AsiaSat

Asia Satellite Telecommunications Holdings Limited
Stock Code: 1135

New **Demands**
New **Solutions**

INTERIM REPORT 2018

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 seven satellites that are primarily located in prime geostationary positions over the Asian landmass and provide access to two-thirds of the world's population.

www.asiasat.com

CONTENTS

Corporate Information

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Gregory M. ZELUCK *(re-designated from Deputy Chairman to Chairman on 1 January 2018)*

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

JU Wei Min *(re-designated from Chairman to Deputy Chairman on 1 January 2018)*

EXECUTIVE DIRECTOR

Roger Shun-hong TONG *(Chief Executive Officer) (appointed on 16 April 2018)*
Andrew G. JORDAN *(resigned on 16 April 2018)*

NON-EXECUTIVE DIRECTORS

DING Yucheng *(appointed on 1 August 2018)*
LUO Ning
Herman CHANG Hsiuguo
Julius M. GENACHOWSKI
Peter JACKSON *(resigned on 1 August 2018)*

ALTERNATE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Marcel R. FENEZ
Steven R. LEONARD
Philana Wai Yin POON *(appointed on 16 March 2018)*
Maura WONG Hung Hung
Stephen LEE Hoi Yin *(resigned on 16 March 2018)*

AUDIT COMMITTEE

Marcel R. FENEZ *(Chairman)*
Steven R. LEONARD
Philana Wai Yin POON *(appointed on 16 March 2018)*
Maura WONG Hung Hung
Herman CHANG Hsiuguo *(Non-voting)*
JU Wei Min *(Non-voting)*
Stephen LEE Hoi Yin *(resigned on 16 March 2018)*

COMPLIANCE COMMITTEE

Philana Wai Yin POON *(Chairman) (appointed on 16 March 2018)*
DING Yucheng *(appointed on 1 August 2018)*
Marcel R. FENEZ
Julius M. GENACHOWSKI
Roger Shun-hong TONG *(appointed on 16 April 2018)*
Peter JACKSON *(resigned on 1 August 2018)*
Andrew G. JORDAN *(resigned on 16 April 2018)*
Stephen LEE Hoi Yin *(resigned on 16 March 2018)*
Steven R. LEONARD *(resigned on 16 March 2018)*

Corporate Information

NOMINATION COMMITTEE

Maura WONG Hung Hung *(Chairman)*
Herman CHANG Hsiuguo
JU Wei Min
Steven R. LEONARD
Philana Wai Yin POON *(appointed on 16 March 2018)*
Stephen LEE Hoi Yin *(resigned on 16 March 2018)*

REMUNERATION COMMITTEE

Steven R. LEONARD *(Chairman)*
(appointed on 16 March 2018)
DING Yucheng *(appointed on 1 August 2018)*
Marcel R. FENEZ
Maura WONG Hung Hung
Gregory M. ZELUCK
Peter JACKSON *(resigned on 1 August 2018)*
Stephen LEE Hoi Yin *(resigned on 16 March 2018)*

COMPANY SECRETARY

Sue YEUNG

AUTHORISED REPRESENTATIVES

Roger Shun-hong TONG *(appointed on 16 April 2018)*
Sue YEUNG
Andrew G. JORDAN *(resigned on 16 April 2018)*

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

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

OTHER BANKERS

China Construction Bank (Asia) Corporate Limited

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

As we enter the fourth decade of providing premier services within the dynamic Asia Pacific marketplace, AsiaSat continues to play a critical role in bringing much-needed connectivity to the region's geographically and socio-economically diverse communities. While the market for satellite services remains tightly competitive, the Company's proven expertise continues to drive revenue growth as we further expand our video, maritime, in-flight, VSAT and data distribution services.

Thanks to the relatively long in-orbit fuel life of our fleet, the Company has the flexibility to pursue innovative opportunities involving new designs and the deployment of highly-efficient and targeted distribution services while continuing to draw on the unique ability of satellite to provide point-to-multipoint reach over a wide geographical or designated area. With our five newest satellites providing a total of 183 C- and Ku-band transponders, we deliver enhanced power, coverage and efficiency to our customers who are also benefitting from increasingly efficient and lower cost ground equipment.

In terms of operations, our satellites are the most sustainably powerful fleet within the region without the need of in-orbit refueling and an average remaining service life of more than ten years.

Market Conditions

The global demand for video and digital content of all types is fast increasing, as reflected in the continued growth in Asian video content investment. For example, video production budgets in India and South Korea grew by 14% and 7% in 2017, rising to US$4.2 billion and US$3 billion respectively. With the proliferation of content and ever shorter time-to-market requirement, it has become important for content providers and distributors to pursue more innovative means of delivery, including but not limited to working with localised regional satellite operators to maximise returns.

Nevertheless, as a result of rapid market changes driven by new technologies and fast evolving business models, an increase in shorter-term new and renewed contracts have contributed to reduced backlogs throughout the industry. In addition, new capacity launched by national satellite operators has added to competitive pricing pressures.

However, it is notable that almost 2.4 billion people in Asia are estimated to remain without access to mobile internet, and it is our belief that satellites are best placed to bring targeted video and data services to underserved communities without established terrestrial infrastructure.

With AsiaSat's wide-beam regional capacity complemented by our flexible approach to addressing local needs, the Company is able to coordinate our assets to better meet customer requirements as compared to national only Fixed Satellite Services (FSS) and High Throughput Satellite (HTS) service providers.

GENERAL PERFORMANCE (CONTINUED)

Market Conditions (Continued)

In addition, as more remote regional economies mature, the rising demand for increasingly sophisticated video, mobile and interactive services can be better met by the use of customised satellite-based solutions. As a media and data distribution company we have a variety of options such as providing our 'Content Delivery Network' (CDN) in the sky satellite solution or as a traditional capacity supplier to more targeted Direct to Home (DTH) service providers as well as to other converging technology platforms.

In summary, AsiaSat is well placed to participate in a complex capacity provision environment as it focuses on closer partnerships with regional video, DTH and data platforms requiring either broad and/or narrow geographical coverage.

The Company looks forward to the deployment of 5G terrestrial services in 2020-21 as a driver of demand for additional satellite capacity for mobile backhaul to support enhanced mobility and data transmission during 5G service rollout.

However, the designated extended and lower C-band spectrum is coming under threat of reallocation by various domestic regulators, potentially affecting the distribution of video services, data broadcasting and essential services such as meteorological reports and maritime/aeronautical communications. AsiaSat is working closely with local regulators in countries and regions that would possibly be affected by such frequency reallocation to protect our service provision in the C-band and to identify ways to mitigate any potential impact on our satellite services.

INTERIM FINANCIAL RESULTS

Revenue

For the first half of 2018, revenue was HK$730 million (2017: HK$642 million), up 14% over the prior period. This increase was largely a result of the full six-month revenues from the lease of the full Ku-band payload of AsiaSat 8 and the lease of the full payload of AsiaSat 4. Additional revenue were generated from new capacity acquired by customers in Australia, China, Hong Kong, Indonesia, Singapore and Taiwan for HDTV, mobile connectivity, VSAT and maritime services, as well as for the delivery of Satellite News Gathering (SNG) and major sports events.

Operating Expenses

Excluding depreciation, operating expenses in the first half of 2018 totalled HK$131 million (2017: HK$152 million), a decrease of HK$21 million as compared to the prior period, largely attributable to currency fluctuations and lower legal and professional fees.

Chairman's Statement

INTERIM FINANCIAL RESULTS (CONTINUED)

Other gains

Other gains amounted to HK$2 million (2017: HK$33 million), a reduction from the prior period that had benefited from a one-off income of approximately HK$32 million arising from the resolution of a long pending tax matter.

Finance expenses

Net finance expenses after capitalisation were HK$51 million (2017: HK$32 million) representing an increase of HK$19 million, compared to the prior period as no interest expenses were capitalised for the newly operational AsiaSat 9 during the reporting period (2017: HK$29 million).

Depreciation

Depreciation in the first half of 2018 was HK$289 million (2017: HK$261 million), an increase which reflects the six-month of depreciation of AsiaSat 9 in the current period.

Income Tax Expenses

Income tax expenses were HK$46 million (2017: HK$51 million), representing a decrease of HK$5 million.

Profit

Profit attributable to owners for the first half of 2018 was HK$215 million (2017: HK$180 million), as a result of increased revenue, lower exchange losses and lower legal and professional fees. However, these gains were partially offset by larger net finance and depreciation charges and reduced "other gains" as described above.

Cash Flow

For the first six months of 2018, the Group generated a net cash inflow of HK$271 million (2017: HK$257 million), including capital expenditure of HK$66 million (2017: HK$139 million) and the repayment of bank borrowings of HK$144 million (2017: HK$144 million). As at 30 June 2018, the Group had cash and bank balances of HK$484 million (31 December 2017: HK$215 million).

Dividend

The Board declares an interim dividend of HK$0.18 per share (2017: HK$0.18 per share) for this interim period. The interim dividend will become payable on or about 2 November 2018 to equity holders on the share register as at 5 October 2018. The share register will be closed from 2 to 5 October 2018 (both days inclusive).

Chairman's Statement

BUSINESS REVIEW

As of 30 June 2018, the value of contracts on hand was HK$3,365 million (31 December 2017: HK$3,684 million), a reduction primarily due to shorter-term new and renewed contracts and intensive pricing pressure. However, contributions from new contracts and expanded service agreements for additional capacity partially offset the above thanks to the wider coverage provided by AsiaSat 9 and the flexible deployment of in-orbit service beams over new markets.

The steady migration of Standard Definition (SD) video service customers to more valuable High Definition (HD) distribution has moved forward as we meet still unfulfilled Asia Pacific demand. Meanwhile, the deployment of VSAT supported maritime and in-flight services is now an inherent element within the global business supply chain.

In terms of Occasional Use (OU) service, during the first six months of the year the Company benefitted from the burgeoning sports content market served by AsiaSat 5 and AsiaSat 9. This included global and regional events such as some of world's most watched soccer tournaments, the Pyeongchang 2018 Winter Olympics and Paralympics, the Gold Coast 2018 Commonwealth Games, English Premier League and Indian Premier League cricket.

Other AsiaSat-delivered OU news events included the US-North Korea Summit and the Boao Forum for Asia, the Golden Globes and the Grammy Awards.

SATELLITE FLEET

During the first half of 2018, 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 AsiaSat 9, AsiaSat is even better equipped and readily prepared to address the needs of our current and prospective commercial and technical customers and partners.

As of 30 June 2018, the total number of AsiaSat transponders, including AsiaSat 5, 6, 7, 8 and 9 leased or utilised remained stable at 126 (31 December 2017: 126 transponders) while overall transponder utilisation stood at 69% (31 December 2017: 69%).

AsiaSat 3S is currently providing service at 146 degrees East.

AsiaSat 4, with 28 C-band and 20 Ku-band transponders, was leased in its entirety to a single customer under the terms of a four-year utilisation contract and relocated to the customer's designated orbital slot in November 2017 with Tracking, Telemetry & Command (TT&C) fully controlled by AsiaSat.

Chairman's Statement

SATELLITE FLEET (CONTINUED)

AsiaSat 5 at 100.5 degrees East is the Company's primary distribution platform for live sports and news from around the world targeting viewers in the region with news and events such as the ASEAN summits and APEC meetings along with soccer tournaments, golf, cricket, tennis, badminton and baseball series. In addition, AsiaSat 5 serves aviation and telecommunications customers through the delivery of innovative and high demand VSAT services.

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

AsiaSat 7 at 105.5 degrees East is the regional platform of choice for the distribution of premium content from South Asia, East Asia and global TV networks. AsiaSat 7 is also an anchor satellite for in-flight connectivity services within China, as well as for maritime services across the South China Sea region.

AsiaSat 8, with 24 high-powered Ku-band transponders, was leased to a single customer for a minimum of four years. With its TT&C fully controlled by AsiaSat, AsiaSat 8 was relocated to the customer's designated orbital position in February 2017.

AsiaSat 9 at 122 degrees East carries 28 high performance C-band and 32 high powered Ku-band transponders to provide TV broadcast distribution, DTH and broadband services across the Asia-Pacific. This new satellite also serves as a high value distribution platform to support a growing number of OU sports and news events delivered in UHD and HD formats.

OUTLOOK

In line with our enhanced data strategy and technical development program we continue to assess the procurement of AsiaSat 10, potentially our first HTS to ensure that the satellite is both technologically and commercially future-proofed to meet still uncertain market conditions.

According to the International Monetary Fund (IMF), the economic prospects for the Asia-Pacific region remain strong, despite the tightening of global financial conditions. Key findings from IMF's May 2018 report indicated that regional economic growth rates for 2020 are projected to remain robust at 5.4%, with 6.0% for China, 8.1% for India, 5.6% for Indonesia and 6.5% for Vietnam as compared to the global average of 3.8%. However, the regional long-term growth outlook for key markets such as China could be impacted by ongoing uncertainty as a result of economic restructuring, trade disputes and currency devaluations.

OUTLOOK (CONTINUED)

Despite the full benefits of the lease of the entire payload of AsiaSat 4 and the AsiaSat 8 Ku-band, intense price pressure that has impacted customer contract signing and renewals will offset part of these benefits, thus potentially affecting our performance in the second half. Nevertheless, given the Company's positive cash position and the on-going, long-term strength of the AsiaSat video neighbourhood, underpinned by rising demand for video and other digital content, the outlook for the Company for the remainder of 2018 appears to be stable.

In the meantime, regional demographics, especially those impacted by the mobile savvy millennials with their newly significant disposable income and taste for mobility, are supported by the centrality of satellites to the regional communications industry.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank past non-executive directors Mr. Stephen LEE Hoi Yin and, Mr. Peter JACKSON, as well as the former Chief Executive Officer, Mr. Andrew G. JORDAN, for their valuable contributions to the Company during their tenure of service and to express my welcome to Dr. Roger Shun-hong TONG, Ms. Philana Wai Yin POON and Dr. DING Yucheng on joining the Board.

I sincerely thank our customers and shareholders for their continued support of the Company. Finally, I express my gratitude to the management team and operations staff who work so hard to ensure we stay at the forefront of the industry amid rapid changes.

Gregory M. ZELUCK
Chairman

17 August 2018

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 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, as described below.

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 2018.

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 2018 to 30 June 2018.

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 2018 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 2018.

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

During the six months ended 30 June 2018, the Trust, which was set up to administer the Company's Share Award Scheme, has purchased a total of 500,000 ordinary shares of HK$0.10 each of the Company at an average price of HK$6.99 per share on the Stock Exchange. The purchase involved a total cash outlay of HK$3,494,000. 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 2018.

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. The Stock Exchange considered that the grant of the Share Options was analogous to a share option scheme and it has been approved at the Annual General Meeting held on 14 June 2017. 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.

Movement in the number of share options during the six months ended 30 June 2018 and details of the share options outstanding are as follows:

		No of Share Options				
Name	**Date of grant**	**Opening balance**	**Lapsed during the period**	**Forfeited during the period**	**Balance as at 30 June 2018**	**Exercise price per share HK$**
Andrew G. JORDAN*	14 October 2016	2,956,130	(591,226)	(2,364,904)	—	12.50

* Resigned as Director on 16 April 2018

DIRECTORS' INTERESTS

As at 30 June 2018, 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:

		Number of shares				
	Long or short position	**Personal interests**	**Family interests**	**Other interests**	**Total**	**% of the Issued Share Capital of the Company**
Directors						
Peter JACKSON*	Long position	800,264	—	—	800,264	0.20
	Short position	—	—	—	—	—
Roger Shun-hong TONG^	Long position	140,527	59,000	348,382#	547,909	0.14
	Short position	—	—	—	—	—

* Resigned on 1 August 2018

^ Appointed on 16 April 2018.

\# This amount represented the shares awarded under 2007 Share Award Scheme which was not vested as at 30 June 2018.

SUBSTANTIAL EQUITY HOLDERS

As at 30 June 2018, 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[(1) & (2)]	74.43
Able Star Associates Limited	Interest in controlled corporation	Long position	291,174,695[(1)]	74.43
CITIC Corporation Limited	Interest in controlled corporation	Long position	291,174,695[(1)]	74.43
CITIC Limited	Interest in controlled corporation	Long position	291,174,695[(1)]	74.43
CITIC Group Corporation	Interest in controlled corporation	Long position	291,174,695[(1)]	74.43
Jupiter Investment Holdings, L.L.C.	Interest in controlled corporation	Long position	291,174,695[(2)]	74.43
The Carlyle Group L.P.	Interest in controlled corporation	Long position	291,174,695[(2)]	74.43

Notes:

(1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is a wholly-owned by CITIC Asia Satellite Holding Company Limited ("CITIC Asia") which in turn is a wholly-owned by CITIC Projects Management (HK) Limited ("CITIC Projects"). CITIC Projects is a wholly-owned subsidiary of CITIC Corporation Limited, which is 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 2017 annual report of the Company required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

With effect from 16 April 2018:

- Mr. Andrew G. Jordan resigned as Executive Director, Chief Executive Officer, Authorised Representative and Member of Compliance Committee of the Company.
- Dr. Roger Shun-hong Tong was appointed as Executive Director, Chief Executive Officer, Authorised Representative and Member of Compliance Committee of the Company.

With effect from 25 May 2018:

- Ms. Philana Wai Yin Poon resigned as INED of Forgame Holdings Limited.

With effect from 1 August 2018:

- Mr. Peter Jackson resigned as NED, Member of Compliance Committee and Member of Remuneration Committee of the Company.
- Dr. Ding Yucheng was appointed as NED, Member of Compliance Committee and Member of Remuneration 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 12 July 2017, the Company, AsiaSat and AsiaSat BVI Limited (a direct wholly-owned subsidiary of the Company) entered into a new term loan and revolving credit facilities (the "New Syndicated Facilities Agreement") with certain financing banks for a term loan and revolving credit facilities (the "New Syndicated Facilities") in an aggregate amount of US$220 million. The New Syndicated Facilities is for a term of 5 years from the initial drawdown date, 17 July 2017.

Pursuant to the New Syndicated 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 New Syndicated Facility Agreement) gains direct or indirect control of the Company, then the New Syndicated Facilities shall immediately be cancelled and all the outstanding amounts under the New Syndicated Facilities shall become immediately due and payable. The outstanding amount of the New Syndicated Facilities was US$180 million as at 30 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 2 to 5 October 2018 (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 28 September 2018. The interim dividend will be paid on or about 2 November 2018.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue for the period was HK$730 million (2017: HK$642 million), increased by 14% over the prior period. This increase was largely a result of the full six-month revenues from the lease of the full Ku-band payload of AsiaSat 8 and the lease of the full payload of AsiaSat 4. Additional revenue were generated from new capacity acquired by customers in Australia, China, Hong Kong, Indonesia, Singapore and Taiwan for HDTV, mobile connectivity, VSAT and maritime services, as well as for the delivery of Satellite News Gathering (SNG) and major sports events.

Cost of services

Cost of services was HK$337 million (2017: HK$314 million). The increase mainly came from six-month of depreciation of AsiaSat 9 in current period following the operation of AsiaSat 9 in December last year.

Other gains

Other gains amounted to HK$2 million (2017: HK$33 million), a reduction from the prior period that had benefited from a one-off income of approximately HK$32 million arising from the resolution of a long pending tax matter.

Administrative expenses

Administrative expenses were HK$83 million (2017: HK$98 million), a decrease of HK$15 million. The decrease was primarily due to lower exchange loss of HK$7 million compared to HK$23 million in previous period resulting from currency fluctuation and lower legal and professional fees.

Finance expenses

Net finance expenses after capitalisation were HK$51 million (2017: HK$32 million) representing an increase of HK$19 million, compared to the prior period as no interest expenses were capitalised for the newly operational AsiaSat 9 during the reporting period (2017: HK$29 million).

Income tax expenses

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% (2017: 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 43.68% (2017: 7% to 43.26%), in the countries in which the profit is earned.

The income tax expenses was HK$46 million (2017: HK$51 million), represented a decrease of HK$5 million. Further details are set out in Note 9 to the condensed consolidated interim financial information.

Profit for the period

Profit attributable to owners amounted to HK$215 million (2017: HK$180 million). The factors contributing to this are described above.

Financial results analysis

The financial results are highlighted below:

		Six months ended 30 June		
		2018	2017	Change
Revenue	HK$M	**730**	642	+14%
Profit attributable to owners of the Company	HK$M	**215**	180	+20%
Dividend	HK$M	**70**	70	—
Capital and reserves	HK$M	**3,488**	3,205	+9%
Earnings per share	HK cents	**55**	46	+20%
Dividend per share	HK cents	**18**	18	—
Return on equity	Percent	**6**	6	—

		At 30 June 2018	At 31 December 2017	Change
Net assets per share — book value	HK cents	**892**	857	+4%
Gearing Ratio	Percent	**40**	45	–5% pts

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group generated a net cash inflow of HK$271 million (2017: HK$257 million), including payment of capital expenditure of HK$66 million (2017: HK$139 million) and repayment of bank borrowings of HK$144 million (2017: HK$144 million). As at 30 June 2018, the Group had cash and bank balances of HK$484 million (31 December 2017: HK$214 million). The cash and bank balances are denominated in United States Dollars, Renminbi and Hong Kong Dollars.

Total bank borrowings as at 30 June 2018 were HK$2,826 million (31 December 2017: HK$2,953 million), all denominated in United States Dollars. Out of these bank borrowings, HK$1,422 million (31 December 2017: HK$1,555 million) was at fixed interest rates for the whole tenure and the remainder of HK$1,404 million (31 December 2017: HK$1,398 million) was at a floating rate of LIBOR plus a margin. There was no seasonality effect on the Group's borrowing requirements. 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$2,342 million as at 30 June 2018 (31 December 2017: HK$2,738 million).

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.

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. The Renminbi has depreciated against the Hong Kong Dollar during the six months ended 30 June 2018. The amount of RMB business is approximately 23% of total revenue. We did not hedge this currency risk.

The Group has bank borrowings at around HK$1,422 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$1,404 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 year, the Group did not enter into any interest rate swap arrangements.

Order book

As at 30 June 2018, the value of contracts on hand amounted to HK$3,365 million (31 December 2017: HK$3,684 million), of which approximately HK$554 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 138 permanent staff (31 December 2017: 138).

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 "2007 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 2007 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 (the "Trustee") 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 2007 Share Award Scheme has been approved to extend for another 10 years by the Board on 20 December 2017.

Management Discussion and Analysis

The Company has established another share award scheme (the "2017 Share Award Scheme") on 20 December 2017 (the "2017 Adoption Date"). It is a long-term incentive scheme for in which all qualifying employees holding offices may participate. The duration of the 2017 Share Award Scheme is twenty years and the award period is only ten years from the 2017 Adoption date. Pursuant to the 2017 Share Award Scheme, the Company may grant Award Shares to Eligible Employees on the Grant Date each year during the award period. Such Award Shares will be satisfied by new shares to be allotted and issued by the Company to the Trustee to hold on trust for the benefits of the Eligible Employees. No grant will be made and no shares will be allotted and issued to the Trustee during the black-out period. On vesting, Award Shares will be transferred to the eligible employees. For such new shares issued for the purpose of settlement of Award Shares which is subsequently not vested or forfeited in accordance with the terms of the 2017 Share Award Scheme (the "Returned Shares") will be used by the Trustee for settlement of future grants under 2017 Share Award Scheme. The Trustee will sell off any remaining Returned Shares only at the time when the settlement of last vested shares is completed.

The number of Shares to be awarded under the 2017 Share Award Scheme throughout its duration shall not exceed 5% of the issued Shares of the Company as at the 2017 Adoption Date.

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 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.

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 2018, the Group had total capital commitments of HK$7 million (31 December 2017: HK$3 million), of which all were contracted but not provided for.

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 2018, the Group's gearing ratio was as follows:

	30 June 2018 **HK$ million**	31 December 2017 HK$ million
Total bank borrowings	**2,826**	2,953
Less : Cash and bank balances	**(484)**	(215)
Net Debt	**2,342**	2,738
Total equity	**3,488**	3,353
Total capital	**5,830**	6,091
Gearing ratio	**40%**	45%

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as of 30 June 2018.

Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Revenue	6	**730,126**	642,351
Cost of services		**(337,171)**	(314,261)
Gross profit		**392,955**	328,090
Administrative expenses		**(83,049)**	(98,215)
Other gains-net	7	**1,706**	33,354
Operating profit	7	**311,612**	263,229
Finance expenses	8	**(50,525)**	(32,291)
Profit before income tax		**261,087**	230,938
Income tax expense	9	**(46,160)**	(51,297)
Profit and total comprehensive income for the period		**214,927**	179,641
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		**214,959**	179,671
— Non-controlling interests		**(32)**	(30)
		214,927	179,641
		HK$ per share	HK$ per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	10	**0.55**	0.46
Diluted earnings per share	10	**0.55**	0.46

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	12	**16,910**	17,202
Property, plant and equipment	13	**6,643,434**	6,930,280
Unbilled receivables		**21,821**	19,040
Deposit	14	**2,851**	2,851
Total non-current assets		**6,685,016**	6,969,373
Current assets			
Unbilled receivables		**11,979**	8,458
Trade and other receivables	14	**197,447**	208,598
Cash and bank balances		**483,997**	214,465
Total current assets		**693,423**	431,521
Total assets		**7,378,439**	7,400,894
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	**39,120**	39,120
Reserves			
— Retained earnings		**3,421,992**	3,282,940
— Other reserves	16	**26,151**	29,607
		3,487,263	3,351,667
Non-controlling interests		**803**	835
Total equity		**3,488,066**	3,352,502

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	**2,465,034**	2,593,983
Deferred income tax liabilities		**453,375**	462,515
Contract liabilities		**226,128**	230,825
Total non-current liabilities		**3,144,537**	3,287,323
Current liabilities			
Bank borrowings	17	**360,953**	358,923
Construction payables		**3,295**	67,448
Dividend payable		**78,239**	—
Other payables and accrued expenses		**61,089**	80,874
Contract liabilities		**193,196**	191,761
Current income tax liabilities		**49,064**	62,063
Total current liabilities		**745,836**	761,069
Total liabilities		**3,890,373**	4,048,392
Total equity and liabilities		**7,378,439**	7,400,894

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

	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
Balance at 1 January 2017 (Audited)	39,120	17,866	—	17,734	3,029,950	3,104,670	904	3,105,574
Total comprehensive income for the period ended 30 June 2017	—	—	—	—	179,671	179,671	(30)	179,641
Transactions with owners, recognised directly in equity								
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)
Total transactions with owners, recognised directly in equity	—	—	(5,658)	1,845	(76,538)	(80,351)	—	(80,351)
Balance at 30 June 2017 (Unaudited)	39,120	17,866	(5,658)	19,579	3,133,083	3,203,990	874	3,204,864
Balance at 1 January 2018 (Audited)	**39,120**	**17,866**	**(2,162)**	**13,903**	**3,282,940**	**3,351,667**	**835**	**3,352,502**
Total comprehensive income for the period ended 30 June 2018	**—**	**—**	**—**	**—**	**214,959**	**214,959**	**(32)**	**214,927**
Transactions with owners, recognised directly in equity								
Employees share award scheme:								
— Shares held under Share Award Scheme	**—**	**—**	**(3,494)**	**—**	**—**	**(3,494)**	**—**	**(3,494)**
— Share-based payment	**—**	**—**	**—**	**2,370**	**—**	**2,370**	**—**	**2,370**
— Share vested under Share Award Scheme	**—**	**—**	**1,608**	**(1,608)**	**—**	**—**	**—**	**—**
Debited from share-based payment reserve to retained earnings	**—**	**—**	**—**	**(2,332)**	**2,332**	**—**	**—**	**—**
Final dividend relating to 2017	**—**	**—**	**—**	**—**	**(78,239)**	**(78,239)**	**—**	**(78,239)**
Total transactions with owners, recognised directly in equity	**—**	**—**	**(1,886)**	**(1,570)**	**(75,907)**	**(79,363)**	**—**	**(79,363)**
Balance at 30 June 2018 (Unaudited)	**39,120**	**17,866**	**(4,048)**	**12,333**	**3,421,992**	**3,487,263**	**803**	**3,488,066**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
— Cash generated from operations	**597,444**	832,674
— Interest paid	**(21,573)**	(26,749)
— Hong Kong profits tax paid	**(44,203)**	—
— Overseas tax paid	**(22,325)**	(234,053)
Net cash inflow from operating activities	**509,343**	571,872
Cash flows from investing activities		
— Purchases of property, plant and equipment	**(66,320)**	(138,629)
— Proceeds on disposals of property, plant and equipment	**250**	169
— Interest received	**1,071**	1,113
Net cash outflow from investing activities	**(64,999)**	(137,347)
Cash flows from financing activities		
— Purchase of shares under Share Award Scheme	**(3,494)**	(7,927)
— Repayment of bank borrowings	**(144,299)**	(144,299)
— Interest and other finance charges paid	**(25,488)**	(25,404)
Net cash outflow from financing activities	**(173,281)**	(177,630)
Net increase in cash and cash equivalents	**271,063**	256,895
Cash and cash equivalents at beginning of the period	**214,465**	240,583
Effects of exchange rate changes on cash and cash equivalents	**(1,531)**	—
Cash and cash equivalents at end of the period	**483,997**	497,478

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately HK$52,413,000 (31 December 2017: HK$329,548,000). Included in the Group's current liabilities was contract liabilities of HK$193,196,000 (31 December 2017: HK$191,761,000) 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 contract liabilities by HK$140,783,000 (31 December 2017: the Group's net current liabilities less contract liabilities was HK$137,787,000). Based on the Group's forecasts and projections, taking into account of reasonably possible changes in business performance, the Group should be able to operate within the level of resources generated from its operations; and, together with 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 2017 and corresponding interim period and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting the following standards are disclosed below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of HKFRS 9 Financial Instruments (see note (i) below) and HKFRS 15 Revenue from Contracts with Customers (see note (ii) below) is disclosed in below. The other standards effective from 1 January 2018 did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(i) HKFRS 9 Financial Instruments

HKFRS 9 replaces the whole of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

Based on the analysis of the Group's financial instruments, the adoption of this standard has not resulted in any impact on the classification and measurement of the Group's financial assets and financial liabilities.

Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The Group has assessed that the expected loss rate for trade receivables to be reasonable and the loss allowance has been properly provided (Note 14). Trade receivables are written off when there is no reasonable expectation of recovery.

Upon adoption of the new standard, management has performed an evaluation of the expected credit loss position as at 1 January 2018, and concluded that the impact of the new standard on that date to be insignificant, and therefore no restatement of the balance as at that date was required.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

(ii) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 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.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or services is transferred over time if the Group's performance:

— provides all the benefits received and consumed simultaneously by the customer; or

— creates and enhances an asset that the customer controls as the Group performs; or

— do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The recognition basis of the sales of satellite transponder capacity remains unchanged at the point in time when the services are rendered.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

(ii) HKFRS 15 Revenue from Contracts with Customers (Continued)

Management has assessed the effects of HKFRS 15 on the Group's condensed consolidated interim financial information and the details are as follows:

Provision of satellite transponder capacity

The recognition basis of the income from provision of satellite transponder capacity remains unchanged on a straight-line basis over the period of the agreements.

Sales of satellite transponder capacity

The recognition basis of the sales of satellite transponder capacity remains unchanged under transponder purchase agreements on a straight-line basis from the date of delivery of the transponder capacity until the end of the estimated useful life of the satellite.

All of the Group's revenues are recognised over time.

(b) New and amended standards not yet adopted by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Lease[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements Project	Annual Improvements 2015–2017 cycle[1]

1 Effective for the Group for annual periods beginning on or after 1 January 2019
2 Effective for the Group for annual periods beginning on or after 1 January 2021
3 Effective date to be determined

3 ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards not yet adopted by the Group (Continued)

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:

(i) 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 the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$31,221,000 (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.

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 2017.

Notes to the Condensed Consolidated Interim Financial Information

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 2017.

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 with reputable financial institutions, 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.

Management also monitors forecasts of the Group's liquidity reserve (comprising the available unutilised banking facilities below) and cash and cash equivalents on the basis of expected cash flows. In assessing the expected cash flows to support its working capital sufficiency, the Group takes into account the forecast revenue and the expected cash receipts from customers, forecast expenditure, capital commitment and debt financing plans. The Group also regularly monitors its compliance with covenants under all banking facilities.

As at 30 June 2018, the Group had available unutilised banking facilities of approximately HK$313,864,000 and will be expired in June 2022.

5.3 Fair value estimation

During the period ended 30 June 2018, 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 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value of financial liabilities measured at amortised cost

The fair value of bank borrowings is as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Current	**258,437**	333,376
Non-current	**2,398,810**	2,569,795
	2,657,247	2,903,171

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:

	Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Income from provision of satellite transponder capacity	**709,635**	620,789
Sales of satellite transponder capacity	**6,702**	6,599
Other revenues	**13,789**	14,963
	730,126	642,351

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 is 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 are 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. The revenue from customers in Hong Kong and Greater China for the six months ended 30 June 2018 is HK$112,397,000 (30 June 2017: HK$72,217,000) and HK$173,391,000 (30 June 2017: HK$142,506,000), respectively, and the total revenue from customers in other countries is HK$444,338,000 (30 June 2017: HK$427,628,000). 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:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interest income	**(1,422)**	(1,224)
Net gain on disposals of property, plant and equipment other than transponders	**(25)**	(169)
Others (Note)	**(259)**	(31,961)
Other gains — net	**(1,706)**	(33,354)
Salary and other benefits, including directors' remuneration	**66,350**	68,650
Share-based payment	**2,370**	5,815
Pension costs — defined contribution plans	**4,278**	4,674
Total staff costs	**72,998**	79,139
Auditors' remuneration	**1,055**	980
Provision for/(write back of) impairment of trade receivables, net	**5,474**	(234)
Depreciation of property, plant and equipment (Note 13)	**288,890**	260,743
Operating leases		
— Premises	**5,402**	4,213
— Leasehold land and land use rights (Note 12)	**292**	292
Net exchange loss	**7,237**	23,104

Note: During the six months ended 30 June 2017, it represented a one-off income arising from the resolution of a long pending tax matter related to the provision of services to a customer.

Notes to the Condensed Consolidated Interim Financial Information

8 FINANCE EXPENSES

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Interest expenses incurred on bank borrowings	**50,525**	61,421
Less: interest capitalised on qualifying assets (Note)	**—**	(29,130)
Total	**50,525**	32,291

Note: During the six months ended 30 June 2018, no interest was capitalised with the commencement of operation of the qualifying assets. During the six months ended 30 June 2017, the interest rate applied in determining the amount of interest capitalised was 4.10%.

9 INCOME TAX EXPENSE

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% (30 June 2017: 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 43.68% (30 June 2017: 7% to 43.26%), prevailing in the countries in which the profit is earned.

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Current income tax		
— Hong Kong profits tax	**30,356**	21,476
— Overseas taxation (Note)	**24,944**	38,930
Total current tax	**55,300**	60,406
Deferred income tax	**(9,140)**	(9,109)
Income tax expense	**46,160**	51,297

9 INCOME TAX EXPENSE (CONTINUED)

Note: 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.

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. 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.

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$193,000,000 (Indian Rupee equivalent) which the Group had paid. All the Indian income tax liabilities for these 16 assessment years were fully settled during the six months ended 30 June 2017.

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 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$13,000,000 for the six months ended 30 June 2018 (30 June 2017: HK$31,000,000).

Notes to the Condensed Consolidated Interim Financial Information

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.

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**214,959**	179,671
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,656**	390,762
Basic earnings per share (HK$)	**0.55**	0.46

The weighted average number of ordinary shares shown above has been arrived 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.

Share Award Schemes

The Company has restricted shares under the Share Award Schemes 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.

10 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

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.

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**214,959**	179,671
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,656**	390,762
Effect of Share Award Schemes (in thousands)	**—**	881
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**390,656**	391,643
Diluted earnings per share (HK$)	**0.55**	0.46

There are no share options outstanding during the six months ended 30 June 2018.

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$0.18 per share for the six months ended 30 June 2017).

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interim dividend for the six months ended 30 June 2018 of HK$0.18 per share (HK$0.18 per share for the six months ended 30 June 2017)	**70,415**	70,415

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 2018.

12 LEASEHOLD LAND AND LAND USE RIGHTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
At 1 January (Audited)	**17,202**	17,785
Amortisation of prepaid operating lease payments (Note 7)	**(292)**	(292)
At 30 June (Unaudited)	**16,910**	17,493

13 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
At 1 January (Audited)	**6,930,280**	6,830,436
Additions	**2,269**	150,991
Disposals	**(225)**	—
Depreciation (Note 7)	**(288,890)**	(260,743)
At 30 June (Unaudited)	**6,643,434**	6,720,684

14 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade receivables	**116,105**	100,504
Trade receivables from related parties (Note 19)	**95,852**	104,162
Less: provision for impairment of trade receivables	**(24,998)**	(19,524)
Trade receivables — net	**186,959**	185,142
Other receivables — net	**370**	7,834
Deposits and prepayments	**12,969**	18,473
	200,298	211,449
Less non-current portion: Deposit	**(2,851)**	(2,851)
Current portion	**197,447**	208,598

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:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Not yet due	**54,122**	46,475
1 to 30 days	**42,715**	40,239
31 to 60 days	**32,680**	38,598
61 to 90 days	**23,290**	14,539
91 to 180 days	**28,376**	38,750
181 days or above	**5,776**	6,541
	186,959	185,142

Notes to the Condensed Consolidated Interim Financial Information

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement on the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
At 1 January (Audited)	**19,524**	21,081
Provision for/(write back of) impairment of receivables, net	**5,474**	(234)
At 30 June (Unaudited)	**24,998**	20,847

15 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK$'000
Issued and fully paid		
At 1 January 2017 (Audited) and 30 June 2017 (Unaudited)	391,196	39,120
At 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	**391,196**	**39,120**

(a) Share Award Schemes

The Company operated two Share Award Schemes, namely 2007 Share Award Scheme and 2017 Share Award Scheme. On 22 August 2007, 2007 Share Award Scheme was approved to be established by the Board. On 20 December 2017, the Board further approved the operation of 2007 Share Award Scheme for another 10 years from 2017. On 20 December 2017, the Board has also approved the establishment of 2017 Share Award Scheme with the objective to enhance the competitiveness of the Group in attracting and retaining the best senior staff for the development of the Group's business. Details of these two schemes were set out in Note 18 to the 2017 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL (CONTINUED)

(a) Share Award Schemes (Continued)

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

	Number of Award Shares	
	2018	2017
At 1 January (Audited)	**1,936,862**	2,242,940
Forfeited during the period	**(119,190)**	—
Vested during the period	**(216,180)**	(234,546)
At 30 June (Unaudited)	**1,601,492**	2,008,394

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

	2018		2017	
	Number of shares held	**Value HK$'000**	Number of shares held	Value HK$'000
At 1 January (Audited)	**260,033**	**2,162**	—	—
Purchase during the period	**500,000**	**3,494**	819,500	7,927
Shares vested during the period	**(216,180)**	**(1,608)**	(234,546)	(2,269)
At 30 June (Unaudited)	**543,853**	**4,048**	584,954	5,658

There were no additional shares awarded to eligible employees and directors during the six month periods ended 30 June 2018 and 2017.

The remaining vesting periods of the Award Shares outstanding as at 30 June 2018 and 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 2017 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL (CONTINUED)

(b) Share Option Scheme (Continued)

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

	2018		2017	
	Exercise price per share option HK$	**Number of share options**	Exercise price per share option HK$	Number of share options
At 1 January (Audited)	**12.50**	**2,956,130**	12.50	2,956,130
Lapsed during the period	**12.50**	**(591,226)**	—	—
Forfeited during the period	**12.50**	**(2,364,904)**	—	—
At 30 June (Unaudited)		**—**		2,956,130

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%.

591,226 share options that are exercisable have been lapsed in the current period.

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$'000	Shares held under Share Award Scheme HK$'000	Share-based payment reserve HK$'000	Total HK$'000
At 1 January 2017 (Audited)	17,866	—	17,734	35,600
Share-based payment	—	—	5,815	5,815
Purchase of shares under Share Award Scheme	—	(7,927)	—	(7,927)
Shares vested under Share Award Scheme	—	2,269	(2,269)	—
Debited from share-based payment reserve to retained earnings	—	—	(1,701)	(1,701)
At 30 June 2017 (Unaudited)	17,866	(5,658)	19,579	31,787
At 1 January 2018 (Audited)	**17,866**	**(2,162)**	**13,903**	**29,607**
Share-based payment	**—**	**—**	**2,370**	**2,370**
Purchase of shares under Share Award Scheme	**—**	**(3,494)**	**—**	**(3,494)**
Shares vested under Share Award Scheme	**—**	**1,608**	**(1,608)**	**—**
Debited from share-based payment reserve to retained earnings	**—**	**—**	**(2,332)**	**(2,332)**
At 30 June 2018 (Unaudited)	**17,866**	**(4,048)**	**12,333**	**26,151**

Notes to the Condensed Consolidated Interim Financial Information

17 BANK BORROWINGS

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Current	**360,953**	358,923
Non-current	**2,465,034**	2,593,983
	2,825,987	2,952,906

The Group utilised banking facilities of approximately HK$2,864,001,000 (31 December 2017: HK$2,996,660,000) as at 30 June 2018. The carrying amount of the bank borrowings was approximately HK$2,825,987,000 (31 December 2017: HK$2,952,906,000), after netting off unamortised transaction costs of approximately HK$38,014,000 (31 December 2017: HK$43,754,000).

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

The bank borrowings amounting to HK$1,422,343,000 (2017: HK$1,554,977,000) 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 with coupon rate of 2.65% per annum (31 December 2017: 2.65% per annum). During the six month period ended 30 June 2018, the effective interest rate on these bank borrowings was 3.52% per annum (31 December 2017: 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 4.96% (31 December 2017: 4.01%) and were within level 2 of the fair value hierarchy.

On 12 July 2017, the Group obtained the New Syndicated Facilities comprising a term loan of HK$1,406,520,000 and revolving credit facilities of HK$312,560,000 respectively 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 Syndicated Facilities are used to refinance the term loan and revolving credit facilities obtained in 2015 in full.

Under the New Syndicated Facilities, the term loan is repayable annually commencing from July 2018 with the final repayment in July 2022. The revolving credit facilities are available for drawdown for a period from 1 to 6 months until June 2022, and any outstanding balances will be repaid in full by July 2022. 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. During the six months ended 30 June 2018, the weighted effective interest rate on these bank borrowings under the New Syndicated Facilities was 3.44% (31 December 2017: 2.95%).

17 BANK BORROWINGS (CONTINUED)

At 30 June 2018, the Group's bank borrowings were repayable as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Within 1 year	**360,953**	358,923
Between 1 and 2 years	**357,712**	355,079
Between 2 and 5 years	**2,107,322**	2,094,966
Over 5 years	**—**	143,938
	2,825,987	2,952,906

The interest expense on bank borrowings during the six months ended 30 June 2018 was HK$50,525,000 (30 June 2017: HK$61,421,000) and no interest expenses was capitalised as the costs of property, plant and equipment during the period (30 June 2017: HK$29,130,000).

As at 30 June 2018, the Group had available unutilised banking facilities of approximately HK$313,864,000 (31 December 2017: HK$468,840,000) which will be expired in June 2022.

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

	Carrying amount		**Fair value**	
	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000	**Unaudited 30 June 2018 HK$'000**	Audited 31 December 2017 HK$'000
Current	**360,953**	358,923	**258,437**	333,376
Non-current	**2,465,034**	2,593,983	**2,398,810**	2,569,795
	2,825,987	2,952,906	**2,657,247**	2,903,171

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:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Other assets		
Contracted but not provided for	**6,519**	2,778

Operating lease commitments — Group company as lessee

The Group leases its office premises under non-cancellable operating lease agreements. The lease terms are 4 years, and the majority of the lease agreements are renewable at the end of the lease period 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:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Not later than 1 year	**10,704**	10,704
Later than 1 year and not later than 5 years	**20,517**	25,869
	31,221	36,573

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 3 to 5 years. The lease income recognised under 'Revenue-other revenues' in the condensed consolidated statement of comprehensive income during the period was HK$10,466,000 (30 June 2017: HK$10,513,000).

18 COMMITMENTS (CONTINUED)

Operating lease commitments — Group company as lessor (Continued)

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 lease was accounted for as an operating lease. The corresponding income from the provision of satellite transponder capacity recognised in the condensed consolidated statement of comprehensive income during the period was HK$85,800,000 (30 June 2017: HK$58,732,000).

The Group also leased the entire AsiaSat 4 to a customer under transponder services agreement with a term of 4 years and can be extended for another year at the option of the customer. The lease was accounted for as an operating lease. The corresponding income from the provision of satellite transponder capacity recognised in the consolidated statement of comprehensive income during the period was HK$46,800,000 (30 June 2017: nil).

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Not later than 1 year	**254,173**	263,470
Later than 1 year and not later than 5 years	**536,945**	662,422
	791,118	925,892

19 RELATED-PARTY TRANSACTIONS

At 30 June 2018, 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.

19 RELATED-PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

(a) Income from provision of satellite transponder capacity

On 4 September 2015, the Group has entered into a transponder master agreement with CITIC Networks Company Limited ("CITIC Networks", a wholly owned subsidiary of CITIC) and CITIC Networks Company Limited, Beijing Satellite Telecommunications Branch ("CITICSat", the branch established and run by CITIC Networks), under which CITIC Networks and 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. On 31 October 2016, 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), starting from 1 January 2017.

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:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
CITIC Digital Branch	**169,580**	140,179

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 2018. In return, the Group pays CITIC Digital Branch a marketing fee.

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
CITIC Digital Branch	**612**	560

(c) Key management compensation

Key management includes the executive director and senior management.

The compensation paid or payable to the executive director and senior management for employee services is shown below:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**19,009**	17,134
Share-based payment	**852**	2,893
	19,861	20,027

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

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
A subsidiary of CITIC	**218**	245
A subsidiary of Carlyle	**245**	218
	463	463

Notes to the Condensed Consolidated Interim Financial Information

19 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade receivables from related parties (Note 14):		
— CITIC Digital Branch (Note)	**95,852**	104,162
Contract liabilities in relation to related parties:		
— CITIC Digital Branch	**112,766**	102,930

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 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 expected credit loss that the amounts ultimately due from these customers may be impaired at each period end. At 30 June 2018 and 31 December 2017, no provision for impairment was recorded and included within the provision as disclosed in Note 14.

20 SUBSEQUENT EVENTS

There have been no events subsequent to the period end which require adjustment or disclosures in the condensed consolidated interim financial information in accordance with HKFRSs.

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 52, 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 2018 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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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2018

Shareholder Information

2018 FINANCIAL CALENDAR

Interim results announcement	17 August 2018
Financial year end	31 December

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR 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 2018. The interim dividend will become payable on or about 2 November 2018 to equity holders on the share register as at 5 October 2018. The share register will be closed from 2 to 5 October 2018 (both days inclusive).

ORDINARY SHARES

Shares outstanding as at 30 June 2018: 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 2018

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

https://www.asiasat.com
Annual/Interim reports are available online.

COMPANY CONTACT

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

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Hong Kong

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INVESTOR RELATIONS CONTACT

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