AsiaSat

Asia Satellite Telecommunications Holdings Limited
Stock Code: 1135

2018 ANNUAL REPORT

30 Years of Excellence

Together, We Reach for New Frontiers

OUR VISION

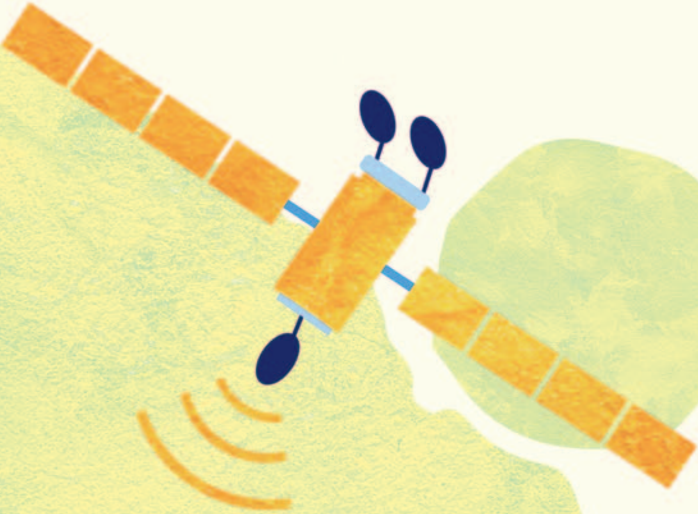
To be the foremost satellite solution provider in Asia and the instinctive and desired partner of choice.

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



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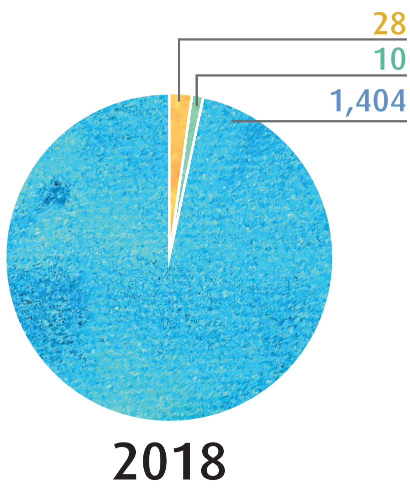
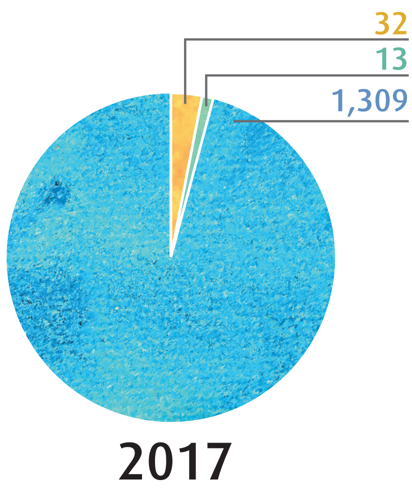
Financial Highlights

		2018	2017	Change
Revenue	HK$M	**1,442**	1,354	+6%
Profits attributable to owners of the Company	HK$M	**429**	397	+8%
Dividend	HK$M	**149**	149	–
Capital and reserves	HK$M	**3,634**	3,353	+8%
Earnings per share	HK cents	**110**	101	+8%
Dividend per share	HK cents	**38**	38	–
Dividend cover	Times	**2.9**	2.7	+7%
Return on equity	Percent	**12**	12	–
Net assets per share — book value	HK cents	**929**	857	+8%
Gearing ratio	Percent	**36**	45	–9% pts

ANALYSIS OF REVENUE BY NATURE (HK$M)





Income from provision of satellite transponder capacity — Recurring

Sales of satellite transponder capacity

Other revenue

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
FAN Jui-Ying *(appointed on 1 September 2018)*
Julius M. GENACHOWSKI *(resigned on 1 September 2018)*
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
Roger Shun-hong TONG *(appointed on 16 April 2018)*
FAN Jui-Ying *(appointed on 1 September 2018)*
Julius M. GENACHOWSKI *(resigned on 1 September 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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE

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

Chairman's Statement

INTRODUCTION

In contrast to the grim sentiments in the overall geostationary satellite operators' market, the Group's performance in 2018 proved positive with revenues of HK$1,442 million, up 6% from the previous year, driven by new customers and on-going transponder renewals.

Across the year, the Group achieved overall capacity utilisation of 72% with our primary satellites (AsiaSat 5, AsiaSat 6, AsiaSat 7, AsiaSat 8 and AsiaSat 9), up 3% from 2017, in line with company expectations.

While the economies in the Asia-Pacific region as a whole may be going through a continued, slow decline, growth momentum in demand for broadcast and data services remains robust in several fast-growing countries, hence in the medium to long-term, Asia is still expected to outperform all other regions across our core markets of telecoms, media and entertainment. As Asia's premier satellite operator, AsiaSat continues to be well positioned to leverage the many new and long-term growth opportunities presented by emerging economies in the region.

In the meantime, due to stepped up efforts by regulators around the world to re-purpose a portion of C-band satellite spectrum to facilitate the roll-out of new 5G services, there have been concerns over the tightening supply of C-band transponder capacity available for broadcast distribution. However, the Group has been working diligently during the year to devise a set of measures aimed at alleviating the anticipated impact of 5G implementation, including the development and evaluation of possible technical solutions and the rationalisation of satellite capacity to be allocated to broadcast customers. Meanwhile, our video neighbourhoods and the value of our premier orbital locations continue to benefit from the demand of consumers hungry for live video content, which requires a highly scalable and reliable means of delivery.

AREAS OF GROWTH

The overall video revenues in 2018 remained solid, accounting for two-thirds of our C- and Ku-band capacity. Although AsiaSat 9 was originally conceived to be more of a data-driven satellite, it has successfully initiated its transformation into a video "hotbird" attracting high-quality regional and international television broadcasters while data services of all kinds have continued to take up additional bandwidth.

In addition to providing broadcast distribution of international channels, AsiaSat 9 (which replaced AsiaSat 4 at 122 degrees East) has been providing outbound distribution of local-language channels targeting diasporas communities in markets such as Australia. Meanwhile, AsiaSat 4 is being redeployed at a new orbital location and is dedicated to the needs of a single customer under the terms of a four-year utilisation contract signed in November 2017.

New broadcast distribution agreements and renewals have been signed during the year with customers from Europe and Asia, while the Group has also signed ongoing data capacity agreements with customers in Australia, Greater China, Indonesia, Malaysia and Vietnam.

Chairman's Statement

AREAS OF GROWTH (CONTINUED)

During 2018, the mega markets of China, India and Indonesia have continued to deliver solid revenues while demand for rural connectivity in Australia has generated additional returns. Meanwhile, international video distribution, including premium television channels from our global customers has remained a key revenue driver.

Another area of positive performance in 2018 has come from the enhanced utilisation of AsiaSat 5 and AsiaSat 9 which has reinforced AsiaSat's position as the regional carrier of choice for many top-tier sports, 4K transmission and ad hoc live broadcasts. These live events have included the Winter Olympics in Pyeongchang, the English Premier League, J League and LaLiga football, the Davis Cup and Laver Cup tennis tournaments as well as Indian Premier League cricket. Other special events carried during 2018 included the Boao Forum for Asia, the Trump-Kim Summit in Singapore, the APEC Summit in Papua New Guinea, the Golden Globes and the Grammy Awards.

With more than 100 High Definition (HD) television channels now being distributed by AsiaSat, we believe the migration from Standard Definition (SD) to HD is imminent and accelerating. On the contribution side, the Group is likely to benefit particularly from the increased bandwidth requirements as premium sports and related special events migrate to 4K format.

Against a background of unprecedented growth in the regional aviation market, for much of 2018, the Asia-Pacific demand for In-Flight-Connectivity (IFC) has continued to grow, led by China and India with strong prospects of increased capacity requirements to be seen in 2019 and beyond.

FINANCIAL PERFORMANCE

Revenue

Revenue for the year ended 31 December 2018 was HK$1,442 million (2017: HK$1,354 million) up 6% from the previous year. This revenue growth was bolstered by the full-year earnings from the lease of the full Ku-band payload of AsiaSat 8 and the lease of the full payload of AsiaSat 4.

Operating Expenses

In 2018, operating expenses amounted to HK$253 million (2017: HK$279 million), a decrease of 9% from 2017, largely attributable to currency fluctuations and lower spending on professional fees as well as our approach to controlling expenses.

Other Gains

Other gains for the year were HK$49 million (2017: HK$92 million), a reduction of HK$43 million from 2017, attributable to a lower income arising from the resolution of a long-pending tax matter.

Chairman's Statement

FINANCIAL PERFORMANCE (CONTINUED)

Finance Expenses

Net finance expenses after capitalisation were HK$101 million (2017: HK$95 million), up HK$6 million from the previous year as no interest expenses have been capitalised for the newly operational AsiaSat 9.

Depreciation

Depreciation in 2018 was HK$578 million (2017: HK$526 million). The increase of HK$52 million primarily resulted from the first full-year depreciation of AsiaSat 9.

Income Tax Expense

Income tax expense was HK$129 million (2017: HK$150 million) representing a decrease of HK$21 million from 2017. The decrease was substantially attributable to costs incurred in the previous year relating to the payment of additional tax following the settlement of a tax dispute under the Direct Tax Dispute Resolution Scheme 2016 in India as described in Note 10 to the consolidated financial statements.

Profit

The profit attributable to owners for 2018 was HK$429 million (2017: HK$397 million). This was primarily driven by an increase in revenue, but offset by higher depreciation and reduced other gains.

Cash Flow

At the end of 2018, the Group cash and bank balances stood at HK$547 million (31 December 2017: HK$215 million).

During the year, the Group generated net cash inflow of HK$334 million (2017: net cash outflow of HK$29 million). Cash inflows mainly comprised net cash generated from operating activities of HK$973 million (2017: inflow of HK$1,088 million).

Cash outflows for the year included capital expenditure of HK$75 million (2017: HK$544 million), the payment of HK$149 million in dividends (2017: HK$148 million) and repayment of bank borrowings of HK$367 million (2017: HK$1,786 million).

Chairman's Statement

FINANCIAL PERFORMANCE (CONTINUED)

Dividend

At the Annual General Meeting to be held on 14 June 2019, the Board will recommend a final dividend of HK$0.20 per share (2017: HK$0.20 per share) for the year ended 31 December 2018. Together with an interim dividend of HK$0.18 per share (2017: HK$0.18 per share), the total dividend for the year 2018 is HK$0.38 per share (2017: HK$0.38 per share).

OVERALL BUSINESS PERFORMANCE

In summary, during 2018 the Group achieved higher capacity growth with its expanded and upgraded satellite fleet with 131 transponders leased or utilised, as compared to 126 transponders as of 31 December 2017. Overall payload utilisation for the period ended 31 December 2018 was 72% as compared to 69% in the previous year.

With the satellite transponder market in the Asia-Pacific undergoing a restructuring over the last two years, the Group had a contracted backlog of HK$2,976 million (2017: HK$3,684 million). The 19% reduction was primarily driven by subdued demand and customers becoming less willing to commit to longer-term contracts in an uncertain market.

OUTLOOK 2019–2021

The Group is cautiously optimistic about revenue prospects for 2019 and beyond, notwithstanding current oversupply of satellite capacity in key country markets, price erosion and the fierce competition from terrestrial networks.

The overall demand for broadcast distribution services in the Asia-Pacific region is forecast to remain stable with a single digit upward trend in selected markets, benefiting from the on-going transition from SD to HD/Ultra HD. Underpinned by the region's underlying demographic and economic strengths, we are expecting to see a continued, steady increase in transponder uptake.

Our customers' ever-increasing demand for capacity, which is further fueled by the tremendous growth in online and other digital services, continues to be met by the ubiquitous coverage of the capacity provided by our satellite fleet.

With the slowdown in the deployment of new geostationary satellites, coupled with the tightening supply of C-band transponders due to the expected roll-out of 5G services in a number of Asian markets, we believe the demand for satellite transmission capacity will be outstripping net distribution capacity. In particular, regional demand for network connectivity, such as maritime and remote communications, remains positive. Therefore, we believe the market equilibrium will be tipping in favour of Fixed Satellite Service (FSS) operators such as AsiaSat.

Chairman's Statement

OUTLOOK 2019–2021 (CONTINUED)

To date, the impact of high-throughput satellites (HTS) on traditional FSS providers in the region has not been as significant as expected, due to the slow, incremental roll-out of HTS. Hence, we will continue to evaluate the timely commissioning of a HTS, AsiaSat 10, to support connectivity demands in IFC, maritime and other vertical markets that demand high capacity, high speed and efficiency.

In order to better adapt to a rapidly changing business environment, we are proactively seeking collaboration partners in emerging markets and among companies engaged in related value chains through assessing various initiatives, including mergers and acquisitions, while continuing to strengthen our core revenue base.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank past Board member Mr. Julius M. Genachowski for his valuable contribution to the Company over the past three years and to welcome Mr. Fan Jui-Ying as a new Board member.

Finally, I also express my gratitude to our customers and to our management team led by our Chief Executive Officer Dr. Roger Tong and his staff who worked tirelessly in 2018 to strengthen AsiaSat's leadership role within the satellite operators' community. I also thank our shareholders for their support and continued confidence to the Group and the satellite industry.

Gregory M. ZELUCK
Chairman

Hong Kong, 8 March 2019

Chief Executive Officer's Statement

INTRODUCTION

With the global satellite communications sector experiencing commercial and technical restructuring in 2018, AsiaSat reaffirmed its position as one of the most experienced and best-connected satellite operators in the Asia-Pacific region, working with both new and existing customers to meet the opportunities and challenges in their national and international markets.

UTILISATION

As of 31 December 2018, overall transponder utilisation was 72% (31 December 2017: 69%), largely thanks to our expanded customer base and our newest satellite, AsiaSat 9.

BUSINESS PERFORMANCE

During 2018, the Group secured new service agreements for supporting broadcasting and data services for customers from Australia, Europe, Greater China, the Middle East, South Asia, Southeast Asia and the United States. Via our suite of dedicated Occasional Use C-band and Ku-band transponders the Group distributed a range of sports, news and special events during 2018 including the Winter Olympics, the Commonwealth Games, the Davis Cup and the Laver Cup tennis tournaments, as well as Indian Premier League cricket. Other special events carried during 2018 included the Boao Forum for Asia, the Trump-Kim Summit, the APEC Summit, the Golden Globes and the Grammy Awards.

FLEET OVERVIEW

With the full deployment of AsiaSat 9 at 122 degrees East in late 2017, our fleet has further strengthened its connectivity capability and market access, serving a population of more than four billion people across the region with focused coverage for Indonesia, Myanmar and Mongolia.

With five satellites (AsiaSat 5, AsiaSat 6, AsiaSat 7, AsiaSat 8 and AsiaSat 9) deployed primarily in Asia's most valuable orbital positions, the Company takes great pride in its long-established technical and service reliability and our approach to developing new markets and long-term partnerships with the best established broadcast and telecom service providers across the region.

Chief Executive Officer's Statement

IN ORBIT SATELLITES

AsiaSat 3S provides service at 146 degrees East.

AsiaSat 4 was leased in its entirety to a single customer under the terms of a four-year utilisation contract and is located at the customer's designated orbital slot since November 2017.

AsiaSat 5 at 100.5 degrees East is our premier distribution platform for live sports and news from around the world, serving viewers across the region with entertainment, information and events such as the ASEAN summits and APEC meetings as well as soccer tournaments, badminton, golf and baseball series. In addition, AsiaSat 5 also serves aviation and telecommunications customers through the delivery of innovative, high-demand VSAT services.

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

AsiaSat 7 at 105.5 degrees East is the regional platform of choice by broadcasters for the distribution of premium television content across South Asia and East Asia, and international television channels from global networks, as well as an anchor satellite for in-flight connectivity services within China for global, regional and domestic airlines.

AsiaSat 8 was leased in its entirety to a single customer for a minimum of four years and is located at the customer's designated orbital position since February 2017 providing Direct-to-Home (DTH) services to the region.

AsiaSat 9 at 122 degrees East provides TV broadcast distribution, DTH and broadband services across the Asia-Pacific. A growing number of television broadcasters uses AsiaSat 9 as a platform for high-value television distribution including 4K and HD services, in addition to data services for fast-growing markets such as Indonesia and Myanmar.

MANAGEMENT TEAM

During the year, reflecting our long-term commitment to integrated commercial, marketing and business development capacity, Ms. Ina Lui was promoted to the new role of Senior Vice President, Commercial, Business Development and Strategy.

Mr. Fred Ho was promoted to Vice President, Technical Operations with responsibility for the technical management of our satellite fleet, earth stations, teleport and customer network services. Mr. Fred Vong was also promoted to Vice President, Engineering responsible for managing all satellite programmes, support of customer activities, from network design to implementation and the management of the Group's spectrum resources.

Chief Executive Officer's Statement

INDUSTRY LEADERSHIP

AsiaSat has taken a leadership role in both public and private representations and advice to governments and regulators on behalf of our industry, our company and our customers on the issue of co-existence of Fixed Satellite Service (FSS) and 5G mobile services resulting from the reallocation of frequencies in the lower C-band (3.4–3.7 GHz).

While not of all these issues have been resolved, the company continues to lead the industry debate and strive to develop the best technical solutions that would benefit all parties involved.

As we celebrate our 30th year in business, the Group's commitment to innovation remains unwavering, as demonstrated by the new patents granted by the U.S. Patent and Trademark Office. Leveraging on the advances in satellite technologies, these inventions can be implemented on AsiaSat's next generation satellites for delivering new services and applications to our customers in the future.

On behalf of the Management Team, I would like to extend my heartfelt thanks to all our customers, partners, regulators and suppliers for their support over the past three decades, while we remain steadfast in our commitment to delivering premier value and services to our supporters in the years to come.

Last but not least, I take this opportunity to recognise our employees, past and present, for their dedication and enduring commitment to AsiaSat. Our continued success is built upon the contribution and sacrifices that they and their families have made over the years. Without their hard work and perseverance, AsiaSat could not have achieved as much as it has today.

Roger Shun-hong TONG
Chief Executive Officer

Hong Kong, 8 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In the interest of the shareholders of the Company ("Shareholders"), the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. Throughout 2018, the Group 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.

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 2018.

THE COMPANY

The Company is listed on the Stock Exchange and the majority of its shares are held by a private company, Bowenvale Limited ("Bowenvale"), incorporated in British Virgin Islands, with a 74.43% holding. Both CITIC Group Corporation ("CITIC") and The Carlyle Group L.P. ("Carlyle") have equal voting rights in Bowenvale, and in turn, enjoy equal voting rights in the Company. Under the shareholders' agreement of Bowenvale, CITIC and Carlyle are each entitled to appoint, and remove, up to four Directors to, and from, the Board.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is currently composed of 11 members: six appointed by the shareholders of Bowenvale, CITIC and Carlyle, as NED, namely Mr. Gregory M. Zeluck *(Chairman)*, Mr. Ju Wei Min *(Deputy Chairman)*, Mr. Luo Ning, Dr. Ding Yucheng, Mr. Herman Chang Hsiuguo and Mr. Fan Jui-Ying; four INEDs, namely Mr. Marcel R. Fenez, Mr. Steven R. Leonard, Ms. Philana Wai Yin Poon and Ms. Maura Wong Hung Hung; and one Executive Director ("ED"), Dr. Roger Shun-hong Tong, who is also a Chief Executive Officer ("CEO") of the Company. The alternate Director of Mr. Luo Ning is Mr. Chong Chi Yeung.

Ordinarily, the Chairman and the Deputy Chairman of the Board are appointed in rotation for two years by CITIC and Carlyle from their nominated Directors.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each INED of his/her independence. The Company considers all of the INEDs to be independent.

The Board is scheduled to meet on a quarterly basis and additional Board meetings are held when required. The Board also holds private session at least once per year without the presence of senior management members.

The Board deals with strategic and policy issues and approves corporate plans and budgets and monitors the performance of management. The day-to-day operations of the Company are delegated to its senior management. The Board has established a framework of corporate governance and is supported by four committees, a Remuneration Committee, a Nomination Committee, an Audit Committee, and a Compliance Committee, each of which has its own charter covering its authority and duty. The Chairmen of these committees report regularly to the Board on matters discussed.

The Chairman of the Board is responsible for the leadership and effective running of the Board, and ensuring that the Board discusses all key and appropriate issues in a timely and constructive manner. The CEO is delegated with the authority and responsibility of running the Group's business, and implementation of the Group's strategy in achieving its overall commercial objectives. The roles of the Chairman and the CEO are segregated and not assumed by the same individual. Currently, Mr. Gregory M. Zeluck and Mr. Ju Wei Min act as Chairman and Deputy Chairman respectively, while Dr. Roger Shun-hong Tong acts as CEO.

All the INEDs and NEDs are appointed for specific terms of three years each or, in the case of their initial appointment, for the period up to the Company's next annual general meeting ("AGM") following their appointment. They are all subject to retirement, rotation and re-election at the Company's AGM. Save as disclosed above in respect of the appointments of Directors by CITIC and Carlyle, all of the Board members have confirmed that they are totally unrelated to each other and to the senior management in every respect, including financial, business and family.

Corporate Governance Report

DIRECTORS' TRAINING

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Furthermore, the Company is responsible for arranging and funding training with an appropriate emphasis on Directors' roles, functions and duties.

During the year, the Company has arranged for Directors to participate in external seminars or briefings relating to the roles, functions and duties of a listed company director and the latest developments in regulatory requirements.

The following table summarises the training received by each Director in the year 2018 based on the training records provided by the Directors:

Name	External Seminars/ Briefings/Self Reading
NEDs	
Gregory M. Zeluck *(Chairman)*	✓
Ju Wei Min *(Deputy Chairman)*	✓
Luo Ning	✓
Ding Yucheng*	✓
Herman Chang Hsiuguo	✓
Fan Jui-Ying#	✓
Chong, Chi Yeung *(alternate to Luo Ning)*	✓
Julius M. Genachowski##	✓
Peter Jackson**	✓
INEDs	
Marcel R. Fenez	✓
Steven R. Leonard	✓
Philana Wai Yin Poon^	✓
Maura Wong Hung Hung	✓
Stephen Lee Hoi Yin^^	✓
ED	
Roger Shun-hong Tong+	✓
Andrew G. Jordan++	✓

^ Appointed on 16 March 2018
^^ Resigned on 16 March 2018
+ Appointed on 16 April 2018
++ Resigned on 16 April 2018
* Appointed on 1 August 2018
** Resigned on 1 August 2018
# Appointed on 1 September 2018
Resigned on 1 September 2018

Corporate Governance Report

BOARD COMMITTEES

The Board has established the Remuneration Committee ("RC"), the Nomination Committee ("NC"), the Audit Committee ("AC") and the Compliance Committee ("CC") in accordance with the CG Code.

REMUNERATION COMMITTEE

The objectives of the RC are as follows:

(i) formulates the remuneration policies and guidelines for the Board's approval;

(ii) ensures that the remuneration offered is appropriate and is in line with market practice;

(iii) considers and reviews:

  a. remuneration package of the ED;

  b. remuneration and other conditions for senior management employees; and

  c. emoluments of the INEDs and NEDs prior to their approval by the Board each year.

The RC shall have the sole authority to:

(i) retain or terminate consultants to assist the RC in the evaluation of remuneration packages for Directors, CEO and senior management; and

(ii) determine the terms of engagement and the extent of funding necessary for payment of compensation to any consultant retained to advise the RC.

The following is a summary of the work performed by the RC in 2018:

(i) reviewed and recommended to the Board for bonuses paid in 2018;

(ii) reviewed and recommended to the Board the restricted shares awards for 2018;

(iii) reviewed and recommended to the Board the 2019 annual salary increment;

(iv) reviewed and recommended to the Board the Directors' emoluments for 2018; and

(v) reviewed and recommended to the Board the sales incentive plan.

Corporate Governance Report

REMUNERATION COMMITTEE (CONTINUED)

The Group has established a performance-based appraisal system. The present remuneration packages consist of salaries, performance bonuses, share awards (applicable to certain grades of employees) and fringe benefits that are comparable with the market. The basis of determining the emoluments payable to the ED and senior management were determined with reference to the market survey included in an independent consultant's report.

The remuneration paid to the members of senior management by bands in 2018 is set out below:

Emolument bands (in HK dollar)	Number of Individuals
Less than HK$2,000,000	2*
HK$2,000,001 – HK$3,000,000	4
HK$4,000,001 – HK$5,000,000	1
HK$8,000,001 – HK$9,000,000	1

* It represented the emoluments paid to members of senior management who left the Group during the year.

Particulars of the Share Award Schemes and Share Option Scheme are set out in Note 18 to the consolidated financial statements.

Composition

The RC is composed of five members, of whom three are INEDs, namely Mr. Steven R. Leonard, who is also the Chairman, Mr. Marcel R. Fenez and Ms. Maura Wong Hung Hung, whilst the other two members are NEDs, namely Dr. Ding Yucheng and Mr. Gregory M. Zeluck.

NOMINATION COMMITTEE

The primary objectives of the NC are as follows:

(i) identifies individuals qualified to become Directors (consistent with criteria approved by the Board);

(ii) selects or recommends to the Board candidates for appointment as Directors;

(iii) oversees the evaluation of performance of the Board; and

(iv) develops succession plans for the CEO and other members of senior management.

Corporate Governance Report

NOMINATION COMMITTEE (CONTINUED)

The NC has the sole authority to:

(i) retain and terminate consultancy firms for identifying Director candidates;

(ii) retain other professionals to assist it with background checks; and

(iii) approve the fees and engagement terms of the relevant consultancy firms and professionals.

The following is a summary of the work performed by the NC in 2018:

(i) recommended Directors for re-election at the AGM;

(ii) reviewed succession plans;

(iii) reviewed the independence of INEDs;

(iv) oversaw the self-assessment of the Board and its committees; and

(v) reviewed the Board Diversity Policy.

Composition

The NC is composed of five members, of whom three are INED's, namely Ms. Maura Wong Hung Hung, who is also the Chairman, Mr. Steven R. Leonard and Ms. Philana Wai Yin Poon, whilst the other two members are NEDs, namely Mr. Herman Chang Hsiuguo and Mr. Ju Wei Min.

Summary of Board Diversity Policy

The Company recognises that board diversity is an important element in creating a fair and effective Board and that having a Board with a balance of skills, backgrounds, expertise and diversity of perspectives can be beneficial to the Company's business.

When determining the composition of the Board, the Company considers board diversity from a number of aspects, including but not limited to experience, leadership, cultural and educational background, qualification, professional ethics, expertise, skill, know-how, gender and age. All Board appointments are based on merit, and candidates are considered against objective selection criteria, having due regard to the benefits of diversity on the Board.

The NC will review this policy, as appropriate, to ensure its effective implementation. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and determination.

Corporate Governance Report

AUDIT COMMITTEE

The primary objective of the AC is to assist the Board in fulfilling its oversight responsibilities with respect to:

(i) the accounting and financial reporting processes of the Group, including the accuracy of the financial statements and other financial information provided by the Group to its Shareholders, the public and the Stock Exchange;

(ii) the Independent Auditor's ("IA") qualifications and independence;

(iii) the audit of the Group's financial statements and the effectiveness of internal control procedures over financial reporting processes; and

(iv) the performance of the Group's internal audit function and of the IA.

The members of the AC assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and satisfying themselves as to the effectiveness of the risk management and internal control procedures of the Group and the adequacy of external and internal audits.

The AC has the sole authority and responsibility to:

(i) select, evaluate and, where appropriate, replace the IA (or to nominate the IA for Shareholders' approval);

(ii) approve all audit engagement fees and terms and all non-audit engagements with the IA; and

(iii) perform such other duties and responsibilities set forth in any applicable independence and regulatory requirements.

The AC may consult with management, including the CEO and the personnel responsible for the internal audit function, but shall not delegate these responsibilities.

The following is a summary of the work performed by the AC in 2018:

(i) reviewed the financial statements and reports for the year ended 31 December 2017 and for the six months ended 30 June 2018;

(ii) discussed and reviewed the key audit matters determined by the IA for the year ended 31 December 2018;

Corporate Governance Report

AUDIT COMMITTEE (CONTINUED)

(iii) reviewed the IA's statutory audit plan and the management representation letters to the IA;

(iv) considered and approved the 2018 audit fees;

(v) considered and approved the non-audit services fees for the Group;

(vi) reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2018 in conjunction with the IA;

(vii) reviewed the Group's risk management and internal control system, including financial, operational and compliance control, and risk management functions;

(viii) reviewed the "Continuing Connected Transactions" set forth on pages 58 and 59 prior to their review and confirmation by the Board ; and

(ix) conducted a private session with the IA.

Auditors' Remuneration and Professional fees

The fees incurred and described below for 2018 were as follows:

	2018 **HK$'000**	2017 HK$'000
Audit Fees	**1,830**	1,960
Tax Fees	**1,414**	2,009
All Other Fees	**68**	3,202
	3,312	7,171

Corporate Governance Report

AUDIT COMMITTEE (CONTINUED)

Auditors' Remuneration and Professional fees (Continued)

Audit Fees

The aggregate fees incurred by the Group for professional services rendered by the IA for the audit and review of the Group's financial statements.

Tax Fees

The aggregate fees incurred by the Group for professional services rendered by professional and other advisors for tax compliance, tax advice and tax planning.

All Other Fees

The aggregate fees incurred by the Group for products and services provided by professional and other advisors, other than for services described in the paragraphs above.

Resources

The AC has the authority to retain independent legal, accounting and other consultants to advise the AC. The AC may request any officer or employee of the Company or the Company's outside counsel or the IA to attend a meeting of the AC or to meet with any members of, or consultants to, the AC.

Funding

The AC determines the extent of funding necessary for payment of:

(i) compensation to the IA engaged for the purpose of preparing or issuing an Audit Report or performing other audit, review or attestation services for the Company;

(ii) compensation to any independent legal, accounting and other consultants retained to advise the AC; and

(iii) ordinary administrative expenses of the AC that are necessary or appropriate in carrying out its duties.

Corporate Governance Report

AUDIT COMMITTEE (CONTINUED)

Composition

The AC is composed of six members, four of whom are INEDs, namely Mr. Marcel R. Fenez, Mr. Steven R. Leonard, Ms. Philana Wai Yin Poon and Ms. Maura Wong Hung Hung, who satisfy independence, financial literacy and experience requirements, whilst the other two members are NEDs, namely Mr. Ju Wei Min and Mr. Herman Chang Hsiuguo, and have only observer status with no voting rights. The AC is chaired by an INED, namely Mr. Marcel R. Fenez, who possesses appropriate professional qualifications and experience in financial matters.

The AC is scheduled to meet at least twice a year. It also holds private sessions without the presence of the Company's officers and management.

COMPLIANCE COMMITTEE

The primary objective of the CC is to assist the Board in carrying out its corporate governance duties and its duties are:

(i) develops and reviews the Group's policies, procedures and practices on corporate governance and makes recommendations to the Board;

(ii) reviews and monitors the Group's policies and practices on compliance with legal and regulatory requirements;

(iii) monitors the investigation and resolution of any significant instances of non-compliance reported to it;

(iv) reviews and monitors the training and continuous professional development of Directors and senior management of the Company;

(v) reviews and monitors the code of conduct and compliance manual applicable to Directors and employees;

Corporate Governance Report

COMPLIANCE COMMITTEE (CONTINUED)

(vi) reviews the Company's compliance with the CG Code and disclosure in the Company's corporate governance report; and

(vii) monitors the Group's policies, procedures and practices in relation to disclosures of inside information and makes recommendations to the Board.

The CC has the sole authority to:

(i) retain legal and other external consultants to assist the CC; and

(ii) request any officer or employee of the Group or the Group's outside counsel or consultants to attend the meeting or to meet with any members of, or consultants to, the CC.

The following is a summary of the work performed by the CC in 2018:

(i) reviewed the corporate governance report included in the 2017 Annual Report and 2018 Interim Report;

(ii) reviewed the Group's compliance with various legal and regulatory requirements;

(iii) reviewed the compliance with the code of conduct and compliance manual applicable to the directors and employees;

(iv) approved the formation of the Independent Board Committee to review the Continuing Connected Transaction; and

(v) updated the directors of the new Listing Rule effective from 1 January 2019.

Composition

The CC is currently composed of five members, of whom two are INEDs, namely Ms. Philana Wai Yin Poon, who is also the Chairman, and Mr. Marcel R. Fenez, while two are NEDs, namely Dr. Ding Yucheng and Mr. Fan Jui-Ying and one is the ED, namely Dr. Roger Shun-hong Tong.

Corporate Governance Report

ATTENDANCE RECORD OF EACH DIRECTOR AT BOARD MEETINGS, BOARD COMMITTEES MEETINGS AND THE GENERAL MEETINGS

The following table summarises the attendance of each Director and each Board Committee member in 2018:

	Attendance/Number of Meetings held					
	Board Meeting	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Compliance Committee**	**General Meeting**
NEDs						
Gregory M. Zeluck[1] *(Chairman)*	5/5		1/3			2/2
Ju Wei Min[2] *(Deputy Chairman)*	5/5	2/2		2/2		2/2
Luo Ning[2]	4/5					1/2
Ding Yucheng[2][3]	2/2		1/1		1/1	1/1
Herman Chang Hsiuguo[1]	5/5	2/2		2/2		2/2
Fan Jui-Ying[1][4]	1/1					1/1
Chong Chi Yeung (alternate to Luo Ning)	5/5					2/2
Julius M. Genachowski[1][5]	4/4				2/2	1/1
Peter Jackson[2][6]	3/3		2/2		1/1	1/1
INEDs						
Marcel R. Fenez	5/5	2/2	3/3		2/2	2/2
Steven R. Leonard	5/5	2/2	2/2[7]	2/2		2/2
Philana Wai Yin Poon[7]	5/5	2/2		2/2	2/2	2/2
Maura Wong Hung Hung	5/5	2/2	3/3	2/2		1/2
Stephen Lee Hoi Yin[8]			1/1			
ED						
Roger Shun-hong Tong *(CEO)*[9]	3/3				1/1	2/2
Andrew G. Jordan *(CEO)*[10]	1/1				1/1	

[1] Carlyle appointed Directors
[2] CITIC appointed Directors
[3] appointed on 1 August 2018
[4] appointed on 1 September 2018
[5] resigned on 1 September 2018
[6] resigned on 1 August 2018
[7] appointed on 16 March 2018
[8] resigned on 16 March 2018
[9] appointed on 16 April 2018
[10] resigned on 16 April 2018

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors of the Company acknowledge that they are responsible for overseeing the preparation of financial statements for each financial period, which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for that period. In preparing the financial statements for the year ended 31 December 2018, the Directors have:

- selected suitable accounting policies and applied them consistently;
- appropriately adopted all applicable Hong Kong Financial Reporting Standards;
- made judgments and estimates that are prudent and reasonable; and
- have prepared the financial statements on the going concern basis.

The objective of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for Shareholders. The discussion of the business strategy is set out in Chairman's Statement and Chief Executive Officer's Statement.

A description by the IA, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out on pages 144 to 149.

The Group recognises that high quality corporate reporting is important in reinforcing the trust of the Shareholders of the Company and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Group are announced in a timely manner within three and two months respectively after the end of the relevant periods in compliance with the requirements of the Listing Rules.

Risk management and internal control

System and procedures

The Board acknowledges its responsibility to ensure that a sound and effective risk management and internal control system is maintained, which includes a defined management structure with specified limits of authority to:

(i) achieve business objectives and safeguard assets against unauthorised use or disposition;

(ii) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and

(iii) ensure compliance with the relevant legislation and regulations.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

System and procedures (Continued)

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, manage rather than eliminate risks of failure in operational systems, and to ensure achievement of the Group's objectives.

Annual assessment

In 2018, the Board, through its AC, conducted a review of the Group's risk management and internal control system, including financial, operational and compliance control, and risk management functions. To formalise the annual review of the Company's risk management and internal control system, the AC made reference to the requirements of the relevant regulatory bodies. The Board is of the view that, in general, the Group has set up a sound risk management and internal control environment and implemented an effective system of risk management and internal control.

Internal audit plan

The Internal Auditor follows a risk-and-control-based approach. A three-year internal audit plan is formulated in a risk-weighted manner so that priority and appropriate audit frequency is given to areas with higher risks. The Internal Auditor performs regular financial and operational reviews on the Group. The audit findings and control weaknesses, if any, are reported to the AC or CC. The Internal Auditor monitors the follow-up actions agreed upon in response to its recommendations.

Grievances and whistle-blowing policies

The Group has established defined procedures for handling employees' complaints, grievances and alerts of wrongdoings. Recommendations on improvements can be channelled to the respective department heads or escalated to the CEO. If the complaint is about the CEO or a Director, the employee can report directly to the Chairman of the AC or of the CC.

To encourage employees to raise concerns about internal malpractice without hesitation, the Group has also established a whistle-blowing policy, with embedded procedures for reporting such matters directly to the Chairman of the AC or CC, who will review the reported complaint and decide how the investigation should be conducted.

Corporate Governance Report

COMPANY SECRETARY

The Company Secretary is an employee of the Group and has confirmed that she has taken no less than 15 hours of the relevant professional training for the year ended 31 December 2018 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of a special general meeting ("SGM") on Requisition by Shareholders

Article 70 of Company's Bye-laws sets out the position when a requisition is made by Shareholders. Article 70 provides that a SGM shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (as amended), or, in default, may be convened by the requisitionists.

Pursuant to section 74 of the Companies Act 1981 of Bermuda (as amended), a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Procedures for making enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at 12/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company Secretary shall forward the Shareholders' enquiries and concern to the Board to answer the Shareholders' questions.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

Procedures for putting forward proposals at general meetings

Any number of Shareholders of the Company holding not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company or not less than 100 Shareholders of the Company can submit a written requisition to the Company requesting the Company:

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, must be deposited at the registered office of the Company (Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda):

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting.

The requisitionist(s) must also deposit or tender with the requisition a sum reasonably sufficient to meet the Company's expense in serving the notice of resolution and/or circulation of statement to the Shareholders pursuant to the requisition.

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, the AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises its accountability to Shareholders for the performance and activities of the Company and attaches considerable importance to the effectiveness of its communications with Shareholders. To this end, an Investor Relations section has been established as part of the Company's website, www.asiasat.com, to provide information to Shareholders about the Company. This is in addition to other corporate communications with Shareholders, such as circulars, notices, announcements, interim reports and annual reports, copies of which can be found in the Company's website.

The interim report and annual report contain a full Financial Review and an Operations Review together with sections on Corporate Governance, Environmental, Social and Governance Report and Management Discussion and Analysis.

The AGM is the principal forum for direct dialogue with shareholders at which Shareholders are invited to ask questions on the Company's operations or financial information.

At the AGM, Shareholders can vote on each proposed resolution and all issues to be considered by Shareholders will be proposed at the general meeting as separate resolutions. Pursuant to the Listing Rules, voting by poll is now mandatory for all Shareholders meetings.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents. A copy of the Company's Bye-laws is posted on the websites of the Company and the Stock Exchange.

GUIDELINES ON CONDUCT

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

The Company has a Code of Business Conduct and Ethics available on its website, www.asiasat.com.

Environmental, Social and Governance Report

At AsiaSat, we care about our environment and our community. We are committed to building community spirit and cultivating corporate citizenship through supporting employee volunteering, encouraging donation in cash or gifts-in-kind to the community, and making corporate donations. Management is also dedicated to maintaining a high standard of corporate governance within the Group.

It is our policy to comply with all laws, rules, regulations and sanctions which are applicable to the Group and our business, whether through directly related companies or third parties. We also expect our employees, agents, consultants, contractors, intermediaries, representatives, suppliers and business partners to demonstrate ethical principles and observe the highest standards of integrity and honesty in all professional and personal dealings.

A. ENVIRONMENTAL

A.1 Emissions

Operating Centres

AsiaSat is a leading regional satellite operator in Asia with our satellite control facilities in Hong Kong at the AsiaSat Tai Po Earth Station and backup facilities at the Stanley Earth Station. We currently operate a fleet of seven in-orbit satellites. The Group is conscious of the need to minimise the environmental, health and safety impacts of our daily operations and to comply with relevant environmental laws.

The Group has adopted a "reduce, reuse, repair and recycle" policy to help support our environment aims, namely to preserve and maintain a clean and sustainable environment for future generations.

The Group uses resources responsibly, efficiently and effectively in order to contribute to a sustainable society and to comply with international standards and regulations.

(a) CO_2 Emissions

Green House Gas (GHG) is considered one of the dominant contributors to global warming; it is divided into direct and indirect emissions. For the purpose of this report, AsiaSat is focusing on its two operating centres, where over 95% of the Group's total CO_2 emissions are generated.

Over the years, AsiaSat has incorporated measures to reduce indirect emissions from its operating centres. Our effort continues to focus on but is not limited to the following areas:

— Air conditioning systems management through new operation strategies, timing and temperature control;

— Improved thermal insulation and air flow within the operating centres;

Environmental, Social and Governance Report

A. ENVIRONMENTAL (CONTINUED)

A.1 Emissions (Continued)

Operating Centres (Continued)

(a) CO_2 Emissions (Continued)

— Equipment operations: optimised use of equipment and consolidation of uplink traffic management; and

— Use of Green technologies and equipment.

Through the use of the above measures, indirect emissions are managed efficiently. In addition, AsiaSat has completed the installation of an electric vehicle charging station to encourage our employees in using hybrid and/or electric vehicles for their transportation.

Indirect emissions, based on the latest conversion factor from our electricity supplier, generated through daily consumption of electricity via the operating centres totalled approximately 2,870 tonnes of CO_2 (99.9995% of the total CO_2 emissions) in 2018, while direct emissions are produced by diesel generators which contributed about 0.0134 tonnes (about 0.0005% of the total CO_2 emission). The latest conversion factor from the electricity supplier is based on the supplier's sources of energy (natural gas, coal or oil) which AsiaSat has no ability to influence.

The operation of AsiaSat does not produce the hazardous and non-hazardous waste products.

(b) Electromagnetic Emissions

AsiaSat is conscious of the potential hazardous effect of electromagnetic emissions on health and safety and therefore performs regular electromagnetic radiation level measurements at 123 locations spread out over the operating centres. Employee work areas are further equipped with radiation emission alarms to protect employees from accidental electromagnetic emission leaks. During the reporting period, the average electromagnetic emission flux density measured on 123 locations is 0.000014W/m^2 with a maximum reading of 0.0002W/m^2 inside the shielded area at one of the 6.3m antennae. These levels are significantly lower than the recommendation from ITU-T K.100 (Dec 2014) of 10W/m^2 and an improvement from 2017. The Group confirms these levels are well within the safety limits, which provides a safe work environment for our employees. This is an order of magnitude better than the compliance required by the applicable laws and regulations relating to occupational health and safety standards.

In addition, the electromagnetic power density at the operating centres' external surrounding area is less than 1/16 of that in the area inside the operating centres, thus providing a safe environment for the community.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (CONTINUED)

A.2 Use of Resources

The resources used by the Group consist principally of the electricity, water and paper consumed at the office and the earth station. The water consumption of the Group for the year 2018 is mainly from the earth station with the consumption of 390m^3. The paper consumption in the Group is mainly for document printing and is minimal. The Group continues to practise paper saving initiatives, such as double-sided printing and, built-in password confirmation to avoid printing mistakes and use of electronic document to reduce paper consumption. The Group has also implemented the collection of waste paper for effective recycling.

The carbon footprint arising from the Group's day-to-day operation is primarily from the electricity that we use at the Tai Po Earth Station. During the reporting period, electricity consumption for the Group was 5,012,153Kw. The Group has adopted the following measures to reduce electricity consumption:

- Timer control to shorten the operating duration of electrical systems, like air conditioning system and illuminating equipment;
- Temperature control to maintain the office temperature at 24–25°C;
- Using higher efficiency system;
- Replacing low efficiency illuminations with LED;
- Replacing old equipment in Tai Po Earth Station with new and more efficient ones;
- Replacing high power consumption equipment by more efficient ones;
- Turn off unused equipment; and
- Installed electrical outlets in the car park to encourage employee to use electrical vehicles.

A.3 The Environment and Natural Resources

Due to the nature of the business, apart from the above-mentioned emissions and resources usage, the Group does not have significant direct or indirect impact on the environment or on natural resources in the course of its operations. We continue to identify ways to reduce the use of paper and carbon in the office by encouraging the use of electronic documents and electronic filing; we also provide minimal paper or plastic utensils in our pantry in order to reduce disposal quantity.

Environmental, Social and Governance Report

B. SOCIAL

The Group believes that one of the key aspects of its success is the good relationship it maintains with employees. We are committed to nurturing an open and diverse working environment for our employees. We offer numerous growth and development opportunities with competitive rewards and benefits, with the aim of helping our employees achieve a healthy work-life balance. Besides receiving the Caring Company award every year in the past three years, in 2018, we are accredited as "Good Employer" by the HKSAR Labour Department.

B.1 Employment

(a) Diversity of staff

The details of diversity of staff for the Group for the year ended 31 December 2018:

Gender	Male	Female	Total
	82	54	136

Location	Hong Kong	China	Total
	117	19	136

Age	40 and below	Above 40	Total
Hong Kong	48	69	117
China	8	11	19

Employment Type	Permanent	Contract	Total
	133	3	136

(b) Turnover rate

The employee turnover rate of the Group for the year ended 31 December 2018 was 18.4%.

Environmental, Social and Governance Report

B. SOCIAL (CONTINUED)

B.2 Health and Safety

To safeguard employees' occupational health and safety, the Group provides a safe, healthy and comfortable working environment and complies with relevant rules and regulations. The Group offers our employees comprehensive health care insurance coverage, which covers the staff and their family members.

To strengthen employees' health awareness, the Group has established a Health & Wellness Programme and arranged relative health talks to raise awareness of the importance of both physical and mental fitness.

During the reporting period, only minor work injury was reported. Concerned employees were recovered and precaution measures were then reinforced.

B.3 Development and Training

The Group provides a variety of training programmes to our employees based on individual and business needs, including on-the-job training, in-house training, and external training and education subsidies. Average training hours for each employee was about 6.1 hours for the year 2018.

B.4 Labour Standards

During the reporting period, the Group did not note any cases of material non-compliance in relation to labour standards. The Group is fully aware that child labour and forced labour violates fundamental human rights and international labour conventions and strictly prohibits the use of child labour and forced labour. The Group strictly complies with the Employment Ordinance and relevant labour laws and regulations and strives to create an equality environment for our employees.

B.5 Supply Chain Management

The Group values the partnership we have with our suppliers and we work closely with them to promote sustainable development of the Group. The Group has established a procurement policy to evaluate suppliers, including background, qualification and experience, past performance, quality control of services, financial status, fulfilment of contracts, professionalism of the project team, operation in compliance with relevant laws and regulations and have proven their competence to act in the best interests of sustainability and the environment. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers who do not meet the standard will be disqualified. The Group values communication with suppliers and will continue to provide feedback to our suppliers to improve the performance of the services that they provide.

Environmental, Social and Governance Report

B. SOCIAL (CONTINUED)

B.6 Product Responsibility

The Group is committed to offering excellent and reliable services to our customers. As a leading regional satellite operator in Asia, we aim to provide our customers with consistently high-quality services that meet their current and future requirements. We have established the Customer Network Centre (CNC), which provides our customers with 24/7 all-round support, including traffic monitoring, equipment qualification and network activation, interference handling and management.

The Group is also committed to protecting the privacy of our customers, and have taken certain steps to ensure our customer's personal data are protected against unauthorised use or disclosure. Personal data collected and held by the Group will be used or disclosed only in accordance with our Personal Data (Privacy) Policy and the Hong Kong Personal Data (Privacy) Ordinance.

B.7 Anti-corruption

AsiaSat has company code, policies and procedures in place to set out the expected standard of ethical behaviours and to prevent, detect and report any suspected bribery and corruption, which apply to the dealings and practices of all AsiaSat employees, officers, subsidiaries, agents and business partners worldwide.

AsiaSat's Code of Business Conduct and Ethics ("Code") governs broad aspects of ethics in our business dealings, including fulfilment of social responsibilities, avoidance of conflicting interest, proper public disclosures and avoidance of insider trading, safeguard of AsiaSat's information and property, protection of personal data privacy, prevention of bribery and money-laundering, etc. AsiaSat requires our employees, agents, consultants, contractors, intermediaries, representatives, suppliers and business partners to uphold ethical principles and preeminent standards of integrity and honesty in the conduct of AsiaSat's business. Our Code is provided to our agents and consultants and is available on our website in Chinese and English versions: www.asiasat.com.

In the prevention of bribery, AsiaSat is committed to preventing bribery and corruption and complying with all laws, rules and regulations applicable to our business, whether through directly related companies or third parties. This includes, without limitation, compliance with the UK Bribery Act 2010, the US Foreign Corrupt Practices Act as well as the Hong Kong Prevention of Bribery Ordinance.

Environmental, Social and Governance Report

B. SOCIAL (CONTINUED)

B.7 Anti-corruption (Continued)

Our Anti-Bribery Compliance Policy prohibits any AsiaSat personnel from, directly or indirectly, offering, promising, soliciting or receiving any payment to/from any person in business sectors and any civil servant or public official, that is in the nature of a bribe, kickback or other illicit advantage or inducement in any form. We require all third parties working with us, including but not limited to agents, consultants and representatives, to comply with these principles in their performance of their work for or on behalf of AsiaSat.

Detailed guidelines are provided in our Anti-Bribery Compliance Policy in relation to the followings:

- Offering and receiving gifts, hospitality and other business courtesies;
- Dealing with government officials, other public officials and their associates;
- Use of third party agents/facilitation payment/financial records;
- Engagement of a third party agent;
- Training on anti-bribery compliance to employees on a regular basis;
- Annual audit to assess risk on possible violation of the Anti-Bribery Compliance Policy and implementation of appropriate controls; and
- Reporting of any suspected bribery or fraud to Internal Audit Director, Chairman of the Audit Committee/Compliance Committee or through an anonymous channel to raise a compliance matter on a no name basis.

B.8 Community Investment

Corporate Social Responsibilities (CSR)

In recognition of our long-term commitment to CSR, AsiaSat was presented with the Caring Company Award by The Hong Kong Council of Social Service in 2017/2018 for the third consecutive year. We have participated in various CSR activities such as Greeners Action's Lai See reuse & recycle program and Moon cake box recycle program, CNY Gift recycling campaign, Fair Taste Moon cake purchase, Redress annual clothing recycling campaign, as well as sponsored charity walks organised by the Children's Heart Foundation.

During the year, we donated to various charity organisations such as Greeners Action, Redress and the Children's Heart Foundation.

Management Discussion and Analysis

FINANCIAL REVIEW

Overall performance

Profit attributable to owners of the Company was HK$429 million (2017: HK$397 million), an increase of HK$32 million or 8% from the prior year. More details are set out below.

Revenue

Revenue in 2018 revenue was HK$1,442 million (2017: HK$1,354 million) increased by 6% over the previous year. The increase was bolstered by the full-year earnings from the lease of the full Ku-band payload of AsiaSat 8 and the lease of the full payload of AsiaSat 4.

Cost of services

Cost of services was HK$676 million (2017: HK$640 million), up by HK$36 million or 6% compared to last year, mainly came from full year impact of depreciation of AsiaSat 9 in 2018.

Other gains

Other gains for the year were HK$49 million (2017: HK$92 million), a reduction of HK$43 million from 2017, attributable to a lower income arising from the resolution of a long-pending tax matter.

Administrative expenses

Administrative expenses were HK$156 million (2017: HK$165 million), a decrease of HK$9 million or 5%. The decrease was mainly due to currency fluctuations during the year and lower spending in legal and professional fees as well as our approach to controlling expenses.

Finance expenses

Net finance expenses after capitalisation were HK$101 million (2017: HK$95 million), up by HK$6 million from a year ago, as no interest expenses were capitalised for the newly operational AsiaSat 9 during the year.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

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 was calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation, that range from 7% to 43.68% (2017: 7% to 43.26%), prevailing in the countries in which the profit is earned. The income tax expense was HK$129 million compared to an income tax expense of HK$150 million in the previous year, representing a decrease of HK$21 million. The decrease was substantially attributable to costs incurred in the previous year relating to the payment of additional tax following the settlement of a tax dispute under the Direct Tax Dispute Resolution Scheme 2016 as described in Note 10 to the consolidated financial statements.

The Group's effective tax rate therefore decreased to 23.0% from 27.5% in previous year.

Financial Results Analysis

The financial results are highlighted below:

		2018	2017	Change
Revenue	HK$M	**1,442**	1,354	+6%
Profits attributable to owners of the Company	HK$M	**429**	397	+8%
Dividend	HK$M	**149**	149	–
Capital and reserves	HK$M	**3,634**	3,353	+8%
Earnings per share	HK cents	**110**	101	+8%
Dividend per share	HK cents	**38**	38	–
Dividend cover	Times	**2.9**	2.7	+7%
Return on equity	Percent	**12**	12	–
Net assets per share — book value	HK cents	**929**	857	+8%
Gearing ratio	Percent	**36**	45	–9% pts

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group generated a net cash inflow of HK$334 million (2017: net cash outflow of HK$29 million). Cash inflow mainly comprised net cash generated from operating activities of HK$973 million (2017: HK$1,088 million). Cash outflow for the year included capital expenditure of HK$75 million (2017: HK$544 million), payment of dividend of HK$149 million (2017: HK$148 million) and repayment of the bank borrowings of HK$367 million (2017: HK$1,786 million).

As at 31 December 2018, the Group had cash and bank balances of HK$547 million (31 December 2017: HK$215 million). The cash and bank balances are denominated in United States Dollars, Renminbi and Hong Kong Dollars.

Total bank borrowings as at 31 December 2018 were HK$2,604 million (31 December 2017: HK$2,953 million), all denominated in United States Dollars. Out of these bank borrowings, HK$1,280 million (31 December 2017: HK$1,555 million) is at a fixed interest rate for the whole tenor and the remainder of HK$1,324 million (31 December 2017: HK$1,398 million) is 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 20 to the consolidated financial statements. The Group had net debt of HK$2,057 million as at 31 December 2018 (31 December 2017: HK$2,738 million).

CAPITAL STRUCTURE

Funding and treasury policy

The Group adopts conservative treasury policies and exercises tight controls over its cash and risk management. Cash is generally placed in short-term deposits denominated in United States Dollars and Renminbi in order to meet its operating and capital expense requirements.

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 Dollar 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 foreign exchange rate of the Renminbi has appreciated against the Hong Kong Dollar during the year ended 31 December 2018. The amount of Renminbi business is approximately 25% of total revenue. We did not hedge this currency risk.

The Group has bank borrowings of HK$1,280 million with a fixed interest rate for the loan period and there is no need to hedge interest rate risk. The remaining bank borrowings of HK$1,324 million are at a floating rate. 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.

Management Discussion and Analysis

ORDER BOOK

As at 31 December 2018, the value of contracts on hand amounted to HK$2,976 million (2017: HK$3,684 million), the majority of which will be realised over the next few years. Almost all these contracts are denominated in United States Dollars.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 2018, there were neither material acquisitions nor disposals of subsidiaries or associated companies.

SEGMENT INFORMATION

The revenue of the Group, analysed by operating segment, is disclosed in Note 5 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 133 permanent staff (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 packages consist of salaries, discretionary bonuses 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 2007 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 2007 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

EMPLOYEES AND REMUNERATION POLICIES (CONTINUED)

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. 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 share option scheme was set up in 2016 and valid for ten years and was approved by the Shareholders in the Annual General Meeting held in June 2017. There was no share options granted under the scheme during the year. All the share options granted under the scheme has been lapsed and forfeited during the year 2018.

The Group does not operate an in-house regular training programme. However, the Group does provide ad hoc training on new developments or facilities 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 20 to the consolidated financial statements, there was no other charge over the Group's assets as at 31 December 2018.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in Note 26 to the consolidated financial statements.

As at 31 December 2018, the Group had total capital commitments of HK$0.4 million (2017: HK$3 million), all of which was contracted for but not provided in the financial statements.

Management Discussion and Analysis

GEARING RATIO

The Group's gearing ratio is calculated by dividing the net debt by the total capital. The net debt is the total interest-bearing bank borrowings less total cash and bank balances. The total capital is the total equity plus the net debt. As at 31 December 2018, the Group's gearing ratio was as follows:

	31 December 2018 HK$' million	31 December 2017 HK$' million
Total bank borrowings	**2,604**	2,953
Less: Cash and bank balances	**(547)**	(215)
Net debt	**2,057**	2,738
Total equity	**3,634**	3,353
Total capital	**5,691**	6,091
Net gearing ratio	**36%**	45%

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as of 31 December 2018.

Biographical Details of Directors and Senior Management

DIRECTORS

Gregory M. ZELUCK, aged 57, was appointed as NED on 19 May 2015 and was re-designated as Chairman of the Company on 1 January 2018. Mr. Zeluck is a Managing Director and the Co-Head of Asia Buyouts of Carlyle. He joined Carlyle in 1998, initially focusing on investment activities in Taiwan. Carlyle has been investing in Asia for nearly two decades, and is one of the largest private equity investors in Asia. During Mr. Zeluck's time with Asia Buyouts, he has helped make and oversee investments of more than US$12 billion, in over 60 transactions. He is based in Hong Kong.

Prior to joining Carlyle, Mr. Zeluck spent a year at Merrill Lynch as part of its Asian High Yield team and thirteen years at Lehman Brothers in its Merchant Banking and Corporate Finance groups, including several years in Asia. Mr. Zeluck received an A.B. from Princeton University, graduating magna cum laude in East Asian studies in 1985.

Mr. Zeluck previously served the board of Taiwan Broadband Communications Co., Ltd., Caribbean Investment Holdings Limited, kbro Co., Ltd., Eastern Broadcasting Co., Ltd. and ADT Security. He was a board director of Ta Chong Bank Limited, a company listed in Taiwan until 2016.

JU Wei Min, aged 55, was appointed as NED on 12 October 1998 and was re-designated as a Deputy Chairman of the Company on 1 January 2018. Mr. Ju is Executive Vice President of China Investment Corporation and President of CIC Capital Ltd. He was formerly Vice President and Chief Financial Officer of CITIC Limited, Chairman of CITIC Trust Co., Ltd. and CITIC Resources Holdings Co., Ltd. and NED of CITIC Limited, China CITIC Bank Limited, CITIC Securities Company Limited and CITIC Resources Holdings Co., Ltd., all of which are Hong Kong listed companies. He was also President of China Trustee Association. He has over 30 years' experience in investment, financial services business and conglomerate management. He holds a Master's Degree in Economics from Renmin University.

Roger Shun-hong TONG, aged 57, was appointed as Chief Executive Officer on 16 April 2018. Dr. Tong has over 30 years' experience in the satellite and telecommunications industry, and has held senior and executive management positions in Engineering. He joined AsiaSat in March 2008 as General Manager of Engineering. He is Director of Asia Video Industry Association ("AVIA") (formerly CASBAA) since 5 November 2018. Previously, he was employed by Telesat Canada where he worked as a technical consultant and was responsible for various commercial satellite programmes. He has also held various senior management positions at COM DEV International, Allen Telecom Inc. and Mark IV Industries Ltd. He graduated summa cum laude from McMaster University in Ontario, Canada, with a Bachelor's degree in computer engineering and a Master's degree in electrical engineering. He holds an MBA degree from Wilfrid Laurier University in Canada, and a doctorate in Business Administration from The University of Newcastle in Australia.

Biographical Details of Directors and Senior Management

DIRECTORS (CONTINUED)

LUO Ning, aged 59, was appointed as NED of the Company on 22 January 2010. Mr. Luo is an Assistant President of CITIC and CITIC Corporation Limited, a Chairman of CITIC Networks Co. Ltd. and a Chairman of CITIC Digital Media Networks Co., Ltd. He joined CITIC in 2000 and also holds directorships in several other subsidiaries of CITIC. He is a Chairman of CITIC Guoan Information Industry Company Limited which is listed on the Shenzhen Stock Exchange in the People's Republic of China. He is also a Deputy Chairman and an ED of Frontier Services Group Limited, an ED of CITIC Telecom International Holdings Limited and a NED of Lajin Entertainment Network Group Limited. They are Hong Kong listed companies. He is also a director of Baiyin Nonferrous Group Co., Ltd. which is listed on the Shanghai Stock Exchange in the People's Republic of China. He has over 23 years' experience in the telecommunication business and holds a Bachelor Degree in Communication Speciality from the Wuhan People's Liberation Army Institute of Communication Command.

DING Yucheng, aged 52, was appointed as NED of the Company on 1 August 2018. Dr. Ding is a Vice Chairman of Sun Culture Foundation. He was an Assistant President of CITIC Securities Company Limited from 1998 to 2004. He was a NED of the Company from 1999 to 2010, and an INED of SEEC Media Group Limited, a Hong Kong listed company from 2005 to 2016.

He holds a Master of Business Administration Degree from University of Pittsburgh and a Doctor of Philosophy Degree in Economics from Tsinghua University.

Herman CHANG Hsiuguo, aged 60, was appointed as NED of the Company on 28 July 2017. Mr. Chang is a Managing Director of Carlyle Asia Partners. He focuses on the investments in the industrial sector. Prior to joining Carlyle, Mr. Chang ran a global business unit and the Asia Pacific region for Delphi Automotive ("Delphi"). He held positions in products, operations and general management in the 20 years with General Motors and Delphi, of which 11 years in China/Asia. Mr. Chang received an engineering Ph.D. degree from Northwestern University.

FAN Jui-Ying, aged 58, was appointed as NED of the Company on 1 September 2018. Mr. Fan is a Venture Partner of WI Harper Group. He brings extensive experience in operation, entrepreneurship, and investment across telecommunications, media, and technology industries. He led the successful transformation and sales of both Eastern Broadcasting Company, where he served as Chairman & President, and kbro Company Limited where he was Vice Chairman & Chief Executive Officer, for the Carlyle Group. Previously, Mr. Fan was the President and one of the founders of Taiwan Mobile and led the company to be the first telecommunication company publicly listed in Taiwan. Thereafter, he was appointed as President & Chief Executive Officer at Taiwan Fixed Networks and listed that company in Taiwan, which he was also one of the founders. Prior to this, Mr. Fan worked at Hutchison Whampao Group of Hong Kong, Yamada Corporation of Japan, and aerospace industries of the United States. Mr. Fan holds a Bachelor of Science degree from The University of Southern California.

Biographical Details of Directors and Senior Management

DIRECTORS (CONTINUED)

Marcel R. FENEZ, aged 58, was appointed INED of the Company on 1 April 2017. Mr. Fenez is President of Fenez Media, which provides a wide range of advisory services to boards and management of enterprises operating across the technology, entertainment, media and communication ecosystem. A resident of Hong Kong for over 30 years, Mr. Fenez was a partner of PricewaterhouseCoopers from 1993 to 2015. He was the Global Leader of PricewaterhouseCoopers' Entertainment and Media Practice from 2006 to 2015 and the Leader of the Telecoms, Media and Technology Practice in Hong Kong and China for 20 years. He is a former Director and Chairman of Asia Video Industry Association ("AVIA") (formerly CASBAA), the industry association promoting the interests of the multi-channel video industry in Asia. He serves on the Advisory Boards of a number of emerging technology and media companies. He is a fellow of the Institute of Chartered Accountants in England & Wales and a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor's Degree in Economics from the London School of Economics and Political Science.

Steven R. LEONARD, aged 56, was appointed as INED of the Company on 1 April 2017. Mr. Leonard is a technology-industry leader with a wide range of experience, having played key roles in building several global companies in areas such as Software, Hardware and Services. Although born in the U.S., Mr. Leonard considers himself a member of the larger global community, having lived and worked outside the U.S. for more than 25 years.

In his current role as the Founding CEO of SGInnovate — a private limited company wholly owned by the Singapore Government — Mr. Leonard has been chartered to lead an organisation that builds 'deep-tech' companies. Capitalising on the science and technology research for which Singapore has gained a global reputation, Mr. Leonard's team works with local and international partners, including universities, venture capitalists, and major corporations to help technical founders imagine, start and scale globally-relevant early-stage technology companies from Singapore.

Prior to his role as the CEO of SGInnovate, Mr. Leonard served three years as the Executive Deputy Chairman of the Infocomm Development Authority (IDA), a government statutory board under the purview of Singapore's Ministry of Communications and Information. In that role, he had executive responsibility at the national level for various aspects of the information technology and telecommunications industries in Singapore.

Mr. Leonard serves on the advisory boards of a range of universities and organisations in Singapore. Mr. Leonard also serves as an INED at Singapore Post Ltd (SingPost), a global leader in e-commerce logistics, which is listed on Singapore Exchange.

Biographical Details of Directors and Senior Management

DIRECTORS (CONTINUED)

Philana Wai Yin POON, aged 51, was appointed as INED of the Company on 16 March 2018. Ms. Poon is the Executive Director, Legal & Compliance of The Hong Kong Jockey Club ("HKJC"). She is a member of the Board of Management as well as the Company Secretary of HKJC. Ms. Poon has overall responsibility for HKJC's Legal Services Department, Compliance Department and Corporate Secretariat.

Ms. Poon has over 20 years of post-qualification experience both in-house and in private practice. Prior to joining HKJC in 2015, she held various senior positions within the PCCW-HKT Group between 1998 and 2015 including Group General Counsel & Company Secretary. She has a wealth of experience in the telecommunications, media and information technology industries, as well as in the areas of mergers & acquisitions, corporate finance transactions, corporate governance and advising on the Hong Kong Listing Rules and the Securities & Futures Ordinance.

Ms. Poon was an Independent Non-executive Director of Forgame Holdings Limited, a company listed on the Hong Kong Stock Exchange from 2013 to 2018 and an Independent Non-executive Director of AZ Electronic Materials S.A., a company listed on the London Stock Exchange from 2012 to 2014.

Ms. Poon has a Bachelor of Commerce degree from the University of Toronto and a Doctor of Law degree from Cornell University. In 2014, she was named by Asian Legal Business as Hong Kong's In-House Lawyer of the Year and in 2016, she was named by Asian Legal Business as Hong Kong's Woman Lawyer of the Year.

Maura WONG Hung Hung, aged 53, was appointed as INED of the Company on 9 May 2013. Ms. Wong is the Chief Executive Officer of Senior Citizen Home Safety Association, the leading provider of telebased elderly assistance and care service in Hong Kong. Ms. Wong has over 20 years' experience in finance and private equity in Asia. She was a founder partner of JP Morgan Partners Asia (formerly Chase Capital Partners Asia), a pan-Asia private equity fund, where she ran the Greater China as well as Telecommunications, Media and Technology Practice. She was one of the pioneers of private equity in Asia as a founding member of Goldman Sachs' Principal Investment Area in Asia. She graduated from Harvard Business School with an MBA and as Baker Scholar. Before that she received a Bachelor of Arts degree in International and Public Affairs from Princeton University where she graduated as Phi Beta Kappa and magna cum laude (high honors).

CHONG Chi Yeung, aged 51, was appointed an alternate director to Mr. Luo Ning on 9 May 2013. Mr. Chong is the Assistant President of CITIC Metal Group Limited, a wholly-owned subsidiary of CITIC Limited in Hong Kong. Prior to joining CITIC in 2005, he held various financial and managerial positions in both large scale China Stated-owned Enterprises and Hong Kong listed companies. He graduated from California State University, United States with a Bachelor's Degree and a Master Degree in Business Administration major in Finance in 1994. He has over 19 years of experience in merger and acquisition, corporate restructuring and financial management.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Fred HO, aged 56, is AsiaSat's Vice President, Technical Operations. Mr. Ho has over 25 years' experience in the satellite communications industry. He leads the technical operations team with responsibility for overseeing the operations of the company's satellite fleet and earth stations, teleport and customer network services.

Mr. Ho holds a Bachelor's degree in Physics for Technology from Carleton University in Canada and a Master of Science degree in Engineering Management from the City University of Hong Kong.

Saphina HO, aged 51, is AsiaSat's General Counsel. She has more than 20 years of experience in telecommunications industry, specializing in regional and corporate legal matters. Prior to joining AsiaSat in September 2017, she was the Assistant General Counsel of Pacnet Global, a submarine cable operator, and also worked for Telstra Global, New World Mobility and Global One as in-house counsel. She is a qualified solicitor in Hong Kong, and England and Wales, and has Bachelor's Degree in Arts and Postgraduate Certificate in Laws from the University of Hong Kong and a Bachelor's Degree in Laws from the Manchester Metropolitan University.

Ina LUI, aged 50, is AsiaSat's Senior Vice President, Commercial, Business Development and Strategy.

Ms. Lui brings over 25 years of experience in the satellite, telecommunications and technology sectors, covering areas in sales, marketing, product and business development. She has worked in Singapore, South China and Hong Kong. She has held senior management positions at ABS, Intelsat, PanAmSat and Hong Kong Telecom. Prior to joining AsiaSat on 1 June 2018, she was at ABS as Managing Director, Sales Asia Pacific where she was responsible for sales and business initiatives for the region.

Ms. Lui holds a Bachelor of Arts degree in Business Studies from the City University of Hong Kong.

Fred VONG, aged 51, is AsiaSat's Vice President, Engineering. Mr. Vong has over 20 years of satellite and telecommunications service experience. He leads the engineering teams in supporting customer activities, from network design to implementation, developing service product, managing spacecraft programs, planning spectrum resources of the company and working with other departments to assess and crystallise opportunity from new technologies.

Mr. Vong has a Bachelor of Science degree in Engineering, a Master of Philosophy from the Department of Electrical and Electronic Engineering of the University of Hong Kong, and a Bachelor of Law from Manchester Metropolitan University.

Sue YEUNG, aged 55, is AsiaSat's Chief Financial Officer, and Company Secretary. Ms. Yeung is a member of the Institute of Chartered Accountants in England and Wales. She has held various senior positions in both multinational companies and a Hong Kong listed company. Prior to joining AsiaSat in October 2006, she was a Regional Chief Financial Officer of Pearson Education Asia Limited with the overall responsibilities of its Asia Operations. She holds a Bachelor of Science Degree in Chemical Engineering from London University and is a fellow member of Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 15 to the consolidated financial statements.

An analysis of the Group's performance for the year with operating segment is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 5 to 9, the Chief Executive Officer's Statement set out on pages 10 to 12 and the Management Discussion and Analysis set out on pages 37 to 42 of this Annual Report. This discussion forms part of this directors' report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report set out on pages 30 to 36 and the Corporate Governance Report set out on pages 13 to 29 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 63.

An interim dividend of HK$0.18 per share (2017: HK$0.18 per share) was paid during the year. The Board recommends a final dividend of HK$0.20 per share (2017: HK$0.20 per share) for year ended 31 December 2018.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 66 and Note 28 to the consolidated financial statements.

Directors' Report

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$30,000 (2017: HK$30,000).

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2018 are set out in Note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company, calculated under Section 90 of the Companies Act 1981 of Bermuda, are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves of the Company amounted to HK$423,933,000 (2017: HK$427,719,000), as calculated under the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 143.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Trust, which was set up to administer the Company's 2007 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$3,495,000. 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 any of the Company's shares during the year ended 31 December 2018 and the Company has not redeemed any of its shares during the year ended 31 December 2018.

Directors' Report

SHARE AWARD SCHEME

2007 Share Award Scheme

On 22 August 2007 ("2007 Adoption Date"), the Company adopted the Share Award Scheme ("2007 Share Award Scheme"). Pursuant to the 2007 Share Award Scheme, Award Shares may be granted to eligible employees of the Company or its subsidiaries each year on the grant date until the tenth anniversary from the 2007 Adoption Date and the original award period have expired on 21 August 2017. The Company shall pay cash to the appointed trustee company for its acquisition and holding on trust of the award shares for the benefit of eligible employees. The Award Shares will be transferred to the eligible employees upon vesting. The number of shares to be awarded under the 2007 Share Award Scheme throughout its duration shall not exceed 3% of the total issued shares of the Company as at the 2007 Adoption Date.

The Board recognizes that the executive director of the Company plays an important role in the success of the Group and therefore intends to extend the 2007 Share Award Scheme for another 10 years as a means to continually recognize and motivate his contribution, to attract and retain the best senior staff and to align the interests of the eligible employees and shareholders of the Company. On 20 December 2017, the Board has resolved to extend the award period of the 2007 Share Award Scheme for another ten years which will end on the day immediately prior to the twentieth anniversary date of the 2007 Adoption Date, i.e. 21 August 2027.

2017 Share Award Scheme

To enhance the competitiveness of the Company in attracting and retaining the best senior staff for the development of the Company's business and to position the Company as an employer of choice, and to promote the long term financial success of the Company by aligning the interests of eligible employees and the shareholders of the Company. The Board has resolved to adopt another share award scheme (the "2017 Share Award Scheme") in addition to the 2007 Share Award Scheme.

The Company adopted the 2017 Share Award Scheme on 20 December 2017 ("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 provided that no grant will be made during the black-out 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 and 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.

Directors' Report

SHARE AWARD SCHEME (CONTINUED)

2017 Share Award Scheme (Continued)

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 duration of the 2017 Share Award Scheme is 20 years and the award period is only for 10 years from the 2017 Adoption Date. Pursuant to the 2017 Share Award Scheme, Award Shares may be granted to eligible employees of the Company or its subsidiaries each year on the grant date until the tenth anniversary from the 2017 Adoption Date and the last award period will be expired on 19 December 2027. The duration for the 2017 Scheme is longer than award period by 10 years is to cater for (i) 5 years to be required after last award and (ii) another 5 years for the circumstances that in case of death of the participants by the time the Award Shares are vested, additional time is required for their estate administrator to complete with all procedures to obtain such vested shares.

The Award Shares will be issued under the General Mandate granted by the shareholders each year given the expected size of the Award Shares granted. If the Company needs to grant the shares to Directors or any connected persons under 2017 Share Award Scheme, the Company will seek independent shareholder approval for such grant of Award Shares under Chapter 14A of the Listing Rules.

Details of the share award schemes and the shares awarded thereunder are set out in Note 18 to the consolidated financial statements.

Movement in the number of shares awarded under 2007 Share Award Scheme to Directors during the year ended 31 December 2018:

	Number of shares awarded				
Directors	**Opening balance**	**Granted during the year**	**Forfeited during the year**	**Vested during the year**	**Balance as at 31 December 2018**
Andrew G. JORDAN*	119,190	–	(119,190)	–	–
Roger Shun-hong TONG**	348,373	254,010	–	(75,669)	526,714

* Resigned on 16 April 2018

** Appointed on 16 April 2018

Directors' Report

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 year ended 31 December 2018:

		Number of Share Options				
Name	**Date of grant**	**Opening balance**	**Lapsed during the year**	**Forfeited during the year**	**Balance as at 31 December 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

The Directors who held office during the year and up to the date of this report were:

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 *(Chief Executive Officer) (resigned on 16 April 2018)**

Directors' Report

DIRECTORS (CONTINUED)

Non-executive Directors

DING Yucheng	*(appointed on 1 August 2018)*
LUO Ning	
Herman CHANG Hsiuguo	
FAN Jui-Ying	*(appointed on 1 September 2018)*
Julius M. GENACHOWSKI	*(resigned on 1 September 2018)**
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)**

* The directors have confirmed that their resignations are due to other personal commitments. They also confirmed that they have no disagreements with the Board and there are no matters relating to their resignations that need to be brought to the attention of Shareholders of the Company.

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mr. Luo Ning, Mr. Marcel R. Fenez and Mr. Steven R. Leonard will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 101 of the Company's Bye-laws, Dr. Ding Yucheng and Mr. Fan Jui-Ying who were appointed as a NED after the last AGM, will retire and, being eligible, offer themselves for re-election.

All INEDs and NEDs are appointed for a specific terms of three years each or, in the case of initial appointment, for the period up to next re-election at the Company's AGM following their appointment. They are all subject to retirement, rotation and re-election at the Company's AGM in accordance with the Company's Bye-laws.

The Company has received a written annual confirmation from each INED of his/her independence in accordance with the Listing Rules. The Company considers all of the INEDs to be independent.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Dr. Roger Shun-hong Tong has a service contract with the Company as the CEO of the Company with effect from 16 April 2018. The contract can be terminated by either party by giving the other six months' notice in writing.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

UPDATE ON DIRECTORS' INFORMATION

The following are changes in the information of the Directors since the date of the 2018 interim report of the Company required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules:

With effect from 1 September 2018, Mr. Fan Jui-Ying was appointed as NED and Member of Compliance Committee of the Company.

With effect from 1 September 2018, Mr. Julius M. Genachowski resigned as NED and Member of Compliance Committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 43 to 47.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2018, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, were as follows:

Ordinary shares of HK$0.10 each in the Company at 31 December 2018

		Number of shares				
Director	Long or short position	Personal interests	Family interests	Other interests	Total	% of the Issued Share Capital of the Company
Roger Shun-hong TONG**	Long position	216,696	59,500	526,714+	802,910	0.21
	Short position	–	–	–	–	–

** Appointed on 16 April 2018

+ This amount represented the shares awarded under 2007 and 2017 Share Award Scheme which was not vested as at 31 December 2018.

Apart from the Share Award Schemes and Share Option Scheme, at no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated companies.

Directors' Report

SUBSTANTIAL SHAREHOLDER' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that, as at 31 December 2018, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Ordinary shares of HK$0.10 each in the Company at 31 December 2018

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
International Value Advisers, LLC	Investment manager	Long position	23,950,000	6.12

Directors' Report

SUBSTANTIAL SHAREHOLDER' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Ordinary shares of HK$0.10 each in the Company at 31 December 2018 (Continued)

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2018, the total revenue from the Group's five largest customers represented 37% of the Group's consolidated revenue and the total revenue from the Group's largest customer represented 12% of the Group's consolidated revenue. The total amount of purchases attributable to the Group's five largest suppliers was 25% of the total purchases and the largest supplier represented 13% of the Group's total purchases.

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

Certain related-party transactions as disclosed in Note 27 to the consolidated financial statements also constituted connected transactions under the Listing Rules, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant announcements, if necessary, were made by the Company in accordance with the requirements of the Listing Rules.

The Group had signed the transponder master agreement ("2015 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 and run by CITIC Networks), under which the Group provided satellite transponder capacity to CITIC Networks and CITICSat for use by their customers on 4 September 2015 effective from 18 October 2015 to 17 October 2018.

Pursuant to the 2015 Agreement, the Group would charge a utilisation fee to CITICSat based on the market comparable rate or at a rate similar to those the Group would have offered to independent third party customers in China with a discount of no more than 5%, to be determined with reference to the projected sales for the relevant year and the discount that the Group would have offered to other bulk purchaser(s) of its satellite transponder capacity in China. Furthermore, the Group would pay a marketing consulting fee to CITICSat for marketing activities in China and the marketing consulting fee would be a fixed fee of RMB1,000,000 plus a variable fee of 0.25% over any recognised sales by CITICSat of the satellite transponder capacity in excess of RMB200,000,000.

As part of CITIC's restructuring initiatives, the satellite-related telecommunications businesses of CITIC Networks and CITICSat were transferred to CITIC Digital Media Networks Co., Ltd. ("CITIC Digital", a wholly-owned subsidiary of CITIC) and its branch, CITIC Digital Media Networks Co., Ltd. Satellite Telecommunications Branch ("CITIC Digital Branch"), respectively with effect from 1 January 2017. The Company entered into a novation agreement such that CITIC Digital has replaced CITIC Networks and CITIC Digital Branch has replaced CITICSat as parties to the 2015 Agreement accordingly.

The new transponder master agreement for another three years with effect from 18 October 2018 to 17 October 2021 ("2018 Agreement") was signed among the Group, CITIC Digital and its branch, CITIC Digital Branch on 24 August 2018 with the terms same as 2015 Agreement. The agreement was approved by the independent shareholders in the Special General Meeting held on 5 October 2018.

Pursuant to the 2015 Agreement and 2018 Agreement, the total utilisation fee generated in 2018 was HK$356,431,000 (2017: HK$304,880,000). The total marketing consulting fee paid in 2018 was HK$1,476,000 (2017: HK$1,318,000).

Directors' Report

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The continuing connected transactions have been reviewed by INEDs of the Company. The INEDs confirmed that the connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company's auditors was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions as disclosed by the Group above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Group has also entered into certain continuing connected transactions with connected parties which are qualified as de minimis transactions in accordance with paragraph 14A.76(1) of Chapter 14A of the Listing Rules, and hence are exempted from reporting, annual review, announcement and independent shareholders' approval requirement.

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 of the New Syndicated Facilities, 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 Facilities 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 USD170 million as at 31 December 2018.

Directors' Report

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out Directors' and Officers' insurance to cover the liability incurred by Directors and Officers in the execution and discharge of their duties, or in relation thereto.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to, and within the knowledge of, the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares as at 8 March 2019.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sue YEUNG
Company Secretary

Hong Kong, 8 March 2019

Audit Committee Report

The AC has six members, four of whom are INEDs and two are NEDs with observer status and no voting rights.

The AC oversees the financial reporting process. In this process, management is responsible for the preparation of Group's financial statements including the selection of suitable accounting policies. The IA is responsible for auditing and attesting to the Group's financial statements. The AC oversees the respective work of management and reports to the Board on its findings after each AC meeting.

The AC reviewed and discussed with management and the IA the 2018 consolidated financial statements included in the 2018 Annual Report. In this regard, the AC had discussions with management with regard to new, or changes in, accounting policies as applied and significant judgments affecting the Group's financial statements. The AC also received reports and met with the IA to discuss the general scope of their audit work (including the impact of changes in accounting policies and auditing standards as applied).

Based on these reviews and discussions with the IA, the AC recommended to the Board approval of the consolidated financial statements for the year ended 31 December 2018.

The AC also reviewed and recommended to the Board approval of the unaudited condensed consolidated financial information for the first six months of 2018, prior to public announcement and filing.

The AC recommended to the Board that the Shareholders be asked to re-appoint PricewaterhouseCoopers as the Group's IA for 2019.

MEMBERS OF THE AUDIT COMMITTEE

Marcel R. Fenez	*(Chairman)*
Steven R. Leonard	
Philana Wai Yin Poon	
Maura Wong Hung Hung	
Ju Wei Min	*(Non-voting)*
Herman Chang Hsiuguo	*(Non-voting)*

Hong Kong, 8 March 2019

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Consolidated Statement Of Comprehensive Income

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	5	**1,441,556**	1,353,913
Cost of services	7	**(676,038)**	(639,590)
Gross profit		**765,518**	714,323
Administrative expenses	7	**(155,805)**	(164,988)
Other gains — net	6	**49,183**	92,220
Operating profit		**658,896**	641,555
Finance expenses	9	**(101,026)**	(94,742)
Profit before income tax		**557,870**	546,813
Income tax expense	10	**(128,589)**	(150,213)
Profit and total comprehensive income for the year		**429,281**	396,600
Profit and total comprehensive income for the year attributable to:			
— Owners of the Company		**429,313**	396,669
— Non-controlling interests		**(32)**	(69)
		429,281	396,600
Earnings per share attributable to the owners of the Company for the year (expressed in HK$ per share)			
Basic earnings per share	11	**1.10**	1.01
Diluted earnings per share	11	**1.10**	1.01

The notes on pages 68 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	13	**16,619**	17,202
Property, plant and equipment	14	**6,369,696**	6,930,280
Unbilled receivables		**24,986**	19,040
Deposit	16	**2,851**	2,851
Total non-current assets		**6,414,152**	6,969,373
Current assets			
Unbilled receivables		**12,576**	8,458
Trade and other receivables	16	**244,673**	208,598
Cash and bank balances	17	**546,896**	214,465
Total current assets		**804,145**	431,521
Total assets		**7,218,297**	7,400,894
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**39,120**	39,120
Reserves	19		
— Retained earnings		**3,568,823**	3,282,940
— Other reserves		**25,402**	29,607
		3,633,345	3,351,667
Non-controlling interests		**803**	835
Total equity		**3,634,148**	3,352,502

Consolidated Statement of Financial Position

	Note	As at 31 December 2018 HK$'000	 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	**2,244,075**	2,593,983
Deferred income tax liabilities	22	**446,112**	462,515
Contract liabilities	21	**223,490**	230,825
Total non-current liabilities		**2,913,677**	3,287,323
Current liabilities			
Bank borrowings	20	**359,826**	358,923
Construction payables		**10,782**	67,448
Other payables and accrued expenses		**63,885**	80,874
Contract liabilities	21	**163,607**	191,761
Current income tax liabilities		**72,372**	62,063
Total current liabilities		**670,472**	761,069
Total liabilities		**3,584,149**	4,048,392
Total equity and liabilities		**7,218,297**	7,400,894

The notes on pages 68 to 142 are an integral part of these consolidated financial statements.

The financial statements on pages 63 to 142 were approved by the Board of Directors on 8 March 2019 and were signed on its behalf.

Gregory M. ZELUCK
Director

Roger Shun-hong TONG
Director

Consolidated Statement of Changes In Equity

		Attributable to owners of the Company							
	Note	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$'000	Total equity HK$'000
Balance at 1 January 2017		39,120	17,866	–	17,734	3,029,950	3,104,670	904	3,105,574
Total comprehensive income for the year		–	–	–	–	396,669	396,669	(69)	396,600
Transactions with owners									
Employees share award scheme:									
— Shares held under Share Award Scheme		–	–	(9,315)	–	–	(9,315)	–	(9,315)
— Share-based payment		–	–	–	8,134	–	8,134	–	8,134
— Shares vested under Share Award Scheme		–	–	7,153	(7,153)	–	–	–	–
Transfer from share-based payment reserve		–	–	–	(4,812)	4,812	–	–	–
Final dividend relating to 2016	12	–	–	–	–	(78,239)	(78,239)	–	(78,239)
Interim dividend relating to 2017	12	–	–	–	–	(70,415)	(70,415)	–	(70,415)
Dividend for shares held by Share Award Scheme Trust		–	–	–	–	163	163	–	163
Total transactions with owners, recognised directly in equity		–	–	(2,162)	(3,831)	(143,679)	(149,672)	–	(149,672)
Balance at 31 December 2017		39,120	17,866	(2,162)	13,903	3,282,940	3,351,667	835	3,352,502
Balance at 1 January 2018		**39,120**	**17,866**	**(2,162)**	**13,903**	**3,282,940**	**3,351,667**	**835**	**3,352,502**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**429,313**	**429,313**	**(32)**	**429,281**
Transactions with owners									
Employees share award scheme:									
— Shares held under Share Award Scheme		**–**	**–**	**(3,495)**	**–**	**–**	**(3,495)**	**–**	**(3,495)**
— Share-based payment		**–**	**–**	**–**	**4,373**	**–**	**4,373**	**–**	**4,373**
— Shares vested under Share Award Scheme		**–**	**–**	**4,328**	**(4,328)**	**–**	**–**	**–**	**–**
Transfer from share-based payment reserve		**–**	**–**	**–**	**(5,083)**	**5,083**	**–**	**–**	**–**
Final dividend relating to 2017	12	**–**	**–**	**–**	**–**	**(78,239)**	**(78,239)**	**–**	**(78,239)**
Interim dividend relating to 2018	12	**–**	**–**	**–**	**–**	**(70,415)**	**(70,415)**	**–**	**(70,415)**
Dividend for shares held by Share Award Scheme Trust		**–**	**–**	**–**	**–**	**141**	**141**	**–**	**141**
Total transactions with owners, recognised directly in equity		**–**	**–**	**833**	**(5,038)**	**(143,430)**	**(147,635)**	**–**	**(147,635)**
Balance at 31 December 2018		**39,120**	**17,866**	**(1,329)**	**8,865**	**3,568,823**	**3,633,345**	**803**	**3,634,148**

The notes on pages 68 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	23	**1,145,297**	1,475,149
Interest paid		**(40,587)**	(50,240)
Hong Kong profits tax paid		**(44,251)**	(722)
Overseas tax paid		**(87,785)**	(336,081)
Net cash generated from operating activities		**972,674**	1,088,106
Cash flows from investing activities			
Purchases of property, plant and equipment		**(74,625)**	(544,137)
Proceeds from disposals of property, plant and equipment	23	**252**	399
Interest received		**4,678**	2,136
Net cash used in investing activities		**(69,695)**	(541,602)
Cash flows from financing activities			
Purchases of shares under Share Award Scheme		**(3,495)**	(9,315)
Proceeds from bank borrowings		**–**	1,414,452
Repayment of bank borrowings		**(366,598)**	(1,786,198)
Interest and other finance charges paid		**(50,339)**	(46,280)
Dividends paid	12	**(148,513)**	(148,491)
Net cash used in financing activities		**(568,945)**	(575,832)
Net increase/(decrease) in cash and cash equivalents		**334,034**	(29,328)
Cash and cash equivalents at beginning of the year		**214,465**	240,583
Effects of exchange rate changes on cash and cash equivalents		**(1,603)**	3,210
Cash and cash equivalents at end of the year	17	**546,896**	214,465

The notes on pages 68 to 142 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Asia Satellite Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the provision of 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 HM 12, Bermuda.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the financial year beginning on or after 1 January 2018 and the Group has changed 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 9 Financial Instruments (Continued)

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 3.1(b) and 16). 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.

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

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

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 over time when the services are rendered.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (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 consolidated financial statements 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 is recognised over time.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

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

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation — Amendments[1]
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

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 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 16 "Leases" (Continued)

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the date of the consolidated statement of financial position, the Group has non-cancellable operating lease commitments of approximately HK$25,869,000 (Note 26). 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 loss, and classification of cash flows upon adoption of the standard.

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within 'Administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Buildings in the course of development for production or administrative purposes are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Satellites under construction includes the manufacturing costs, launch costs, interest expenses capitalised under borrowing costs and any other relevant direct costs when billed or incurred and is carried at cost less any identified impairment loss. When the satellite is ready for its intended use, the expenditure is transferred to satellites in operation and depreciation will commence.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, at the following rates per annum:

Satellites:	
— AsiaSat 3S	6.25%
— AsiaSat 4	20%(Note)
— AsiaSat 5	6.25%
— AsiaSat 6	6.25%
— AsiaSat 7	6.25%
— AsiaSat 8	6.25%
— AsiaSat 9	6.25%
Buildings	4%
Tracking facilities	10%–20%
Furniture, fixtures and fittings	20%–33%
Office equipment	25%–33%
Motor vehicles	25%
Teleport equipment	30%
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within 'Other gains — net' in the consolidated statement of comprehensive income.

Note:

During the year ended 31 December 2017, the Group undertook a review of the estimated useful lives of its satellites. As a result of the review, taking into account the current fuel level, expected usage and market demand of the satellites, the Group revised the useful life of satellite AsiaSat 4 to extend that for another 5 years.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

Classification

From 1 January 2018, the Group classifies its financial assets as those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) and 16 for further details.

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position (Notes 2.9 and 2.10). Loans and receivables are recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Impairment of financial assets carried at amortised cost (Continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that it would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of debtors in the portfolio; and

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.12 Construction payables

Construction payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Construction payables are classified as current liabilities if payments are expected to be due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Borrowing costs (Continued)

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

The Group participates in defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, including share award schemes and share option scheme under which the Group receives services from employees as consideration for equity instruments (award shares and options) of the Group.

The Group grants shares (award shares) of the Company to employees under the share award schemes. The award shares are either purchased from the open market or granted by issue of new shares. The cost of shares purchased from the open market is recognised in equity as treasury stock called "shares held under share award scheme".

The fair value of the employee services received in exchange for the grant of the award shares and options is recognised as an expense with a corresponding increase in share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the award shares and options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of award shares and options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of award shares and options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(b) Share-based compensation (Continued)

When the options are exercised or the award shares that will be settled by issuing new shares are vested, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

When the award shares that will be settled by purchasing from the open market are vested, the difference between the cost of shares purchased from the open market and the fair value at the grant date of the shares is recognised in share-based payment reserve, with a corresponding adjustment to retained earnings.

The grant by the Company of award shares and options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company's separate financial statements.

(c) Performance-based bonus

The expected costs of performance-based bonuses are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for performance-based bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

(a) Revenue from transponder utilisation is recognised on a straight-line basis over the period of the agreements when services are rendered. The excess of revenue recognised on a straight-line basis over the amount received and receivables from customers in accordance with the contract terms is shown as unbilled receivables. The unbilled receivables will subsequently be reduced over the service period when the amount received and receivables from customers exceeded the revenue recognised during the period. The amount of unbilled receivables that is expected to be recovered in the next twelve months through adjustment of this timing difference between delivery of service and billings to customers is classified as current assets.

(b) Revenue from the sale of transponder capacity under transponder purchase agreements is recognised 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 revenue is recognised over time.

Services under transponder utilisation agreements (note (a) above) are generally billed quarterly in advance. Such amounts received in advance and amounts received from the sale of transponder capacity under transponder purchase agreements (note (b) above) in excess of amounts recognised as revenue are recorded as contract liabilities. Contract liabilities which will be recognised in the following year is classified under current liabilities and amounts which will be recognised after one year are classified as non-current.

(c) Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other gain.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

(a) As a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(b) As a lessor

When an asset is leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk

During the year, almost all of the Group's revenue, premiums for satellite insurance coverage, interest expenses and substantially all capital expenditure were denominated in United States Dollars. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. At 31 December 2018 and 2017, the majority of the Group's transponder utilisation agreements, transponder purchase agreements, obligations to purchase telemetry, tracking and control equipment and bank borrowings were denominated in United States Dollars. The Group has not hedged its foreign currency exposure.

At 31 December 2018, certain trade receivables, cash and bank balances, bank borrowings and payables were denominated in United States Dollars ("USD") and they mainly included the following items whose foreign currency exposure is analysed as follows:

	2018	2017
	USD'000	USD'000
Trade and other receivables	**13,119**	13,315
Cash and bank balances	**64,567**	15,586
Bank borrowings	**(332,474)**	(377,899)
Construction payables	**(1,382)**	(8,634)
Other payables	**(1,577)**	(2,510)

At 31 December 2018, it is estimated that a general increase/decrease of 50 basis points in the exchange rate of USD against HK$, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$9,261,000 (2017: HK$12,910,000).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2018, certain trade receivables and cash and bank balances were denominated in Renminbi ("RMB") and the foreign currency exposure is analysed as follows:

	2018	2017
	RMB'000	RMB'000
Trade receivables	**124,612**	86,896
Cash and bank balances	**4,593**	15,102

At 31 December 2018, it is estimated that a general increase/decrease of 500 basis points in the exchange rate of RMB against HK$, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$6,756,000 (2017: HK$5,609,000).

The sensitivity analysis above has been determined assuming that the change in foreign currency exchange rate had occurred at the reporting date and had been applied to the amount receivable/payable in RMB and USD at that date. For RMB and USD, the 500 basis points and 50 basis points increase/decrease respectively represent management's assessment of a reasonably possible change in the foreign currency exchange rate over the period until the next annual reporting date. The analysis is presented on the same basis for 2017.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk of the Group arises from credit exposures to its customers and cash and bank balances.

(i) Risk management

The Group assesses the credit quality of its customers by taking into account of their financial position, past experience and current collection trends that are expected to continue. The Group's evaluation also includes the length of time the receivables are past due and the general business environment. This credit risk is not considered significant because the Group does not normally provide credit terms to its trade customers. The Group usually bills its trade customers quarterly in advance in accordance with its agreements. The Group also requires bank guarantees and deposits from certain trade customers to manage the credit exposure. Moreover, the Group only places cash and deposits with reputable banks and financial institutions.

(ii) Impairment of financial assets

The Group's trade receivables are subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestics Product and the unemployment rate of the countries in which it provides services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows:

	Current	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 days or above**	**Total**
31 December 2018							
Expected loss rate for trade receivables from third parties	**2%**	**3%**	**6%**	**13%**	**25%**	**61%**	
Gross carrying amount-trade receivables from third parties (HK$'000)	**30,377**	**19,583**	**16,140**	**5,684**	**12,914**	**21,559**	**106,257**
Loss allowance (HK$'000)	**572**	**627**	**1,025**	**726**	**3,197**	**13,120**	**19,267**
Expected loss rate for trade receivables from related parties	**2%**	**2%**	**2%**	**3%**	**3%**	**11%**	
Gross carrying amount-trade receivables from related parties (HK$'000)	**31,174**	**17,023**	**18,303**	**14,072**	**46,909**	**14,564**	**142,045**
Loss allowance (HK$'000)	**629**	**334**	**388**	**354**	**1,342**	**1,550**	**4,597**
Total loss allowance (HK$'000)	**1,201**	**961**	**1,413**	**1,080**	**4,539**	**14,670**	**23,864**

	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 days or above	Total
1 January 2018							
Expected loss rate for trade receivables from third parties	2%	3%	8%	19%	43%	66%	
Gross carrying amount-trade receivables from third parties (HK$'000)	24,900	29,043	15,572	2,604	11,265	17,120	100,504
Loss allowance (HK$'000)	591	969	1,234	487	4,860	11,383	19,524
Expected loss rate for trade receivables from related parties	0%	0%	0%	0%	0%	0%	
Gross carrying amount-trade receivables from related parties (HK$'000)	21,575	12,038	23,184	12,040	31,371	3,954	104,162
Loss allowance (HK$'000)	–	–	–	–	–	–	–
Total loss allowance (HK$'000)	591	969	1,234	487	4,860	11,383	19,524

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. Bank borrowings obtained at a fixed rate expose the Group to fair value interest rate risk (Note 20). Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

The following table details the interest rate profiles of the Group's short-term deposits and variable rate bank borrowings:

	2018		2017	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Short-term deposits	**2.2%**	**385,458**	0.9%	39,089
Bank borrowings	**4.2%**	**1,323,706**	3.2%	1,397,929

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in the interest rate, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$8,290,000 (2017: HK$12,435,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the interest-bearing short-term bank deposits and bank borrowings in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The analysis is performed on the same basis for 2017.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) 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 savings accounts and time deposits with reputable financial institutions, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room to meet operation 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 (Note 17) 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 31 December 2018, the Group had available unutilised banking facilities of approximately HK$313,276,000, which will be expired in June 2022.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The non-derivative financial liabilities of the Group as at 31 December are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the table below. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018				2017			
	Within 1 year HK$'000	**More than 1 year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Bank borrowings, including interest payable	**445,969**	**2,418,625**	**-**	**2,864,594**	432,847	2,711,863	146,216	3,290,926
Construction payables	**10,782**	**-**	**-**	**10,782**	67,448	–	–	67,448
Other payables and accrued expenses	**63,885**	**-**	**-**	**63,885**	80,874	–	–	80,874
	520,636	**2,418,625**	**-**	**2,939,261**	581,169	2,711,863	146,216	3,439,248

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital, which comprises all capital and reserves attributable to the owners, are:

- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- To support the business growth; and
- To maintain a strong credit rating.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In December 2013, the Group entered into a long-term loan agreement to finance the construction of AsiaSat 6 and AsiaSat 8 satellites. In June 2015, the Group obtained another banking facilities to finance the dividend payments and working capital of the Group. In July 2017, the Group obtained a new term loan and revolving credit facilities ("New Syndicated Facilities") to refinance the banking facilities obtained in 2015 in full. The Group is required to comply with certain financial and non-financial covenants under all these loan and banking facilities arrangements. If the Group were to breach the covenants, the loans and facilities utilised would become payable on demand. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2018, the Group complied with all of the covenants on the above borrowing agreements.

In this regard, the Group monitors the capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing bank borrowings (including 'current and non-current bank borrowings' as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

	2018	2017
	HK$'000	HK$'000
Total bank borrowings (Note 20)	**2,603,901**	2,952,906
Less: cash and bank balances (Note 17)	**(546,896)**	(214,465)
Net debt	**2,057,005**	2,738,441
Total equity	**3,634,148**	3,352,502
Total capital	**5,691,153**	6,090,943
Gearing ratio	**36%**	45%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

Except for bank borrowings (Note 20), the carrying value of the Group's financial assets and financial liabilities is a reasonable approximation of their fair values as the discounting impact of these financial instruments is insignificant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of in-orbit satellites

The Group's operations are capital intensive and it has significant investments in satellites. The carrying value of the Group's in-orbit satellites that have been commissioned and brought into service (AsiaSat 3S, AsiaSat 4, AsiaSat 5, AsiaSat 6, AsiaSat 7, AsiaSat 8 and AsiaSat 9) represented 86% of its total assets as of 31 December 2018 (2017: 91%). The Group estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual useful lives of satellites are longer than the Group has estimated, the lengthened useful lives would result in a smaller depreciation expense. As a result, if the Group's estimations of the useful lives of its satellites are not accurate or are required to be changed in the future, the Group's net income in future periods would be affected.

The useful lives of in-orbit satellites are reviewed by the Board at the end of each reporting period.

For the year ended 31 December 2018, it is estimated that a general increase/decrease of one year of useful life of all of the Group's in-orbit satellites, with all other variables held constant, would decrease/increase the depreciation charge for the year by approximately HK$33,652,000 (2017: HK$29,521,000) and HK$38,931,000 (2017: HK$33,584,000) respectively.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.2 Critical judgments in applying the Group's accounting policies

(a) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the taxability and deductibility of certain items in arriving at the worldwide provision for income taxes. Accordingly, the Group's tax computations involve many transactions and calculations which require management to apply judgment and appropriate data input from various sources such as types of customers, amount of revenue derived from customers, applicable ratios and tax rates in order to estimate the tax provision. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Impairment of the carrying amounts of long-lived assets

The Group is required to evaluate at each reporting date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. If any such indication exists, the Group should estimate the recoverable amount of the long-lived assets. An impairment loss, if any, is recognised for the excess of the carrying amount of a long-lived asset over its recoverable amount. The recoverable amount is determined at the higher of fair value less costs to sell and value in use. The value in use is the present value of the cash flows expected to arise from the continuing use of long-lived asset in the business and cash arising from its disposal at the end of its useful life.

Management's judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the long-lived asset values may not be recoverable; (ii) whether the carrying amount of the long-lived asset can be supported by the recoverable amount which is determined using value in use method; and (iii) whether key assumptions applied in preparing the cash flow projections and discounting the cash flows to estimate the present value are appropriate.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.2 Critical judgments in applying the Group's accounting policies (Continued)

(b) Impairment of the carrying amounts of long-lived assets (Continued)

The Group's cash flow projections are prepared based on a number of considerations such as latest budget approved by management, terms and period of existing transponder utilisation agreements ("Existing Agreements"), anticipated renewal of the Existing Agreements and expected growth of new customers and contracts. Any significant differences between the actual results and the assumptions previously selected by management in assessing impairment, for example, modification to the terms of the Existing Agreements that result in a change in utilisation period or pricing upon renewal, or changes in the renewal rate or growth rate, may result in significant change to the recoverable amount of the relevant asset (if the discount rate used is not changed). This may, in turn, result in a situation wherein the recoverable amounts of the assets are less than the carrying amounts and therefore, an impairment loss would need to be recognised.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue:

The Group's revenue is analysed as follows:

	2018	2017
	HK$'000	HK$'000
Income from provision of satellite transponder capacity — recurring (Note)	**1,403,828**	1,308,549
Sales of satellite transponder capacity	**10,097**	13,224
Other revenue	**27,631**	32,140
	1,441,556	1,353,913

Note:

For the year ended 31 December 2018, a total amount of HK$20,412,000 (2017: HK$22,880,000) was recorded as income from provision of satellite transponder capacity, which represented additional revenue received or receivable from certain customers following the enactment of the Finance Act in India in 2012, which imposes tax on the Group for revenue that could be considered as Indian sourced. Further details are set out in Note 10 to these consolidated financial statements.

Notes to the Consolidated Financial Statements

5 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 that qualifies 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 consolidated financial statements of the Group, no separate segmental analysis is presented.

Revenue reported in Note 5(a) above represented transactions with third parties and are reported to the Chief Executive Officer in a manner consistent with that in the consolidated statement of comprehensive income.

The Group is domiciled in Hong Kong. The revenue from customers in Hong Kong and Greater China for the year ended 31 December 2018 is HK$226,471,000 (2017: HK$155,534,000) and HK$360,122,000 (2017: HK$312,575,000), respectively, and the total revenue from customers in other countries is HK$854,963,000 (2017: HK$885,804,000). 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.

For the year ended 31 December 2018, one customer (2017: two customers) individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2018	2017
	HK$'000	HK$'000
Customer A	**134,103**	135,449
Customer B	**171,600**	144,532

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 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 Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Liabilities related to contracts with customers

As at 31 December 2018, contract liabilities amounting to HK$387,097,000 (2017: HK$422,586,000).

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2018 **HK$'000**	2017 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Income from provision of satellite transponder capacity	**181,664**	159,861
Sales of satellite transponder capacity	**10,097**	13,224
	191,761	173,085

6 OTHER GAINS — NET

	2018 **HK$'000**	2017 HK$'000
Interest income	**4,910**	2,151
Net (loss)/gain on disposals of property, plant and equipment	**(35)**	247
Cost recovery (Note)	**44,308**	89,822
	49,183	92,220

Note: This represented income from recovery of expenses incurred arising from the resolution of a long pending tax matter related to the provision of services to a customer.

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

Expenses included in cost of services and administrative expenses are analysed as follows:

	2018	2017
	HK$'000	HK$'000
Auditor's remuneration		
— audit services	**1,830**	1,960
— non-audit services	**1,482**	5,211
Loss allowance of trade receivables (Note 16)	**6,572**	6,519
Depreciation of property, plant and equipment (Note 14)	**578,359**	525,789
Employee benefit expense (Note 8)	**143,762**	146,478
Operating leases		
— Office premises	**10,803**	9,611
— Leasehold land and land use rights (Note 13)	**583**	583
Net exchange loss	**7,207**	18,029
Marketing and promotions expense	**4,541**	5,363
Legal and professional fee	**12,805**	17,003
Satellite operations	**8,017**	9,507

8 EMPLOYEE BENEFIT EXPENSE

	2018	2017
	HK$'000	HK$'000
Salary and other benefits, including directors' remuneration	**132,613**	130,027
Share-based payment	**4,373**	8,134
Pension costs — defined contribution plans	**6,776**	8,317
Total staff costs	**143,762**	146,478

	2018	2017
Number of employees	**133**	138

Notes to the Consolidated Financial Statements

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Pensions — defined contribution plans

Forfeited contributions totaling HK$673,000 (2017: HK$911,000) were fully utilised during the year, leaving HK$1,025,000 available at the year end to reduce future contributions.

There was no outstanding balance of contribution payable at both 31 December 2018 and 31 December 2017.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: one) directors whose emoluments are reflected in the analysis shown in Note 29. The emoluments payable to the remaining three (2017: four) individuals during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**11,564**	16,977
Employer's contribution to pension scheme	**723**	1,819
Performance related bonuses	**2,617**	5,742
Share-based payment	**959**	3,132
	15,863	27,670

The emoluments fell within the following bands:

	Number of individuals **2018**	 2017
Emolument bands (in HK dollar)		
HK$2,000,001 – HK$3,000,000	**1**	–
HK$4,000,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$6,000,000	**–**	2
HK$8,000,001 – HK$9,000,000	**1**	2
	3	4

Notes to the Consolidated Financial Statements

9 FINANCE EXPENSES

	2018 **HK$'000**	2017 HK$'000
Interest expenses and finance charges incurred on bank borrowings	**101,026**	116,174
Unamortised loan origination fees written off upon repayment of bank borrowings	**–**	23,528
Less: interest capitalised on qualifying assets	**–**	(44,960)
Total	**101,026**	94,742

During the year ended 31 December 2018, no interest was capitalised with the commencement of operation of the qualifying assets. During the year ended 31 December 2017, the interest rate applied in determining the amount of interest capitalised was 3.7%.

10 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% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation, that range from 7% to 43.68% (2017: 7% to 43.26%) prevailing in the countries in which the profit is earned.

	2018 **HK$'000**	2017 HK$'000
Current income tax		
— Hong Kong profits tax	**56,485**	2,354
— Overseas taxation (Note)	**88,507**	121,187
— Adjustments in respect of prior years	**–**	(3,572)
Total current tax	**144,992**	119,969
Deferred income tax (Note 22)	**(16,403)**	30,244
Income tax expense	**128,589**	150,213

Note:

The Group had been in dispute with the Indian tax authority ("IR") in respect of revenue earned from the provision of satellite transponder capacity for a number of years.

Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSE (CONTINUED)

Note: (Continued)

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

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 as a result of the retrospective amendments to the Income Tax Act in 2012, provided all the pending appeals/writs are withdrawn and that any interest 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 final settlement of tax payable for these 16 assessment years to be HK$193,000,000 (Indian Rupee equivalent) and which the Group has subsequently paid. Accordingly, all the Indian income tax liabilities for these 16 assessment years were fully settled in 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 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$64,000,000 for the year ended 31 December 2018 (2017: HK$97,000,000).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group principally operates, as follows:

	2018	2017
	HK$'000	HK$'000
Profit before income tax	**557,870**	546,813
Tax calculated at tax rate of 16.5% (2017: 16.5%)	**92,049**	90,224
Tax effect of income not subject to income tax and other tax credit	**(126,445)**	(124,847)
Tax effect of expenses not deductible for tax purposes	**74,757**	67,221
Income tax in respect of overseas profits	**88,507**	121,187
Other	**(279)**	–
Adjustments in respect of prior years	**–**	(3,572)
Tax charge	**128,589**	150,213

The effective tax rate of the Group was 23.0% (2017: 27.5%).

The lower effective tax rate for the year ended 31 December 2018 was mainly attributable to the change in timing difference arising from the accelerated tax depreciation in respect of certain in-orbit satellites.

Notes to the Consolidated Financial Statements

11 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 year.

	2018 HK$'000	2017 HK$'000
Profit attributable to owners of the Company	**429,313**	396,669

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,830**	390,860
Basic earnings per share (HK$)	**1.10**	1.01

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. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the year) 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.

Notes to the Consolidated Financial Statements

11 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 year) 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.

	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**429,313**	396,669

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,830**	390,860
Effect of Share Awarded Schemes (in thousands)	**97**	61
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**390,927**	390,921
Diluted earnings per share (HK$)	**1.10**	1.01

There are no share options outstanding during the year ended 31 December 2018.

The conversion of share options would have an anti-dilutive effect to the basic earnings per share during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

12 DIVIDENDS

The dividends paid in 2018 were HK$148,513,000 (HK$0.38 per share) (2017: HK$148,491,000). The Board recommends the payment of a final dividend of HK$0.20 per share (2017: HK$0.20 per share). Such dividends are to be approved by the shareholders at the annual general meeting to be held on 14 June 2019. These consolidated financial statements do not reflect these dividends payable.

	2018	2017
	HK$'000	HK$'000
Interim dividend paid of HK$0.18 (2017: HK$0.18) per ordinary share	**70,415**	70,415
Proposed final dividend of HK$0.20 (2017: HK$0.20) per ordinary share	**78,239**	78,239
	148,654	148,654

13 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2018	2017
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**16,619**	17,202
At 1 January	**17,202**	17,785
Amortisation of prepaid operating lease payments (Note 7)	**(583)**	(583)
At 31 December	**16,619**	17,202

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Satellites and tracking facilities								
	In operation HK$'000	Under construction/ not ready for use HK$'000	Buildings HK$'000	Furniture, fixtures and fittings HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Teleport equipment HK$'000	Plant and equipment HK$'000	Total HK$'000
At 1 January 2017									
Cost	9,348,760	1,923,426	168,358	17,472	9,289	4,214	36,889	704	11,509,112
Accumulated depreciation	(4,544,765)	–	(71,598)	(15,004)	(7,019)	(2,697)	(36,889)	(704)	(4,678,676)
Net book amount	4,803,995	1,923,426	96,760	2,468	2,270	1,517	–	–	6,830,436
Year ended 31 December 2017									
Opening net book amount	4,803,995	1,923,426	96,760	2,468	2,270	1,517	–	–	6,830,436
Additions	13,443	610,721	–	52	1,022	547	–	–	625,785
Transfer between categories	2,534,147	(2,534,147)	–	–	–	–	–	–	–
Disposals (Note 23)	(14)	–	–	–	–	(138)	–	–	(152)
Depreciation	(514,137)	–	(6,734)	(2,310)	(1,650)	(958)	–	–	(525,789)
Closing net book amount	6,837,434	–	90,026	210	1,642	968	–	–	6,930,280
At 31 December 2017									
Cost	11,896,262	–	168,358	17,524	10,279	3,825	36,889	704	12,133,841
Accumulated depreciation	(5,058,828)	–	(78,332)	(17,314)	(8,637)	(2,857)	(36,889)	(704)	(5,203,561)
Net book amount	6,837,434	–	90,026	210	1,642	968	–	–	6,930,280
Year ended 31 December 2018									
Opening net book amount	**6,837,434**	**–**	**90,026**	**210**	**1,642**	**968**	**–**	**–**	**6,930,280**
Additions	**12,486**	**–**	**–**	**418**	**5,158**	**–**	**–**	**–**	**18,062**
Disposals (Note 23)	**(53)**	**–**	**–**	**–**	**(9)**	**(225)**	**–**	**–**	**(287)**
Depreciation	**(569,834)**	**–**	**(6,735)**	**(184)**	**(1,259)**	**(347)**	**–**	**–**	**(578,359)**
Closing net book amount	**6,280,033**	**–**	**83,291**	**444**	**5,532**	**396**	**–**	**–**	**6,369,696**
At 31 December 2018									
Cost	**11,871,796**	**–**	**168,358**	**17,942**	**15,271**	**3,225**	**36,889**	**704**	**12,114,185**
Accumulated depreciation	**(5,591,763)**	**–**	**(85,067)**	**(17,498)**	**(9,739)**	**(2,829)**	**(36,889)**	**(704)**	**(5,744,489)**
Net book amount	**6,280,033**	**–**	**83,291**	**444**	**5,532**	**396**	**–**	**–**	**6,369,696**

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of HK$578,359,000 (2017: HK$525,789,000) has been charged in cost of services in the consolidated statement of comprehensive income.

During the year ended 31 December 2018, the Group has no capitalised borrowing costs (2017: HK$44,960,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 3.70% for the year ended 31 December 2017.

15 SUBSIDIARIES

(a) Particulars of subsidiaries

The following is the list of the principal subsidiaries at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held 2018	Interest held 2017
AsiaSat BVI Limited #	British Virgin Islands, limited liability company	Investment holding in Hong Kong	3,000 ordinary shares of US$1 each	**100%**	100%
Asia Satellite Telecommunications Company Limited	Hong Kong, limited liability company	Provision of satellite transponder capacity worldwide	Ordinary shares of HK$300,000 and non-voting deferred shares of HK$200,000	**100%**	100%

Shares held directly by the Company.

Notes to the Consolidated Financial Statements

15 SUBSIDIARIES (CONTINUED)

(b) Controlled special purpose entity

The Company has set up a trust, Asia Satellite Share Award Scheme Trust (the "2007 Scheme Trust"), for the purpose of administering the share award scheme established by the Company during 2007 ("2007 Share Award Scheme"). The Company has set up another trust, The Asia Satellite Telecommunications Share Award Scheme 2017 Trust (the "2017 Scheme Trust") for the purpose of administering the share award scheme ("2017 Share Award Scheme") adopted by the Company on 20 December 2017. In accordance with HKFRS 10, the Company is required to consolidate the 2007 Scheme Trust and the 2017 Scheme Trust as the Company has the power to govern the financial and operating policies of the 2007 Scheme Trust and the 2017 Scheme Trust and can derive benefits from the contributions of employees who have been awarded the shares of the Company ("Award Shares") through their employment with the Group.

Special purpose entity	Place of Administration	Principal activities
Asia Satellite Share Award Scheme Trust	Hong Kong	Administering and holding the Company's shares for the 2007 Share Award Scheme for the benefit of eligible employees
Asia Satellite Telecommunications Share Award Scheme 2017 Trust	Hong Kong	Administering and holding the Company's shares for the 2017 Share Award Scheme for the benefit of eligible employees

Notes to the Consolidated Financial Statements

16 TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**106,257**	100,504
Trade receivables from related parties (Note 27(d))	**142,045**	104,162
Less: loss allowance (Note 3.1(b))	**(23,864)**	(19,524)
Trade receivables — net	**224,438**	185,142
Other receivables — net	**1,236**	7,834
Deposits and prepayments	**21,850**	18,473
	247,524	211,449
Less non-current portion: deposit	**(2,851)**	(2,851)
Current portion	**244,673**	208,598

All non-current receivables are due within five years from the end of the reporting period.

The carrying amounts of trade and other receivables approximate their fair values.

A majority of the trade and other receivables are denominated in HK$, USD and RMB and the foreign exchange risk thereon are discussed in Note 3.1(a).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) sets out details of the calculation of the allowance.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

Notes to the Consolidated Financial Statements

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group generally bills its trade customers quarterly in advance in accordance with its agreements. The ageing analysis of trade receivables according to the due date is stated as follows:

	2018 **HK$'000**	2017 HK$'000
Not yet due	**61,551**	46,475
1 to 30 days	**36,606**	41,079
31 to 60 days	**34,443**	38,756
61 to 90 days	**19,756**	14,644
91 to 180 days	**59,823**	42,638
181 days or above	**36,123**	21,074
	248,302	204,666

As at 31 December 2018 and 2017, trade receivables relate to a large number of customers that are internationally dispersed.

Movements on the loss allowance of trade receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**19,524**	21,081
Loss allowance of receivables	**6,572**	6,519
Amounts written off	**(2,232)**	(8,076)
At 31 December	**23,864**	19,524

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance accounts are generally written off when they are proven to be irrecoverable.

Notes to the Consolidated Financial Statements

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018 **HK$'000**	2017 HK$'000
Not yet due	**60,350**	45,884
1 to 30 days	**35,645**	40,112
31 to 60 days	**33,030**	37,522
61 to 90 days	**18,676**	14,157
91 to 180 days	**55,284**	37,776
181 days or above	**21,453**	9,691
	224,438	185,142

17 CASH AND BANK BALANCES

	2018 **HK$'000**	2017 HK$'000
Cash at bank and on hand	**161,438**	175,376
Short-term bank deposits		
— mature within 3 months	**385,458**	39,089
	546,896	214,465

For the year ended 31 December 2018, the effective interest rate on short-term bank deposits maintained during the year was 2.2% (2017: 0.9%). These deposits have an average maturity of 21 days (2017: 14 days).

Notes to the Consolidated Financial Statements

17 CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances include the following for the purposes of the consolidated statement of cash flows:

	2018	2017
	HK$'000	HK$'000
Cash at bank and on hand	**161,438**	175,376
Short-term bank deposits		
— mature within 3 months	**385,458**	39,089
Cash and cash equivalents	**546,896**	214,465

18 SHARE CAPITAL

	2018		2017	
	Number of Shares ('000)	**HK$'000**	Number of Shares ('000)	HK$'000
Authorised:				
Ordinary shares at HK$0.10 each	**550,000**	**55,000**	550,000	55,000
Issued and fully paid:				
At 31 December	**391,196**	**39,120**	391,196	39,120

Notes to the Consolidated Financial Statements

18 SHARE CAPITAL (CONTINUED)

(a) Share Award Schemes

(i) Scheme adopted on 22 August 2007

The 2007 Share Award Scheme was approved to set up on 22 August 2007, which was subsequently extended for another ten years to 2027 on 20 December 2017, 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. Under the 2007 Share Award Scheme, award shares of the Company are granted to eligible employees of the Company or any one of its subsidiaries.

Pursuant to the rules of the 2007 Share Award Scheme, the Company has set up the 2007 Scheme Trust for the purpose of administering the 2007 Share Award Scheme and holding the Award Shares before they vest (Note 15(b)). The Company pays cash to the 2007 Scheme Trust from time to time for the purchase of the Award Shares.

Subject to the rules of the 2007 Share Award Scheme, the Board shall determine from time to time the dates on which the Award Shares for each grant are to vest to the relevant eligible employees, and initially the Board has determined that the Award Shares shall generally vest over a five year period in tranches of 25% each on every anniversary date of the grant date starting from the second anniversary date until the fifth anniversary date.

During the year, a total of 896,588 shares (2017: 813,906 shares) have been awarded to employee at no consideration. A total of 581,671 shares (2017: 739,467 shares) at a cost of HK$4,328,000 (2017: HK$7,153,000) were vested during the year. A total of 250,369 shares (2017: 380,517 shares) at a cost of HK$2,216,000 (2017: HK$2,198,000) were forfeited during the year.

The number of shares awarded to the executive director was 254,010 shares (2017: 119,190 shares). There were 75,669 shares vested in the executive director (2017: Nil) for the year ended 31 December 2018.

Notes to the Consolidated Financial Statements

18 SHARE CAPITAL (CONTINUED)

(a) Share Award Schemes (Continued)

(i) Scheme adopted on 22 August 2007 (Continued)

Movement in the number of Award Shares and their related average fair value is as follows:

	2018		2017	
	Average fair value per share HK$	**Number of Award Shares**	Average fair value per share HK$	Number of Award Shares
At 1 January		**1,936,862**		2,242,940
Awarded	**6.22**	**896,588**	8.39	813,906
Vested	**7.44**	**(581,671)**	9.67	(739,467)
Forfeited		**(250,369)**		(380,517)
At 31 December		**2,001,410**		1,936,862

Movement in the number of shares held under the 2007 Share Award Scheme is as follows:

	2018		2017	
	Value HK$'000	**Number of shares held**	Value HK$'000	Number of shares held
At 1 January	**2,162**	**260,033**	–	–
Purchase during the year	**3,495**	**500,000**	9,315	999,500
Shares vested during the year	**(4,328)**	**(581,671)**	(7,153)	(739,467)
At 31 December	**1,329**	**178,362**	**2,162**	260,033

The remaining vesting periods of the Award Shares outstanding as at 31 December 2018 are between 0.5 year to 4.5 years (2017: 0.5 year to 4.5 years).

Notes to the Consolidated Financial Statements

18 SHARE CAPITAL (CONTINUED)

(a) Share Award Schemes (Continued)

(ii) Scheme adopted on 20 December 2017

On 20 December 2017, the Board approved the establishment of the 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. Under the 2017 Share Award Scheme, award shares of the Company are granted to eligible employees of the Company or any one of its subsidiaries.

Pursuant to the rules of the 2017 Share Award Scheme, the Company has set up the 2017 Scheme Trust for the purpose of administering the 2017 Share Award Scheme and holding the Award Shares before they vest (Note 15(b)). The Company may issue and allot shares to the 2017 Scheme Trust from time to time for the settlement of the grant.

Subject to the rules of the 2017 Share Award Scheme, the Board shall determine from time to time the dates on which the Award Shares for each grant are to vest to the relevant eligible employees, and initially the Board has determined that the Award Shares shall generally vest over a five year period in tranches of 25% each on every anniversary date of the grant date starting from the second anniversary date until the fifth anniversary date.

During the year, a total of 642,578 shares (2017: Nil) have been awarded to employees at no consideration.

Movement in the number of Award Shares and their related average fair value is as follows:

	2018		2017	
	Average fair value per share HK$	**Number of Award Shares**	Average fair value per share HK$	Number of Award Shares
At 1 January		**–**		–
Awarded	**6.34**	**642,578**	–	–
At 31 December		**642,578**		–

Notes to the Consolidated Financial Statements

18 SHARE CAPITAL (CONTINUED)

(b) Share Option Scheme

The share option scheme was approved by the shareholders in the Company's Annual General Meeting held on 14 June 2017. During the year, there was no options granted under the scheme.

Movement in the number of share options outstanding and their related average exercise fair value 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	**12.50**	**2,956,130**	12.50	2,956,130
Lapsed during the year	**12.50**	**(591,226)**	–	–
Forfeited during the year	**12.50**	**(2,364,904)**	–	–
At 31 December		**–**		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 year.

See Note 8 for the total expense recognised in the consolidated statement of comprehensive income for Award Shares and share options granted to directors and employees.

Notes to the Consolidated Financial Statements

19 RESERVES

	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
At 1 January 2017	17,866	–	17,734	3,029,950	3,065,550
Profit for the year	–	–	–	396,669	396,669
Purchase of shares under Share Award Scheme	–	(9,315)	–	–	(9,315)
Share-based payment	–	–	8,134	–	8,134
Shares vested under Share Award Scheme	–	7,153	(7,153)	–	–
Transfer from share-based payment reserve	–	–	(4,812)	4,812	–
Final dividend relating to 2016	–	–	–	(78,239)	(78,239)
Interim dividend relating to 2017	–	–	–	(70,415)	(70,415)
Dividend for shares held by Share Award Scheme Trust	–	–	–	163	163
At 31 December 2017	17,866	(2,162)	13,903	3,282,940	3,312,547

Notes to the Consolidated Financial Statements

19 RESERVES (CONTINUED)

	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
At 1 January 2018	**17,866**	**(2,162)**	**13,903**	**3,282,940**	**3,312,547**
Profit for the year	–	–	–	429,313	429,313
Purchase of shares under Share Award Scheme	–	(3,495)	–	–	(3,495)
Share-based payment	–	–	4,373	–	4,373
Shares vested under Share Award Scheme	–	4,328	(4,328)	–	–
Transfer from share-based payment reserve	–	–	(5,083)	5,083	–
Final dividend relating to 2017	–	–	–	(78,239)	(78,239)
Interim dividend relating to 2018	–	–	–	(70,415)	(70,415)
Dividend for shares held by Share Award Scheme Trust	–	–	–	141	141
At 31 December 2018	**17,866**	**(1,329)**	**8,865**	**3,568,823**	**3,594,225**

Notes to the Consolidated Financial Statements

20 BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Current	**359,826**	358,923
Non-current	**2,244,075**	2,593,983
	2,603,901	2,952,906

The Group utilised banking facilities of approximately HK$2,635,427,000 (2017: HK$2,996,660,000) as at 31 December 2018. The carrying amount of the bank borrowings was approximately HK$2,603,901,000 (2017: HK$2,952,906,000), after netting off transaction costs of approximately HK$31,526,000 (2017: HK$43,754,000).

Bank borrowings are all denominated in USD.

The bank borrowings amounting to HK$1,280,195,000 (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 carry coupons of 2.65% per annum (2017: 2.65% per annum). The effective interest rate on these bank borrowings was 3.52% (2017: 3.52%). The fair values of these bank borrowings are based on cash flows discounted using a rate based on the effective interest rate of 5.12% (2017: 4.01%) and are 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 year ended 31 December 2018, the weighted effective interest rate on these bank borrowings under the New Syndicated Facilities was 3.66% (2017: 2.95%).

Notes to the Consolidated Financial Statements

20 BANK BORROWINGS (CONTINUED)

At 31 December 2018, the Group's bank borrowings were repayable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**359,826**	358,923
Between 1 and 2 years	**358,177**	355,079
Between 2 and 5 years	**1,885,898**	2,094,966
Over 5 years	**–**	143,938
	2,603,901	2,952,906

The interest expense and finance charges on bank borrowings for the year ended 31 December 2018 was HK$101,026,000 (2017: HK$116,174,000), and no interest expenses was capitalised as the costs of property, plant and equipment during the year (2017: HK$44,960,000).

As at 31 December 2018, the Group had available unutilised banking facilities of approximately HK$313,276,000 and will be expired in June 2022.

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

	Carrying amount		**Fair value**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**359,826**	358,923	**242,957**	333,376
Non-current	**2,244,075**	2,593,983	**2,181,501**	2,569,795
	2,603,901	2,952,906	**2,424,458**	2,903,171

21 CONTRACT LIABILITIES

	2018	2017
	HK$'000	HK$'000
The maturity of contract liabilities is as follows:		
Within one year	**163,607**	191,761
More than one year	**223,490**	230,825
	387,097	422,586

Notes to the Consolidated Financial Statements

22 DEFERRED INCOME TAX LIABILITIES

The gross movement on the deferred income tax liabilities is as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**462,515**	432,271
Recognised in the consolidated statement of comprehensive income (Note 10)	**(16,403)**	30,244
At 31 December	**446,112**	462,515

The movement in deferred tax liabilities/(assets) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation	**Share-based payment reserve**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2017	433,946	(1,463)	(212)	432,271
Recognised in the consolidated statement of comprehensive income	30,662	317	(735)	30,244
At 31 December 2017	**464,608**	**(1,146)**	**(947)**	**462,515**
Recognised in the consolidated statement of comprehensive income	**(16,259)**	**416**	**(560)**	**(16,403)**
At 31 December 2018	**448,349**	**(730)**	**(1,507)**	**446,112**

Deferred income tax assets are recognised for tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has no significant unrecognised deferred income tax assets (2017: Nil).

Notes to the Consolidated Financial Statements

23 CASH GENERATED FROM OPERATIONS

The reconciliation of profit for the year to cash generated from operations is as follows:

	2018 HK$'000	2017 HK$'000
Profit for the year before income tax	**557,870**	546,813
Adjustments for:		
— Provision for loss allowance of trade receivables	**6,572**	6,519
— Share-based payment (Note 8)	**4,373**	8,134
— Amortisation of prepaid operating lease payments (Note 13)	**583**	583
— Depreciation (Note 14)	**578,359**	525,789
— Net loss/(gain) on disposals of property, plant and equipment (see below)	**35**	(247)
— Interest income (Note 6)	**(4,910)**	(2,151)
— Finance expenses	**101,026**	94,742
— Unrealised exchange loss	**10,575**	30,931
Changes in working capital:		
— Unbilled receivables	**(10,064)**	1,292
— Trade and other receivables	**(48,770)**	111,386
— Other payables and accrued expenses	**(14,863)**	(30,928)
— Contract liabilities	**(35,489)**	182,286
Cash flows from operations	**1,145,297**	1,475,149

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2018 HK$'000	2017 HK$'000
Net book amount of disposals (Note 14)	**287**	152
Net (loss)/gain on disposals (Note 6)	**(35)**	247
Proceeds from disposals of property, plant and equipment	**252**	399

Notes to the Consolidated Financial Statements

23 CASH GENERATED FROM OPERATIONS (CONTINUED)

Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the year ended 31 December 2018.

	Liabilities from financing activities		
	Borrowings HK$'000	**Finance expenses payables HK$'000**	**Total HK$'000**
At 1 January 2017	3,263,323	275	3,263,598
Cash flows	(371,746)	(46,280)	(418,026)
Exchange difference	23,278	–	23,278
Other non-cash movements	38,051	47,700	85,751
At 31 December 2017	2,952,906	1,695	2,954,601
At 1 January 2018	**2,952,906**	**1,695**	**2,954,601**
Cash flows	**(366,598)**	**(50,339)**	**(416,937)**
Exchange difference	**5,365**	**–**	**5,365**
Other non-cash movements	**12,228**	**50,656**	**62,884**
At 31 December 2018	**2,603,901**	**2,012**	**2,605,913**

24 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	
	2018 HK$'000	2017 HK$'000
Assets as per consolidated statement of financial position		
Trade and other receivables excluding prepayments	**227,716**	194,964
Cash and bank balances (Note 17)	**546,896**	214,465
Deposit — non-current	**2,851**	2,851
Total	**777,463**	412,280

Notes to the Consolidated Financial Statements

24 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost	
	2018	2017
	HK$'000	HK$'000
Liabilities as per consolidated statement of financial position		
Bank borrowings	**2,603,901**	2,952,906
Construction payables	**10,782**	67,448
Other payables and accrued expenses	**63,885**	80,874
Total	**2,678,568**	3,101,228

25 CONTINGENCIES

The Group had no significant contingencies as of 31 December 2018.

26 COMMITMENTS

Capital commitments

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

	2018	2017
	HK$'000	HK$'000
Other assets		
Contracted but not provided for	**446**	2,778

Notes to the Consolidated Financial Statements

26 COMMITMENTS (CONTINUED)

Operating lease commitments — Group company as lessee

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

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

	2018	2017
	HK$'000	HK$'000
No later than 1 year	**10,704**	10,704
Later than 1 year and no later than 5 years	**15,165**	25,869
	25,869	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 revenue in the consolidated statement of comprehensive income during the year was HK$19,117,000 (2017: HK$20,940,000).

The Group also leased the entire AsiaSat 8 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 year was HK$171,600,000 (2017: HK$144,532,000).

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 year was HK$93,600,000 (2017: HK$9,620,000).

Notes to the Consolidated Financial Statements

26 COMMITMENTS (CONTINUED)

Operating lease commitments — Group company as lessor (Continued)

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

	2018	2017
	HK$'000	HK$'000
No later than 1 year	**262,933**	263,470
Later than 1 year and no later than 5 years	**408,316**	662,422
	671,249	925,892

27 RELATED PARTY TRANSACTIONS

At 31 December 2018, the Company was directly controlled by Bowenvale Limited (incorporated in the British Virgin Islands) with a shareholding of approximately 74%. Bowenvale Limited is indirectly owned by CITIC Group Corporation ("CITIC") (incorporated in The People's Republic of China (the "PRC")) and The Carlyle Group L.P. ("Carlyle") (incorporated in the United States), which have equal voting rights in Bowenvale Limited and the Company. The remaining 26% of the Company's shares were held by the public.

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.

Notes to the Consolidated Financial Statements

27 RELATED PARTY TRANSACTIONS (CONTINUED)

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

The transponder master agreement was renewed for another three years on 18 October 2018.

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 year, the Group recognised income from provision of satellite transponder capacity from the related parties as follows:

	2018	2017
	HK$'000	HK$'000
CITIC Digital Branch	**356,431**	304,880

(b) Marketing expense

Pursuant to the transponder master agreement and subsequent novation agreement mentioned in (a) above, CITIC Digital Branch conducted marketing activities in the PRC on behalf of the Group for the year ended 31 December 2017 and 2018. In return, the Group pays CITIC Digital Branch a marketing fee.

	2018	2017
	HK$'000	HK$'000
CITIC Digital Branch	**1,476**	1,318

Notes to the Consolidated Financial Statements

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes the executive directors and senior management.

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

	2018 HK$'000	2017 HK$'000
Salaries and other short-term employee benefits	**38,992**	37,878
Share-based payment	**2,236**	5,085
	41,228	42,963

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

	2018 HK$'000	2017 HK$'000
A subsidiary of CITIC	**436**	470
A subsidiary of Carlyle	**454**	456
	890	926

Notes to the Consolidated Financial Statements

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Year end balances arising from these transactions

	2018	2017
	HK$'000	HK$'000
Trade receivables from related parties (Note 16):		
— CITIC Digital Branch (Note)	**142,045**	104,162
Contract liabilities in relation to related parties:		
— CITIC Digital Branch	**100,077**	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 objective evidence that the amounts ultimately due from these customers may be impaired at each year end. At 31 December 2018, provision for impairment of HK$4,597,000 (2017:Nil) was recorded and included within the provision as disclosed in Note 3.1(b) and 16.

Notes to the Consolidated Financial Statements

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December **2018** **HK$'000**	2017 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**437,795**	447,159
Total non-current assets		**437,795**	447,159
Current assets			
Amount due from a subsidiary		**44,424**	38,250
Tax recoverable		**104**	54
Other receivables, deposits and prepayments		**119**	372
Total current assets		**44,647**	38,676
Total assets		**482,442**	485,835
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,120**	39,120
Reserves	(a)		
— Retained earnings		**25,013**	23,761
— Other reserves		**416,786**	421,824
Total equity		**480,919**	484,705
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**1,523**	1,130
Total liabilities		**1,523**	1,130
Total equity and liabilities		**482,442**	485,835

The statement of financial position of the Company was approved by the Board of Directors on 8 March 2019 and was signed on its behalf.

Gregory M. ZELUCK
Director

Roger Shun-hong TONG
Director

Notes to the Consolidated Financial Statements

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	17,866	17,734	390,055	22,413	448,068
Profit for the year	–	–	–	150,002	150,002
Employee share award scheme:					
— Share-based payment	–	8,134	–	–	8,134
— Shares vested under Share Award Scheme	–	(7,153)	–	–	(7,153)
— Adjustment for shares vested	–	(4,812)	–	–	(4,812)
— Final dividend relating to 2016	–	–	–	(78,239)	(78,239)
— Interim dividend relating to 2017	–	–	–	(70,415)	(70,415)
At 31 December 2017	17,866	13,903	390,055	23,761	445,585
At 1 January 2018	**17,866**	**13,903**	**390,055**	**23,761**	**445,585**
Profit for the year	**–**	**–**	**–**	**149,906**	**149,906**
Employee share award scheme:					
— Share-based payment	**–**	**4,373**	**–**	**–**	**4,373**
— Shares vested under Share Award Scheme	**–**	**(4,328)**	**–**	**–**	**(4,328)**
— Adjustment for shares vested	**–**	**(5,083)**	**–**	**–**	**(5,083)**
— Final dividend relating to 2017	**–**	**–**	**–**	**(78,239)**	**(78,239)**
— Interim dividend relating to 2018	**–**	**–**	**–**	**(70,415)**	**(70,415)**
At 31 December 2018	**17,866**	**8,865**	**390,055**	**25,013**	**441,799**

Notes to the Consolidated Financial Statements

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company (Continued)

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the Group reorganisation prior to the listing of the Company's shares in 1996.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) It is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital.

In the opinion of the Directors, as at 31 December 2018, the Company's reserves available for distribution consisted of the share-based payment reserve of HK$8,865,000 (2017: HK$13,903,000), contributed surplus of HK$390,055,000 (2017: HK$390,055,000) and retained earnings of HK$25,013,000 (2017: HK$23,761,000).

Notes to the Consolidated Financial Statements

29 BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of every director for the year ended 31 December 2018 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Performance related bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Ju Wei Min (b) & (o)	218	-	-	-	-	-	218
Luo Ning (b) & (o)	109	-	-	-	-	-	109
Peter Jackson (b) & (k) & (o)	64	-	-	-	-	-	64
Ding Yu Cheng (b) & (j) & (o)	45	-	-	-	-	-	45
Gregory M. Zeluck (c) & (o)	218	-	-	-	-	-	218
Herman Chang Hsiuguo (c) & (f) & (o)	163	-	-	-	-	-	163
Julius M. Genachowski (c) & (m) & (o)	73	-	-	-	-	-	73
Fan Jui-ying (l) & (o)	36	-	-	-	-	-	36
Stephen Lee Hoi Yin (i)	84	-	-	-	-	-	84
Philana Wai Yin Poon (h)	316	-	-	-	-	-	316
Maura Wong Hung Hung	399	-	-	-	-	-	399
Steven R. Leonard (d)	399	-	-	-	-	-	399
Marcel R. Fenez (d)	429	-	-	-	-	-	429
Chong Chi Yeung	-	-	-	-	-	-	-
Andrew G. Jordan (n)	-	1,788	2,575	3,075	-	-	7,438
Roger Shun-hong Tong (n)	-	3,544	1,900	240	532	895	7,111
Total	2,553	5,332	4,475	3,315	532	895	17,102

Notes to the Consolidated Financial Statements

29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Directors' emoluments (Continued)

The remuneration of every director for the year ended 31 December 2017 is set out below:

Name of Director	Fees	Salary	Performance related bonuses	Other benefits (a)	Employer's contribution to a retirement benefit scheme	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ju Wei Min (b) & (o)	218	–	–	–	–	–	218
Luo Ning (b) & (o)	109	–	–	–	–	–	109
Peter Jackson (b) & (k) & (o)	143	–	–	–	–	–	143
Gregory M. Zeluck (c) & (o)	218	–	–	–	–	–	218
Julius M. Genachowski (c) & (m) & (o)	109	–	–	–	–	–	109
Alex S. Ying (c) & (g) & (o)	62	–	–	–	–	–	62
Herman Chang Hsiuguo (c) & (f) & (o)	67	–	–	–	–	–	67
James Watkins (e)	100	–	–	–	–	–	100
Stephen Lee Hoi Yin (i)	399	–	–	–	–	–	399
Kenneth McKelvie (e)	107	–	–	–	–	–	107
Maura Wong Hung Hung	399	–	–	–	–	–	399
Steven R. Leonard (d)	299	–	–	–	–	–	299
Marcel R. Fenez (d)	322	–	–	–	–	–	322
Chong Chi Yeung	–	–	–	–	–	–	–
Andrew G. Jordan (n)	–	5,000	2,600	2,477	500	2,335	12,912
Total	2,552	5,000	2,600	2,477	500	2,335	15,464

Notes:

(a) Other benefits include car and insurance premium and are short-term in nature.
(b) Paid to a subsidiary of CITIC.
(c) Paid to a subsidiary of Carlyle.
(d) Appointed on 1 April 2017.
(e) Resigned on 1 April 2017.

Notes to the Consolidated Financial Statements

29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Directors' emoluments (Continued)

Notes: (Continued)

(f) Appointed on 28 July 2017.
(g) Resigned on 28 July 2017.
(h) Appointed on 16 March 2018.
(i) Resigned on 16 March 2018.
(j) Appointed on 1 August 2018.
(k) Resigned on 1 August 2018.
(l) Appointed on 1 September 2018.
(m) Resigned on 1 September 2018.
(n) Mr. Jordan, resigned on 16 April 2018, and Dr. Tong, appointed on 16 April 2018, are also the Chief Executive Officer of the Group.
(o) In addition to the directors' emoluments disclosed above, these directors of the Company received emoluments from the Company, part of which is in respect of their services to the Company and its subsidiaries. No apportionment has been made as these directors consider that it is impracticable to apportion this amount between their services to the Company and their services to the subsidiaries.

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: None).

30 SUBSEQUENT EVENTS

There have been no events subsequent to the year end which require adjustment or disclosures in the consolidated financial statements in accordance with HKFRSs.

Financial Summary

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
Results					
Revenue	1,364,958	1,310,991	1,272,385	1,353,913	**1,441,556**
Profit before taxation	723,220	531,997	456,978	546,813	**557,870**
Taxation	(164,200)	(92,242)	(27,044)	(150,213)	**(128,589)**
Profit after taxation	559,020	439,755	429,934	396,600	**429,281**
Loss attributable to non-controlling interests	119	–	–	69	**32**
Profits attributable to owners	559,139	439,755	429,934	396,669	**429,313**
Earnings per share:					
Basic	HK$1.43	HK$1.12	HK$1.10	HK$1.01	**HK$1.10**
Diluted	HK$1.43	HK$1.12	HK$1.10	HK$1.01	**HK$1.10**
Assets and liabilities					
Total assets	10,545,925	7,519,438	7,438,069	7,400,894	**7,218,297**
Total liabilities	(3,438,902)	(4,845,148)	(4,332,495)	(4,048,392)	**(3,584,149)**
Shareholders' equity	7,107,023	2,674,290	3,105,574	3,352,502	**3,634,148**

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Asia Satellite Telecommunications Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Asia Satellite Telecommunications Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 142, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-financial assets *Refer to Notes 2.7, 4.2(b), 13 and 14 to the consolidated financial statements.* As at 31 December 2018, the Group's market capitalisation was lower than its net assets value of HK$3,634,148,000. It triggered an impairment indicator of the non-financial assets of the Group, including property, plant and equipment of HK$6,369,696,000 and leasehold land and land use right of HK$16,619,000. In this regard, management performed an impairment test in accordance with Hong Kong Accounting Standard 36 "Impairment of assets" to determine the recoverable amounts of the non-financial assets. Management determined that each of the Group's satellites and their tracking facilities to be a separate cash-generating unit ("CGU"), representing the smallest identifiable group of assets that generate largely independent cash inflows. In determining the recoverable amounts, management estimated the value-in-use using the present value of future cash flows expected to be derived from the CGUs based on the budgets approved by the board and projection covering the useful life of each satellite. Based on the result of the assessment, management considered that there has not been any impairment in the value of these assets as at 31 December 2018. We focused on the evaluation of management's assessment because this involved making significant judgements and assumptions about future events and conditions whose outcomes are inherently uncertain.	Our procedures in relation to management's impairment assessment of non-financial assets included: — obtained an understanding of management's process on assessing the impairment of non-financial assets; — evaluated the appropriateness of the valuation model and discount rate used by management to determine the recoverable amounts by benchmarking against comparable data of companies within the same industry and the Group's weighted average cost of capital with the assistance from our in-house valuation specialist; — assessed the reasonableness of the estimation of present value of future cash flows and evaluated the appropriateness of management's underlying assumptions, including budgeted revenue, renewal rate, growth rate and useful lives, with reference to historical performance, existing contracts, current negotiation status with customers and market trend; and — evaluated management's sensitivity analysis by considering potential downside scenarios against reasonably plausible changes. Based on the procedures performed, we found management's impairment assessment of non-financial assets to be supported by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sze To Wai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2019

Shareholder Information

EXPECTED TIMETABLE

Financial Year Ended 31 December 2018

Annual General Meeting	14 June 2019
Final Dividend Payable	5 July 2019

Financial Year Ending 31 December 2019

Interim Results announcement	August 2019
Annual Results announcement	March 2020
Annual Report published	April 2020
Annual General Meeting	June 2020

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

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

Shareholder Information

LISTING

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

DIVIDEND

Subject to approval by shareholders at the forthcoming AGM, the proposed final dividend for the year ended 31 December 2018 will be payable on or about 5 July 2019.

ORDINARY SHARES

Shares outstanding as at 31 December 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

ANNUAL REPORT 2018

Copies of annual report can be obtained by writing to:
Manager, Marketing Communications
Asia Satellite Telecommunications Holdings Limited
12/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

WEBSITE

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

Shareholder Information

COMPANY CONTACT

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

Manager, Marketing Communications
Asia Satellite Telecommunications Holdings Limited
12/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Tel: (852) 2500 0880
Fax: (852) 2500 0895
Email: wpang@asiasat.com

INVESTOR RELATIONS CONTACT

Asia Satellite Telecommunications Holdings Limited
12/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Tel: (852) 2500 0888
Fax: (852) 2882 4640
Email: ir@asiasat.com

AsiaSat

Asia Satellite Telecommunications Holdings Limited

www.asiasat.com