIC Corporation Limited, which in turn a wholly-owned subsidiary of CITIC Limited. CITIC Limited is a subsidiary of CITIC Group Corporation ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC Projects, CITIC Corporation Limited, CITIC Limited and CITIC are deemed to be interested in the total of 291,174,695 shares in the Company held by Bowenvale.
- (2) Jupiter Investment Holdings, L.L.C. ("Jupiter"), a subsidiary of The Carlyle Group L.P. ("Carlyle") controls 50% of the voting rights of Bowenvale. Accordingly, Jupiter and Carlyle are deemed to be interested in the total of 291,174,695 shares of the Company held by Bowenvale.



## Other Information

### ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Except for the Company's Share Award Scheme and Share Option Scheme described in the annual report, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### UPDATE ON DIRECTORS' INFORMATION

The following are changes in the information of the directors since the date of the 2016 annual report of the Company required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

With effect from 1 April 2017:

- Mr. Kenneth McKELVIE has resigned as INED, Chairman of Audit Committee, Member of Compliance Committee and Member of Remuneration Committee of the Company.
- Mr. James WATKINS has resigned as INED, Chairman of Compliance Committee, Member of Audit Committee and Member of Nomination Committee of the Company.
- Mr. Marcel R. FENEZ was appointed as INED, Chairman of Audit Committee, Member of Compliance Committee and Member of Remuneration Committee of the Company.
- Mr. Steven R. LEONARD was appointed as INED, Chairman of Compliance Committee, Member of Audit Committee and Member of Nomination Committee of the Company.

With effect from 1 June 2017:

- Mr. Steven R. LEONARD was appointed as INED of Singapore Post Ltd.

With effect from 28 July 2017:

- Mr. Alex S. YING has resigned as NED, Member of Audit Committee and Member of Nomination Committee of the Company.
- Mr. Herman CHANG Hsiuguo was appointed as NED, Member of Audit Committee and Member of Nomination Committee of the Company.



## Other Information

### **LOAN AGREEMENT WITH THE COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS**

The following disclosures are made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules. On 24 June 2015, the Company, AsiaSat and AsiaSat BVI Limited (a direct wholly-owned subsidiary of the Company) entered into a facility agreement (the "Dividend Facility Agreement") with certain financing banks for a term loan and revolving credit facilities (the "Dividend Facility") in an aggregate amount of US\$240 million. The Dividend Facility is for a term of 5 years from the initial drawdown date of the Dividend Facility, 27 July 2015.

Pursuant to the Dividend Facility Agreement, if, among other things, any person or group of persons acting in concert (other than, in each case, Bowenvale or any existing direct or indirect shareholder of Bowenvale as at the date of the Dividend Facility Agreement) gains direct or indirect control of the Company, then the Dividend Facility shall immediately be cancelled and all the outstanding amounts under the Dividend Facility shall become immediately due and payable. The outstanding amount of the Dividend Facility is US\$190 million as at 30 June 2017.

Subsequent to the reporting period, the Group has concluded a new banking facilities agreement with certain banks. On 12 July 2017, the Company, AsiaSat and AsiaSat BVI Limited entered into a facilities agreement (the "Refinancing Facilities Agreement") with certain financial institutions for a term loan and revolving credit facilities in an aggregate amount of US\$220 million (the "Refinancing Facilities").

The purpose of the Refinancing Facilities is primarily to refinance the above US\$240 million Dividend Facility and for the corporate funding requirements of the Company and its subsidiaries. The Refinancing Facilities are for a term of 5 years from the initial drawdown date of the Refinancing Facilities, 17 July 2017.

Pursuant to the Refinancing Facilities Agreement, if, among other things, any person or group of persons acting in concert (other than, in each case, Bowenvale or any existing direct or indirect shareholder of Bowenvale as at the date of the Refinancing Facilities Agreement) gains direct or indirect control of the Company, then the Refinancing Facilities shall immediately be cancelled and all the outstanding amounts under the Refinancing Facilities shall become immediately due and payable.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of members of the Company will be closed from 3 to 10 October 2017 (both days inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 29 September 2017. The interim dividend will be paid on or about 3 November 2017.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Revenue for the period was HK\$642 million (2016: HK\$640 million), which was about the same as for the prior period.

### Cost of Services

Cost of services was HK\$314 million (2016: HK\$315 million), which was about the same as for the prior period.

### Other Gains

Other gains amounted to HK\$33 million (2016: HK\$1 million). The increase of HK\$32 million was mainly due to a one-off income of approximately HK\$32 million arising from the resolution of a long pending tax matter related to the provision of services to a customer.

### Administrative Expenses

Administrative expenses were HK\$98 million (2016: HK\$63 million), an increase of HK\$35 million. The increase was mainly attributable to currency fluctuation and the impact of a one-off reversal in prior period of a staff bonus provision. However, such costs were partially offset by a write back impairment charges on trade receivables collected during the period.

### Finance Expenses

Finance expenses were HK\$61 million (2016: HK\$67 million) of which HK\$29 million (2016: HK\$46 million) were capitalised as costs for our new satellite AsiaSat 9. Thus net finance expenses after capitalisation were HK\$32 million (2016: HK\$21 million) and represented an increase of HK\$11 million as compared to prior period.



## Management Discussion and Analysis

### Income Tax Expenses/Credit

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong Profits Tax. Tax on income subject to Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at rates of taxation, that range from 7% to 43.26% (2016: 7% to 43.26%), in the countries in which the profit is earned.

The income tax expenses was HK\$51 million, compared to income tax credit of HK\$7 million in the prior period, represented an increase of HK\$58 million mainly due to the reversal of a tax provision of HK\$41 million, made in the previous year when we reached an agreement with a tax authority on the treatment of certain revenue and expenses. Further details are set out in Note 9 of the condensed consolidated interim financial information.

### Profit for the Period

Profit attributable to owners amounted to HK\$180 million (2016: HK\$249 million). The factors contributing to this are described above.

### Financial Results Analysis

The financial results are highlighted below:

		Six months ended 30 June		
		2017	2016	Change
Revenue	HK\$M	<b>642</b>	640	—
Profit attributable to owners of the Company	HK\$M	<b>180</b>	249	-28%
Dividend	HK\$M	<b>70</b>	—	N/A
Capital and reserves	HK\$M	<b>3,205</b>	2,920	+10%
Earnings per share	HK cents	<b>46</b>	64	-28%
Dividend per share	HK cents	<b>18</b>	—	N/A
Return on equity	Percent	<b>6</b>	9	-3% pts
		<b>At</b>	At	
		<b>30 June</b>	31 December	
		<b>2017</b>	2016	Change
Net assets per share — book value	HK cents	<b>819</b>	794	+3%
Gearing Ratio	Percent	<b>45</b>	49	-4% pts



## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group generated a net cash inflow of HK\$257 million (2016: a net cash outflow HK\$13 million), including payment of capital expenditure of HK\$139 million (2016: HK\$183 million) and repayment of bank borrowings of HK\$144 million (2016: HK\$292 million). As at 30 June 2017, the Group had cash and bank balances of HK\$497 million (31 December 2016: HK\$241 million). The cash and bank balances are denominated in United States Dollars, Renminbi and Hong Kong Dollars.

Total bank borrowings as at 30 June 2017 were HK\$3,151 million (31 December 2016: HK\$3,263 million), all denominated in United States Dollars. Out of these bank borrowings, HK\$1,691 million (31 December 2016: HK\$1,817 million) was at fixed interest rates for the whole tenure and the remainder of HK\$1,460 million (31 December 2016: HK\$1,446 million) was at a floating rate of LIBOR plus a margin. There was no seasonality effect on the Group's borrowing requirements. Bank borrowings were mainly used to finance the Group's capital expenditure and the payment of a special interim dividend in 2015. Details of the maturity profile of the total bank borrowings and undrawn bank facilities are set out in Note 17 to the condensed consolidated interim financial information. The Group had net debt of HK\$2,654 million as at 30 June 2017 (31 December 2016: HK\$3,022 million).

In July 2017, the Group obtained term loans and revolving credits of HK\$1,717 million with a final maturity in July 2022. The new facilities have been used to refinance the bank borrowings drawn down in July 2015 in full. The new facilities offered better terms to the Group further strengthening the Group's capital structure.

### CAPITAL STRUCTURE

#### Funding and Treasury Policy

The Group adopts conservative treasury policies and exercises tight control over its cash and risk management. Cash is generally placed in short-term deposits denominated in United States Dollars and Renminbi to meet its payments.



ON AIR



## Management Discussion and Analysis

### Hedging for Exchange Rates and Financial Instruments

The Group's revenue, capital expenditure, main operating expenditure and bank borrowings are denominated in United States Dollars, Hong Kong Dollars and Renminbi. The effect of exchange rate fluctuations in the United States Dollars is not material as the Hong Kong Dollar is pegged within a narrow band to the United States Dollar at the approximate exchange rate of HK\$7.80 to US\$1.00 and therefore no hedging for United States Dollars is conducted. Even though the impact should be immaterial in general, however in our case because the quantum of the loan, we have incurred material exchange loss as per publicly announced. The Renminbi has appreciated against the Hong Kong Dollar during the six months ended 30 June 2017. The amount of RMB business is approximately 22% of total revenue. We did not hedge this currency risk.

The Group has bank borrowings at around HK\$1,691 million with a fixed interest rate for the loan period and there is no need to hedge any interest rate risk. The remaining bank borrowings of HK\$1,460 million are at a LIBOR plus a fixed margin. The interest rate risk can be managed by an interest rate swap, if necessary. The Group regularly reviews the exposure arising from the movement of interest rates. During the period, the Group did not enter into any interest rate swap arrangements.

### Order Book

As at 30 June 2017, the value of contracts on hand amounted to HK\$4,076 million (31 December 2016: HK\$4,067 million), of which approximately HK\$577 million will be recognised in the second half of this year. A large majority of the contracts in the order book are denominated in United States Dollars.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the period, there were neither material acquisitions nor disposals of subsidiaries.

### SEGMENT INFORMATION

The revenue of the Group, analysed by business segment, is disclosed in Note 6 to the condensed consolidated interim financial information.



## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 140 (31 December 2016: 144) permanent employees.

The Group considers its human resources as one of its most valuable assets. The talent pool that the Group draws from overlaps with the telecommunications, information technology and some high-tech equipment vendor industries.

The Group has established a performance-based appraisal system. The present remuneration package consists of salaries, discretionary bonuses, share award scheme and fringe benefits that are comparable with the market.

A share award scheme (the "Share Award Scheme") was established on 22 August 2007; it is a long-term incentive plan designed to attract and retain the best senior staff for the development of the Company's business. Under the Share Award Scheme, shares of the Company (the "Award Shares") are granted to eligible employees of the Company or any of its subsidiaries. The Award Shares vest after a certain period or lapse under certain circumstances as set out in the Share Award Scheme rules. The Company has appointed TMF Trust (HK) Limited to be the trustee to purchase and hold the Award Shares upon trust to facilitate the servicing of the Share Award Scheme for the benefit of the eligible employees.

The Company also set up a share option scheme and granted certain share options to the CEO in accordance with the terms of his appointment during 2016 as an incentive scheme to grow the business of the Group. 20% of the share options shall vest at the end of each calendar year for five years commencing with 2017, providing that the vesting in each calendar year is conditional upon (i) the Group's achievement of the performance targets as set by the Board for that calendar year and (ii) the CEO's continued service with the Group during that calendar year. The share options can be exercised at anytime after vesting. The scheme is valid for 10 years and was approved by the Shareholders in the Annual General Meeting held in June 2017.

The Group does not operate an in-house regular training programme. However, the Group does provide ad hoc training and sponsors employees to attend external vocational training that is relevant to the discharge of their duties and their career progression.

### CHARGES ON GROUP ASSETS

Save as disclosed in Note 17 to the condensed consolidated interim financial information, there was no charge over the Group's assets.



## Management Discussion and Analysis

### CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in Note 18 to the condensed consolidated interim financial information.

As at 30 June 2017, the Group had total capital commitments of HK\$519 million (31 December 2016: HK\$319 million), of which all were contracted but not provided for.

### CONTINGENT LIABILITIES

Particulars of the Group's contingent liabilities are set out in Note 20 to the condensed consolidated interim financial information.

### SUBSEQUENT EVENTS

Particulars of the Group's subsequent events are set out in Note 21 to the condensed consolidated interim financial information.

### GEARING RATIO

The Group's gearing ratio is calculated by dividing the net debts by the total capital. The net debts are the total interest-bearing bank borrowings less total cash and bank balances. The total capital is the total equity plus the net debts. As at 30 June 2017, the Group's gearing ratio was as follows:

	<b>30 June 2017</b>	31 December 2016
	<b>HK\$' million</b>	HK\$' million
Total bank borrowings	<b>3,151</b>	3,263
Less : Cash and bank balances	<b>(497)</b>	(241)
	<hr/>	<hr/>
Net Debt	<b>2,654</b>	3,022
Total equity	<b>3,205</b>	3,106
	<hr/>	<hr/>
	<b>5,859</b>	6,128
	<hr/>	<hr/>
Gearing ratio	<b>45%</b>	49%
	<hr/>	<hr/>



## Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	6	642,351	640,041
Cost of services		(314,261)	(314,646)
<b>Gross profit</b>		<b>328,090</b>	325,395
Administrative expenses		(98,215)	(63,295)
Other gains — net	7	33,354	728
<b>Operating profit</b>	7	<b>263,229</b>	262,828
Finance expenses	8	(32,291)	(20,713)
<b>Profit before income tax</b>		<b>230,938</b>	242,115
Income tax (expense)/credit	9	(51,297)	7,114
<b>Profit and total comprehensive income for the period</b>		<b>179,641</b>	249,229
<b>Profit and total comprehensive income for the period attributable to:</b>			
— Owners of the Company		179,671	249,229
— Non-controlling interests		(30)	—
		<b>179,641</b>	249,229
		HK\$	HK\$
		per share	per share
<b>Earnings per share attributable to owners of the Company</b>			
Basic earnings per share	10	0.46	0.64
Diluted earnings per share	10	0.46	0.63

The notes on pages 27 to 50 form an integral part of the condensed consolidated interim financial information.



## Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	12	17,493	17,785
Property, plant and equipment	13	6,720,684	6,830,436
Unbilled receivables		18,903	19,575
Deposit	14	2,851	2,851
		<b>6,759,931</b>	6,870,647
<b>Current assets</b>			
Unbilled receivables		6,383	9,215
Trade and other receivables	14	227,083	317,624
Cash and bank balances		497,478	240,583
		<b>730,944</b>	567,422
		<b>7,490,875</b>	7,438,069
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	15	39,120	39,120
Reserves			
— Retained earnings		3,133,083	3,029,950
— Other reserves	16	31,787	35,600
		<b>3,203,990</b>	3,104,670
Non-controlling interests		874	904
		<b>3,204,864</b>	3,105,574

The notes on pages 27 to 50 form an integral part of the condensed consolidated interim financial information.



## Condensed Consolidated Statement of Financial Position

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
	Note	<b>2017</b>	2016
		<b>HK\$'000</b>	HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	17	<b>2,793,651</b>	2,913,283
Deferred income tax liabilities		<b>423,162</b>	432,271
Other payable		<b>39,000</b>	39,000
Deferred revenue		<b>60,616</b>	67,215
Other amounts received in advance		<b>—</b>	1,377
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>3,316,429</b>	3,453,146
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Bank borrowings	17	<b>356,987</b>	350,040
Construction payables		<b>13,712</b>	30,521
Dividend payable		<b>78,239</b>	—
Other payables and accrued expenses		<b>68,529</b>	68,725
Deferred revenue		<b>363,178</b>	173,085
Current income tax liabilities		<b>88,937</b>	256,978
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>969,582</b>	879,349
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>4,286,011</b>	4,332,495
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>7,490,875</b>	7,438,069
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

The notes on pages 27 to 50 form an integral part of the condensed consolidated interim financial information.



## Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Shares held under Share Award Scheme HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2017</b>	39,120	17,866	—	17,734	3,029,950	3,104,670	904	3,105,574
<b>Total comprehensive income for the period ended 30 June 2017</b>	—	—	—	—	179,671	179,671	(30)	179,641
<b>Transactions with owners, recognised directly in equity</b>								
Employees share award scheme:								
— Shares held under Share Award Scheme	—	—	(7,927)	—	—	(7,927)	—	(7,927)
— Share-based payment	—	—	—	5,815	—	5,815	—	5,815
— Share vested under Share Award Scheme	—	—	2,269	(2,269)	—	—	—	—
Debited from share-based payment reserve to retained earnings	—	—	—	(1,701)	1,701	—	—	—
Final dividend relating to 2016	—	—	—	—	(78,239)	(78,239)	—	(78,239)
<b>Total transactions with owners, recognised directly in equity</b>	—	—	(5,658)	1,845	(76,538)	(80,351)	—	(80,351)
<b>Balance at 30 June 2017</b>	39,120	17,866	(5,658)	19,579	3,133,083	3,203,990	874	3,204,864
<b>Balance at 1 January 2016</b>	39,120	17,866	(143)	19,468	2,597,197	2,673,508	782	2,674,290
<b>Total comprehensive income for the period ended 30 June 2016</b>	—	—	—	—	249,229	249,229	—	249,229
<b>Transactions with owners, recognised directly in equity</b>								
Employees share award scheme:								
— Shares held under Share Award Scheme	—	—	(9,516)	—	—	(9,516)	—	(9,516)
— Share-based payment	—	—	—	6,521	—	6,521	—	6,521
— Share vested under Share Award Scheme	—	—	1,770	(1,770)	—	—	—	—
Debited from share-based payment reserve to retained earnings	—	—	—	(775)	775	—	—	—
<b>Total transactions with owners, recognised directly in equity</b>	—	—	(7,746)	3,976	775	(2,995)	—	(2,995)
<b>Balance at 30 June 2016</b>	39,120	17,866	(7,889)	23,444	2,847,201	2,919,742	782	2,920,524

The notes on pages 27 to 50 form an integral part of the condensed consolidated interim financial information.



## Condensed Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Cash flows from operating activities:</b>		
— Cash generated from operations	<b>832,674</b>	526,640
— Interest paid	<b>(26,749)</b>	(32,451)
— Hong Kong profits tax refunded	—	29,916
— Hong Kong profits tax paid	—	(3,637)
— Overseas tax paid	<b>(234,053)</b>	(21,934)
	<hr/>	<hr/>
<b>Cash flows from operating activities — net</b>	<b>571,872</b>	498,534
	<hr/>	<hr/>
<b>Cash flows from investing activities:</b>		
— Purchases of property, plant and equipment	<b>(138,629)</b>	(182,797)
— Proceeds on disposals of property, plant and equipment	<b>169</b>	18
— Interest received	<b>1,113</b>	863
	<hr/>	<hr/>
<b>Cash flows used in investing activities — net</b>	<b>(137,347)</b>	(181,916)
	<hr/>	<hr/>
<b>Cash flows from financing activities:</b>		
— Purchase of shares under Share Award Scheme	<b>(7,927)</b>	(9,516)
— Repayment of bank borrowings	<b>(144,299)</b>	(292,499)
— Interest paid	<b>(25,404)</b>	(27,552)
	<hr/>	<hr/>
<b>Cash flows used in financing activities — net</b>	<b>(177,630)</b>	(329,567)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>256,895</b>	(12,949)
Cash and cash equivalents at beginning of the period	<b>240,583</b>	237,579
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>497,478</b>	224,630
	<hr/>	<hr/>

The notes on pages 27 to 50 form an integral part of the condensed consolidated interim financial information.



# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

Asia Satellite Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the provision of satellite transponder capacity.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is listed on the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong Dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 17 August 2017.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2017, the Group’s current liabilities exceeded its current assets by approximately HK\$238,638,000 (31 December 2016: HK\$311,927,000). Included in the Group’s current liabilities was deferred revenue of HK\$363,178,000 (31 December 2016: HK\$173,085,000) which represents non-refundable customer prepayments that will be recognised as revenue over the next twelve months through provision of transponder capacity services. The Group’s current assets exceeded its current liabilities excluding deferred revenue by HK\$124,540,000 (31 December 2016: the Group’s net current liabilities less deferred revenue was HK\$138,842,000). Based on the Group’s forecasts and projections, taking account of reasonably possible changes in trading performance and the available banking facilities, the directors have a reasonable expectation that the Group will have adequate resources to continue its operations and to meet its financial obligations as and when they fall due in the next twelve months from the date of this condensed consolidated interim financial information. Therefore, the Group has prepared its condensed consolidated interim financial information on a going concern basis.



## Notes to the Condensed Consolidated Interim Financial Information

### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

There are no amendments to standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Lease <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HK (IFRIC) 22	Foreign Currency Transactions and Advance Considerations <sup>1</sup>

1 Effective for the Group for annual periods beginning on or after 1 January 2018

2 Effective for the Group for annual periods beginning on or after 1 January 2019

3 Effective date to be determined

Management is in the process of assessing the impact of these new standards, amendments to standards and interpretation to existing standards. Below set out their expected impact on the Group's financial performance and position:

#### (a) HKFRS 9, "Financial instruments"

HKFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.



## Notes to the Condensed Consolidated Interim Financial Information

### 3 ACCOUNTING POLICIES (CONTINUED)

#### (a) HKFRS 9, "Financial instruments" (Continued)

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

The changes described above will not have significant impact on the Group's financial instruments carried at amortised cost. The Group also considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position. The standard is effective for first interim period of the financial year commencing on or after 1 January 2018. The Group has not early adopted this new standard.

#### (b) HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.



## Notes to the Condensed Consolidated Interim Financial Information

### 3 ACCOUNTING POLICIES (CONTINUED)

#### (b) HKFRS 15 “Revenue from contracts with customers” (Continued)

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

- Revenue from certain service agreements — the identification of performance obligations under HKFRS 15 may affect the timing of the recognition of revenue.
- Accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be capitalised under HKFRS 15.
- Accounting for certain contracts with a significant financing component — HKFRS 15 requires adjustments to the promised amount of consideration for effects of the time value of money.

At this stage, the Group is yet in a position to estimate the potential financial impact of the new rules on the Group’s consolidated financial statements.

HKFRS 15 is effective for first interim period of the financial year commencing on or after 1 January 2018. The Group has not early adopted this new standard.

#### (c) HKFRS 16 “Leases”

HKFRS 16 was issued in January 2016. From lessees’ perspective, it will result in almost all leases being recognised on the condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the date of financial position, the Group has non-cancellable operating lease commitments of HK\$41,925,000 (Note 18). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows upon adoption of the standard.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is effective for first interim period of the financial year commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.



## Notes to the Condensed Consolidated Interim Financial Information

### 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since year end.

#### 5.2 Liquidity risk

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Group closely monitors its exposure to liquidity risk by reviewing the cash position report on a quarterly basis. The Group invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room to meet operational needs. The Group also reviews different funding options regularly in case needs arise.

As at 30 June 2017, the Group had available unutilised banking facilities of approximately HK\$468,408,000 (31 December 2016: HK\$466,168,000), out of which approximately HK\$312,272,000 has been subsequently refinanced in July 2017 (Note 21) and replaced by new facilities of the same amount with final maturity in July 2022 and the remaining facilities amounting to HK\$156,136,000 will be expired in December 2017.



## Notes to the Condensed Consolidated Interim Financial Information

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.3 Fair value estimation

During the period ended 30 June 2017, there were no significant changes in the business or economic circumstances that have affected the fair value estimation of the Group's financial assets and financial liabilities. There were no financial instruments carried at fair value.

#### 5.4 Fair value of financial liabilities measured at amortised cost

The fair value of bank borrowings is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Current	<b>344,718</b>	352,049
Non-current	<b>2,780,564</b>	2,917,160
	<b><u>3,125,282</u></b>	<u>3,269,209</u>

The carrying values of the Group's other financial assets and financial liabilities approximate their fair values due to the relatively short term nature of those financial instruments.

### 6 REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

The Group's revenue is analysed as follows:

	<b>Six months ended 30 June 2017 HK\$'000</b>	2016 HK\$'000
Income from provision of satellite transponder capacity		
— recurring	<b>620,789</b>	609,534
Sales of satellite transponder capacity	<b>6,599</b>	6,697
Other revenues	<b>14,963</b>	23,810
	<b><u>642,351</u></b>	<u>640,041</u>



## Notes to the Condensed Consolidated Interim Financial Information

### 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group. The Chief Executive Officer considers the business from a product perspective which is the operation, maintenance and provision of satellite telecommunication systems for broadcasting and telecommunication. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the condensed consolidated interim financial information.

Revenue reported in Note 6(a) above represented transactions with third parties and is reported to the Chief Executive Officer in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The Group is domiciled in Hong Kong. Revenue from customers in Hong Kong and China (other than Hong Kong) for the six months ended 30 June 2017 are HK\$72,217,000 (six months ended 30 June 2016: HK\$90,839,000) and HK\$142,506,000 (six months ended 30 June 2016: HK\$156,082,000) respectively, and the total revenue from customers in other countries is HK\$427,628,000 (six months ended 30 June 2016: HK\$393,120,000). For the purpose of classification, the geographical source of revenue is determined based on the place of incorporation of the customers instead of the footprint of the satellites of the Group which may involve transmission to multiple geographical areas under a single satellite transponder capacity arrangement.

The amounts provided to the Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that in the condensed consolidated statement of financial position. All assets and liabilities are related to the only operating segment of the Group whose operation is domiciled in Hong Kong.



## Notes to the Condensed Consolidated Interim Financial Information

### 7 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the interim period:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(1,224)</b>	(893)
Net (gain)/loss on disposals of property, plant and equipment other than transponders	<b>(169)</b>	165
Others (Note)	<b>(31,961)</b>	—
	<hr/>	<hr/>
Other gains — net	<b>(33,354)</b>	(728)
	<hr/>	<hr/>
Salary and other benefits, including directors' remuneration	<b>68,650</b>	56,375
Share-based payment	<b>5,815</b>	6,521
Pension costs — defined contribution plans	<b>4,674</b>	5,200
	<hr/>	<hr/>
Total staff costs	<b>79,139</b>	68,096
	<hr/>	<hr/>
Auditors' remuneration	<b>980</b>	918
(Write back)/provision for impairment of trade receivables, net	<b>(234)</b>	2,494
Depreciation of property, plant and equipment (Note 13)	<b>260,743</b>	261,026
Operating leases		
— Premises	<b>4,213</b>	3,987
— Leasehold land and land use rights (Note 12)	<b>292</b>	292
Net exchange loss	<b>23,104</b>	6,712
	<hr/>	<hr/>

Note: This represented a one-off income arising from the resolution of a long pending tax matter related to the provision of services to a customer.

### 8 FINANCE EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest expenses incurred on bank borrowings	<b>61,421</b>	67,049
Less: interest capitalised on qualifying assets	<b>(29,130)</b>	(46,336)
	<hr/>	<hr/>
Total	<b>32,291</b>	20,713
	<hr/>	<hr/>

The interest rate applied in determining the amount of interest capitalised in the six months ended 30 June 2017 was 4.10% (30 June 2016: 3.59%).



## Notes to the Condensed Consolidated Interim Financial Information

### 9 INCOME TAX EXPENSE/(CREDIT)

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation, that range from 7% to 43.26% (six months ended 30 June 2016: 7% to 43.26%), prevailing in the countries in which the profit is earned.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current income tax		
— Hong Kong profits tax	<b>21,476</b>	24,190
— Overseas taxation (Note (b))	<b>38,930</b>	15,247
— Adjustment in respect of prior years (Note (a))	<b>—</b>	(40,786)
	<hr/>	<hr/>
Total current tax	<b>60,406</b>	(1,349)
Deferred income tax	<b>(9,109)</b>	(5,765)
	<hr/>	<hr/>
Income tax expense/(credit)	<b>51,297</b>	(7,114)

Notes:

- (a) In January 2015, the Group received assessment notices from a tax authority to disallow the deductibility of certain items in respect of previous assessment years and additional tax provision was made accordingly for the year ended 31 December 2014. During the year ended 31 December 2015, the Group lodged an objection to these assessment notices. Based on the revised assessment notices received from the tax authority in May 2016, the deductibility of those items in respect of previous assessment years remained as not allowable but the corresponding income related to those items was also determined as not taxable. Subsequently in June 2016, the Group received a tax refund for the year of assessments from 2012/13 to 2013/14 of approximately HK\$30 million. Accordingly, the Group has written back the additional tax provision of HK\$41 million for the year of assessments from 2012/13 to 2015/16 which was previously made in accordance with the assessment orders received.
- (b) The Group had been in dispute with the Indian tax authority ("IR") in respect of revenues earned from provision of satellite transponder capacity for a number of years. The Group was assessed to tax by the IR on revenues received for the provision of satellite transponder capacity from certain customers. Details of the dispute were set out in Note 31 to the annual financial statements for the year ended 31 December 2011.

In May 2012, the Finance Act was passed by the Indian Parliament and certain amendments were enacted with retrospective effect. Under the Indian Income Tax Act (as amended by the aforesaid Finance Act), revenues received from the provision of satellite transponder capacity to Indian resident customers or from certain non-resident Indian customers which carry on business in India or earn income from any source in India is chargeable to tax in India subject to the judicial interpretation of the amended provision by the courts in India. As the Finance Act introduced certain amendments with retrospective effect, the Group had recognised a provision for income tax in India since the financial year of 2012 reflecting an appropriate conservative view based on the historical information currently available, while defending the Group's position in the tax proceedings in the Indian courts.



## Notes to the Condensed Consolidated Interim Financial Information

### 9 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Notes: (Continued)

(b) (Continued)

In January 2017, the Group filed an application under the Direct Tax Dispute Resolution Scheme, 2016 ("DRS 2016") to the IR for a settlement of the tax disputes in relation to assessment years from 1997/98 to 2012/13. The DRS 2016 was introduced by the Indian government to allow eligible tax payers to settle their tax disputes with the IR as a result of the retrospective amendments to the Income Tax Act in 2012, provided all the pending appeals/writs are withdrawn and then any interests and penalties on the overdue taxes shall be waived by the IR. In February 2017, the Group received a notification from the IR determining the tax demand payable for seeking final settlement for these 16 assessment years to be HK\$193 million in Indian Rupee equivalent and the Group then made a payment of that amount. All the Indian income tax liabilities for these 16 assessment years were fully settled during the current period.

For the subsequent assessment years (i.e. assessment year 2013/14 and onwards), the Group may still contest the assessment orders of the IR, to the extent relevant.

Based on the latest assessment orders received from the IR and on the advice from the Group's advisers in India, the Group has made its best estimate to record a provision of approximately HK\$31 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$6 million).

### 10 EARNINGS PER SHARE

#### Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit attributable to owners of the Company	<u>179,671</u>	<u>249,229</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<u>390,762</u>	<u>390,918</u>
Basic earnings per share (HK\$)	<u>0.46</u>	<u>0.64</u>

The weighted average number of ordinary shares shown above has been determined at after deducting the shares held under the Share Award Scheme.

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.



## Notes to the Condensed Consolidated Interim Financial Information

### 10 EARNINGS PER SHARE (CONTINUED)

#### Diluted (Continued)

##### Share Award Scheme

The Company has restricted shares under the Share Award Scheme which would have dilutive effects. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of outstanding restricted shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the restricted shares were fully vested.

##### Share Options Scheme

The Company has share options, issued in October 2016, which would have dilutive effects. A calculation is done to determine the number of shares that could have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares for the period) for the same total proceeds as the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit attributable to owners of the Company	<b>179,671</b>	249,229
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<b>390,762</b>	390,918
Effect of Awarded Shares (in thousands)	<b>881</b>	1,770
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	<b>391,643</b>	392,688
Diluted earnings per share (HK\$)	<b>0.46</b>	0.63

The conversion of share options would have an anti-dilutive effect to the basic earnings per share during the six months period ended 30 June 2017.



## Notes to the Condensed Consolidated Interim Financial Information

### 11 DIVIDENDS

The Board has declared an interim dividend of HK\$0.18 per share (HK\$ Nil per share for six months ended 30 June 2016).

#### Six months ended 30 June

2017	2016
HK\$'000	HK\$'000

Interim dividend for the six months ended 30 June 2017 of HK\$0.18 per share (HK\$ Nil per share for the six months ended 30 June 2016)

<b>70,415</b>	—
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This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2017.

### 12 LEASEHOLD LAND AND LAND USE RIGHTS

#### Six months ended 30 June

2017	2016
HK\$'000	HK\$'000

At 1 January  
Amortisation of prepaid operating lease payments (Note 7)

<b>17,785</b>	18,368
<b>(292)</b>	(292)

At 30 June

<b>17,493</b>	18,076
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### 13 PROPERTY, PLANT AND EQUIPMENT

#### Six months ended 30 June

2017	2016
HK\$'000	HK\$'000

At 1 January  
Additions  
Disposals  
Depreciation (Note 7)

<b>6,830,436</b>	6,889,238
<b>150,991</b>	209,473
<b>—</b>	(183)
<b>(260,743)</b>	(261,026)

At 30 June

<b>6,720,684</b>	6,837,502
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## Notes to the Condensed Consolidated Interim Financial Information

### 14 TRADE AND OTHER RECEIVABLES

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade receivables	<b>92,819</b>	213,517
Trade receivables from related parties (Note 19)	<b>140,931</b>	101,754
Less: provision for impairment of trade receivables	<b>(20,847)</b>	(21,081)
	<hr/>	<hr/>
Trade receivables — net	<b>212,903</b>	294,190
Other receivables — net	<b>121</b>	—
Deposits and prepayments	<b>16,910</b>	26,285
	<hr/>	<hr/>
	<b>229,934</b>	320,475
Less non-current portion: Deposit	<b>(2,851)</b>	(2,851)
	<hr/>	<hr/>
Current portion	<b>227,083</b>	317,624

The Group usually bills its trade customers quarterly in advance in accordance with its agreements. The ageing analysis of net trade receivables based on due date is stated as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Not yet due	<b>35,326</b>	141,551
1 to 30 days	<b>42,647</b>	37,353
31 to 60 days	<b>20,150</b>	31,378
61 to 90 days	<b>19,994</b>	14,876
91 to 180 days	<b>77,434</b>	46,700
181 days or above	<b>17,352</b>	22,332
	<hr/>	<hr/>
	<b>212,903</b>	294,190



## Notes to the Condensed Consolidated Interim Financial Information

### 15 SHARE CAPITAL

	Number of shares (‘000)	Ordinary shares HK\$‘000
<b>Issued and fully paid</b>		
At 1 January 2016 and 30 June 2016	391,196	39,120
At 1 January 2017 and 30 June 2017	<b>391,196</b>	<b>39,120</b>

#### (a) Share Award Scheme

The Share Award Scheme was approved to be established by the Board of Directors on 22 August 2007. Details of the scheme were set out in Note 18 to the 2016 annual financial statements.

Movement in the number of Award Shares granted is as follows:

	Number of Award Shares	
	2017	2016
<b>At 1 January</b>	<b>2,242,940</b>	2,468,949
Vested during the period	<b>(234,546)</b>	(159,722)
<b>At 30 June</b>	<b>2,008,394</b>	2,309,227

Movement in the number of shares held under Share Award Scheme is as follows:

	2017		2016	
	Number of shares held	Value HK\$‘000	Number of shares held	Value HK\$‘000
<b>At 1 January</b>	—	—	8,415	143
Purchase during the period	<b>819,500</b>	<b>7,927</b>	869,078	9,516
Shares vested during the period	<b>(234,546)</b>	<b>(2,269)</b>	(159,722)	(1,770)
<b>At 30 June</b>	<b>584,954</b>	<b>5,658</b>	717,771	7,889

234,546 shares at a cost of HK\$2,269,000 (six months ended 30 June 2016: 159,722 shares at a cost of HK\$1,770,000) were vested during the period.

There were no additional shares awarded to eligible employees and directors during the six month periods ended 30 June 2017 and 2016.



## Notes to the Condensed Consolidated Interim Financial Information

### 15 SHARE CAPITAL (CONTINUED)

#### (a) Share Award Scheme (Continued)

The remaining vesting periods of the Award Shares outstanding as at 30 June 2017 are between 1 month and 4 years.

#### (b) Share Option Scheme

The Company granted share options in respect of 2,956,130 shares at no consideration to Mr. Andrew G. Jordan on 14 October 2016. The Share Option Scheme was approved by the shareholders in the Company's Annual General Meeting held on 14 June 2017. Details of the scheme were set out in Note 18 to the 2016 annual financial statements.

The number of share options outstanding and their related average exercise price is as follows:

	<b>2017</b>	
	<b>Exercise price per share option HK\$</b>	<b>Number of share options</b>
<b>At 1 January and 30 June</b>	<b>12.50</b>	<b><u>2,956,130</u></b>

The weighted average fair value of options granted determined using the Binomial valuation model was HK\$1.82 per option. The significant inputs into the model were the closing share price of HK\$10.50 at the grant date, exercise price shown above, volatility of 27%, dividend yield of 3%, an expected option life of ten years and an annual risk-free interest rate of 1.05%.

See Note 7 for the total expense recognised in the condensed consolidated statement of comprehensive income for Award Shares and share options granted to directors and employees.



## Notes to the Condensed Consolidated Interim Financial Information

### 16 OTHER RESERVES

	Six months ended 30 June			
	Share premium HK\$'000	Share- based payment reserve HK\$'000	Shares held under Share Award Scheme HK\$'000	Total HK\$'000
<b>At 1 January 2016</b>	17,866	19,468	(143)	37,191
Share-based payment	—	6,521	—	6,521
Purchase of shares under Share Award Scheme	—	—	(9,516)	(9,516)
Shares vested under Share Award Scheme	—	(1,770)	1,770	—
Debited from share-based payment reserve to retained earnings	—	(775)	—	(775)
<b>At 30 June 2016</b>	<b>17,866</b>	<b>23,444</b>	<b>(7,889)</b>	<b>33,421</b>
<b>At 1 January 2017</b>	<b>17,866</b>	<b>17,734</b>	—	<b>35,600</b>
Share-based payment	—	<b>5,815</b>	—	<b>5,815</b>
Purchase of shares under Share Award Scheme	—	—	<b>(7,927)</b>	<b>(7,927)</b>
Shares vested under Share Award Scheme	—	<b>(2,269)</b>	<b>2,269</b>	—
Debited from share-based payment reserve to retained earnings	—	<b>(1,701)</b>	—	<b>(1,701)</b>
<b>At 30 June 2017</b>	<b>17,866</b>	<b>19,579</b>	<b>(5,658)</b>	<b>31,787</b>



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## Notes to the Condensed Consolidated Interim Financial Information

### 17 BANK BORROWINGS

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Current	<b>356,987</b>	350,040
Non-current	<b>2,793,651</b>	2,913,283
	<b>3,150,638</b>	3,263,323

The Group utilised banking facilities of approximately HK\$3,216,392,000 (31 December 2016: HK\$3,339,980,000) as at 30 June 2017. The carrying amount of the bank borrowings was approximately HK\$3,150,638,000 (31 December 2016: HK\$3,263,323,000), after netting off unamortised transaction costs of approximately HK\$65,754,000 (31 December 2016: HK\$76,657,000).

Bank borrowings are denominated in United States Dollars ("USD").

The bank borrowings amounting to HK\$1,691,426,000 (2016: HK\$1,817,302,000) are secured by a charge on insurance claim proceeds relating to AsiaSat 6 and AsiaSat 8 satellites. They are repayable semi-annually commencing from February 2015 with the final repayment in April 2023 and carry coupons of 2.65% per annum (31 December 2016: 2.65% per annum). During the six month period ended 30 June 2017, the effective interest rate on these bank borrowings was 3.52% per annum (year ended 31 December 2016: 3.52% per annum). The fair values of these bank borrowings are based on cash flows discounted using a rate based on the effective interest rate of 3.75% (31 December 2016: 3.46%) and were within level 2 of the fair value hierarchy.

The remaining balances of bank borrowings, comprising a term loan and revolving credit facility, are secured by a charge on insurance claim proceeds relating to certain satellites other than AsiaSat 6 and AsiaSat 8 satellites. The term loan is repayable annually commencing from July 2016 with the final repayment in July 2020. Each drawdown under the revolving credit facility can be rolled over at the end of respective terms until July 2020; on that date all the outstanding balances will be repaid in full. These bank borrowings carry floating rates at London Interbank Offered Rate ("LIBOR") plus a margin and the exposure of these bank borrowings to interest rate changes and the contractual repricing dates are six months or less. The weighted effective interest rate on these bank borrowings was 4.10% per annum (31 December 2016: 3.64% per annum). The carrying amounts of these bank borrowings approximate their fair values. In July 2017, the Group has obtained new banking facilities to refinance these bank borrowings in full (note 21).



## Notes to the Condensed Consolidated Interim Financial Information

### 17 BANK BORROWINGS (CONTINUED)

At 30 June 2017, the Group's bank borrowings were repayable as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Within 1 year	<b>356,987</b>	350,040
Between 1 and 2 years	<b>348,020</b>	344,675
Between 2 and 5 years	<b>2,158,625</b>	2,141,693
Over 5 years	<b>287,006</b>	426,915
	<b><u>3,150,638</u></b>	<u>3,263,323</u>

The interest expense on bank borrowings during the six months ended 30 June 2017 was HK\$61,421,000 (six months ended 30 June 2016: HK\$67,049,000) and HK\$29,130,000 (six months ended 30 June 2016: HK\$46,336,000) was capitalised as the cost of property, plant and equipment during the period.

As at 30 June 2017, the Group had available unutilised banking facilities of approximately HK\$468,408,000 (31 December 2016: HK\$466,168,000) out of which approximately HK\$312,272,000 has been subsequently refinanced in July 2017 (note 21) and replaced by new facilities of the same amount with final maturity in July 2022 and the remaining facilities amounting to HK\$156,136,000 will be expired in December 2017.

The carrying amounts and fair values of the bank borrowings are as follows:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Current	<b>356,987</b>	350,040	<b>344,718</b>	352,049
Non-current	<b>2,793,651</b>	2,913,283	<b>2,780,564</b>	2,917,160
	<b><u>3,150,638</u></b>	<u>3,263,323</u>	<b><u>3,125,282</u></b>	<u>3,269,209</u>



## Notes to the Condensed Consolidated Interim Financial Information

### 18 COMMITMENTS

#### Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
AsiaSat 9		
Contracted but not provided for	<b>514,501</b>	312,861
Other assets		
Contracted but not provided for	<b>4,115</b>	6,136
	<b>518,616</b>	318,997

#### Operating lease commitments — Group Company as lessee

The Group leases certain of its office under non-cancellable operating lease agreements. The lease terms are between 2 to 4 years, and the majority of the lease arrangements are renewable at the end of the lease periods at market rate. The lease expenditure charged to the condensed consolidated statement of comprehensive income during the period is disclosed in Note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Not later than 1 year	<b>10,704</b>	9,828
Later than 1 year and not later than 5 years	<b>31,221</b>	36,573
	<b>41,925</b>	46,401



## Notes to the Condensed Consolidated Interim Financial Information

### 18 COMMITMENTS (CONTINUED)

#### Operating lease commitments — Group Company as lessor

The Group leased its tracking facilities to certain customers under non-cancellable operating leases. The lease terms are between 2 to 6 years. The lease income recognised under 'other revenues' in the condensed consolidated statement of comprehensive income during the period was HK\$10,513,000 (six months ended 30 June 2016: HK\$11,767,000).

The Group also leased the entire AsiaSat 8 to a customer under transponder services agreement with terms for 4 years and can be extended for another year at the option of the customer. The corresponding income from the provision of satellite transponder capacity recognised in the condensed consolidated statement of comprehensive income during the period was HK\$58,732,000 (six months ended 30 June 2016: nil).

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Not later than 1 year	<b>191,540</b>	20,201
Later than 1 year and not later than 5 years	<b>463,535</b>	13,829
	<b>655,075</b>	34,030

### 19 RELATED-PARTY TRANSACTIONS

At 30 June 2017, the Company was directly controlled by Bowenvale Limited (incorporated in the British Virgin Islands) with a shareholding of approximately 74%. Bowenvale Limited was indirectly owned by CITIC Group Corporation ("CITIC") (incorporated in China) and The Carlyle Group L.P. ("Carlyle") (incorporated in the United States), which have equal voting rights in the Company. The remaining 26% of the Company's shares were held by the public.



## Notes to the Condensed Consolidated Interim Financial Information

### 19 RELATED-PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

#### (a) Income from provision of satellite transponder capacity

The Group has entered into a transponder master agreement with CITIC Networks Company Limited (“CITIC Networks”, a wholly owned subsidiary of CITIC), CITIC Networks Company Limited, Beijing Satellite Telecommunications Branch (“CITICSat”, the branch established and run by CITIC Networks), under which CITIC Networks, CITICSat, granted the exclusive right to the Group to provide satellite transponder capacity for use by their customers. As part of CITIC’s restructuring initiatives, the satellite-related telecommunications business of CITIC Networks and CITICSat were transferred to CITIC Digital Media Networks Company Limited (“CITIC Digital”, a wholly owned subsidiary of CITIC) and CITIC Digital Media Networks Company Limited Satellite Telecommunications Branch (“CITIC Digital Branch”, the branch established and run by CITIC Digital), respectively. The Group entered into a novation agreement such that CITIC Digital has replaced CITIC Networks and CITIC Digital Branch has replaced CITICSat as parties to the transponder master agreement (as described above).

These transactions are carried out at a rate mutually agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.

During the period, the Group recognised income from related parties as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$’000</b>	HK\$’000
CITIC Digital Branch	<b>140,179</b>	—
CITICSat	—	147,071



## Notes to the Condensed Consolidated Interim Financial Information

### 19 RELATED-PARTY TRANSACTIONS (CONTINUED)

#### (b) Marketing expenses

Pursuant to the transponder master agreement and subsequent novation agreement mentioned in (a) above, CITIC Digital Branch conducted marketing activities in China on behalf of the Group for the six months ended 30 June 2017. In return, the Group pays CITIC Digital Branch a marketing fee. For the six months ended 30 June 2016, the Group paid the marketing fee to CITICSat for the marketing activities conducted in China.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
CITIC Digital Branch	<b>560</b>	—
CITICSat	—	594

#### (c) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>17,134</b>	21,521
Share-based payment	<b>2,893</b>	4,353
	<b>20,027</b>	25,874

The Group made payments to a subsidiary of CITIC and a subsidiary of Carlyle for the services of certain Non-executive Directors representing them.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
A subsidiary of CITIC	<b>245</b>	245
A subsidiary of Carlyle	<b>218</b>	218
	<b>463</b>	463



## Notes to the Condensed Consolidated Interim Financial Information

### 19 RELATED-PARTY TRANSACTIONS (CONTINUED)

#### (d) Period/Year-end balances arising from these transactions

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade receivables from related parties (Note 14):		
— CITIC Digital Branch (Note)	<b>140,931</b>	—
— CITICSat (Note)	—	101,754
Deferred revenue in relation to related parties:		
— CITIC Digital Branch	<b>122,627</b>	—
— CITICSat	—	113,814

The receivables from and payables to related parties will be settled on a quarterly basis. The receivables and payables are unsecured in nature and bear no interest.

The above transactions were entered into on commercial terms determined and agreed by the Group and the relevant parties.

Note: Pursuant to the transponder master agreement and novation agreement as mentioned in Note (a) above in respect of the Group's provision of satellite transponder capacity for use by CITICSat's and CITIC Digital Branch's customers, the Group will bear any credit risk in connection with services provided to these customers. Accordingly, the Group will assess whether there is any objective evidence that the amounts ultimately due from these customers may be impaired at each period end. At 30 June 2017, no provision for impairment (31 December 2016: HK\$11,000) was recorded and included within the provision as disclosed in Note 14.



## Notes to the Condensed Consolidated Interim Financial Information

### 20 CONTINGENT LIABILITIES

In 2016, a dispute concerning the business operations of one of the Group's satellites arose between Asia Satellite Telecommunications Company Limited, the wholly owned subsidiary of the Company, and a third party company in relation to a cooperation agreement. The dispute was referred to an arbitration tribunal in accordance with the terms of the cooperation agreement. An arbitration hearing was conducted in May 2017 and final closing submissions of the parties were delivered to the arbitration tribunal in June 2017. The Group contests rigorously its position and considers an outflow of resources as a result of an unfavourable outcome from this pending arbitration is not probable based on the legal advice obtained. Due to the uncertainty of the outcome of the arbitration, which is expected to be concluded in the third or fourth quarter of 2017, the potential financial impact, if any, on the Group cannot be determined at this stage. Therefore, no provision has been made in this condensed consolidated interim financial information for any claims by the counterparty under the dispute. Management will continuously assess the development of the arbitration taking into account the legal advice and estimate the necessary provision for probable losses, if any.

### 21 SUBSEQUENT EVENTS

On 12 July 2017, the Group obtained new term loan and revolving loan facilities of US\$220,000,000 (equivalent to HK\$1,717,496,000) with final maturity in July 2022, secured by a charge on insurance claim proceeds relating to certain satellites other than AsiaSat 6 and AsiaSat 8 satellites. The new facilities have been used to refinance the bank borrowings obtained in July 2015 in full (note 17).



# Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of  
**ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 50, which comprises the condensed consolidated statement of financial position of Asia Satellite Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## Report on Review of Interim Financial Information

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 17 August 2017



ON AIR



## Shareholder Information

### 2017 FINANCIAL CALENDAR

Interim results announcement  
Financial year end

17 August 2017  
31 December

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

Any matter relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar as above.



## Shareholder Information

### LISTING

The shares of the Company are listed on the Stock Exchange.

### DIVIDEND

The Board has declared an interim dividend of HK\$0.18 per share for the six months ended 30 June 2017. The interim dividend will become payable on or about 3 November 2017 to equity holders on the share register as at 10 October 2017. The share register will be closed from 3 to 10 October 2017 (both days inclusive).

### ORDINARY SHARES

Shares outstanding as at 30 June 2017: 391,195,500 ordinary shares  
 Free float: 100,020,805 ordinary shares (25.57%)  
 Nominal value: HK\$0.10 per share

### STOCK CODE

The Stock Exchange of Hong Kong Limited 1135  
 Reuters 1135.HK

### INTERIM REPORT 2017

Copies of interim reports can be obtained by writing to:

Manager, Marketing Communications  
 Asia Satellite Telecommunications Holdings Limited  
 12th Floor, Harbour Centre  
 25 Harbour Road  
 Wanchai  
 Hong Kong

### WEBSITE

<http://www.asiasat.com>  
 Annual/Interim reports are available on line.

### COMPANY CONTACT

General enquiry regarding the Company during normal office hours should be addressed to:

Manager, Marketing Communications  
 Asia Satellite Telecommunications Holdings Limited  
 12th Floor, Harbour Centre  
 25 Harbour Road  
 Wanchai  
 Hong Kong

Telephone: (852) 2500 0880  
 Facsimile: (852) 2500 0895  
 Email: [wpang@asiasat.com](mailto:wpang@asiasat.com)

### INVESTOR RELATIONS CONTACT

The Office of the Chief Executive Officer  
 Asia Satellite Telecommunications Holdings Limited  
 12th Floor, Harbour Centre  
 25 Harbour Road  
 Wanchai  
 Hong Kong

Telephone: (852) 2500 0888  
 Fax: (852) 2882 4640  
 Email: [ajordan@asiasat.com](mailto:ajordan@asiasat.com)