ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
亞 洲 衛 星 控 股 有 限 公 司 *
(Incorporated in Bermuda with limited liability)
Stock Code: 1135

Announcement of Unaudited Results for the Six Months Ended 30 June 2017

The Board of Directors is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2017**	2016
		HK$'000	HK$'000
Revenue	4	**642,351**	640,041
Cost of services		**(314,261)**	(314,646)
Gross profit		**328,090**	325,395
Administrative expenses		**(98,215)**	(63,295)
Other gains - net	5	**33,354**	728
Operating profit	5	**263,229**	262,828
Finance expenses	6	**(32,291)**	(20,713)
Profit before income tax		**230,938**	242,115
Income tax (expense)/credit	7	**(51,297)**	7,114
Profit and total comprehensive income for the period		**179,641**	249,229
Profit and total comprehensive income for the period attributable to:			
- Owners of the Company		**179,671**	249,229
- Non-controlling interests		**(30)**	-
		179,641	249,229
Earnings per share attributable to owners of the Company		**HK$ per share**	HK$ per share
Basic earnings per share	8	**0.46**	0.64
Diluted earnings per share	8	**0.46**	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2017 HK$'000**	Audited 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**17,493**	17,785
Property, plant and equipment		**6,720,684**	6,830,436
Unbilled receivables		**18,903**	19,575
Deposit	10	**2,851**	2,851
Total non-current assets		**6,759,931**	6,870,647
Current assets			
Unbilled receivables		**6,383**	9,215
Trade and other receivables	10	**227,083**	317,624
Cash and bank balances		**497,478**	240,583
Total current assets		**730,944**	567,422
Total assets		**7,490,875**	7,438,069
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,120**	39,120
Reserves			
- Retained earnings		**3,133,083**	3,029,950
- Other reserves		**31,787**	35,600
		3,203,990	3,104,670
Non-controlling interests		**874**	904
Total equity		**3,204,864**	3,105,574
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	**2,793,651**	2,913,283
Deferred income tax liabilities		**423,162**	432,271
Other payable		**39,000**	39,000
Deferred revenue		**60,616**	67,215
Other amounts received in advance		**-**	1,377
Total non-current liabilities		**3,316,429**	3,453,146
Current liabilities			
Bank borrowings	11	**356,987**	350,040
Construction payables		**13,712**	30,521
Dividend payable		**78,239**	-
Other payables and accrued expenses		**68,529**	68,725
Deferred revenue		**363,178**	173,085
Current income tax liabilities		**88,937**	256,978
Total current liabilities		**969,582**	879,349
Total liabilities		**4,286,011**	4,332,495
Total equity and liabilities		**7,490,875**	7,438,069

Notes

1. Independent review

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 June 2017 have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders.

2. Basis of preparation

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

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

3. Accounting policies

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

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

Notes

3. Accounting policies (Continued)

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

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

[1] Effective for the Group for annual periods beginning on or after 1 January 2018
[2] Effective for the Group for annual periods beginning on or after 1 January 2019
[3] Effective date to be determined

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

(a) HKFRS 9 ''Financial instruments''

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

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

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

Notes

3. Accounting policies (Continued)

(a) HKFRS 9 ‘‘Financial instruments’’ (Continued)

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

(b) HKFRS 15 ‘‘Revenue from contracts with customers’’

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

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

- Revenue from certain service agreements - the identification of performance obligations under HKFRS 15 may affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be capitalised under HKFRS 15.

- Accounting for certain contracts with significant financing components - HKFRS 15 requires adjustments to the promised amount of consideration for effects of the time value of money.

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

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

Notes

3. Accounting policies (Continued)

(c) HKFRS 16 “Leases’’

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

The accounting for lessors will not significantly change.

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

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

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

4. Revenue and segment information

a) Revenue

The Group’s revenue is analysed as follows:

	Six months ended 30 June	
	2017	2016
	HK$’000	HK$’000
Income from provision of satellite transponder capacity		
- recurring	**620,789**	609,534
Sales of satellite transponder capacity	**6,599**	6,697
Other revenues	**14,963**	23,810
	642,351	640,041

4. Revenue and segment information (Continued)

b) Segment information

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

Revenue reported in Note 4(a) above represented transactions with third parties and is reported to the Chief Executive Officer in a manner consistent with that in the condensed consolidated statement of comprehensive income.

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

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

Notes

5. Operating profit

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

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

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

6. Finance expenses

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

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

Notes

7. Income tax expense/(credit)

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

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

Note:

(a) In January 2015, the Group received assessment notices from a tax authority to disallow the deductibility of certain items in respect of previous assessment years and additional tax provision was made accordingly for the year ended 31 December 2014. During the year ended 31 December 2015, the Group lodged an objection to these assessment notices. Based on the revised assessment notices received from the tax authority in May 2016, the deductibility of those items in respect of previous assessment years remained as not allowable but the corresponding income related to those items was also determined as not taxable. Subsequently in June 2016, the Group received a tax refund for the year of assessments from 2012/13 to 2013/14 of approximately HK$30 million. Accordingly, the Group has written back the additional tax provision of HK$41 million for the year of assessments from 2012/13 to 2015/16 which was previously made in accordance with the assessment orders received.

(b) The Group had been in dispute with the Indian tax authority ("IR") in respect of revenues earned from provision of satellite transponder capacity for a number of years. The Group was assessed to tax by the IR on revenues received for the provision of satellite transponder capacity from certain customers. Details of the dispute were set out in Note 31 to the annual financial statements for the year ended 31 December 2011.

Notes

7. Income tax expense/(credit) (Continued)

Note: (Continued)

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

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

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

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

Notes

8. Earnings per share

Basic

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

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

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

Diluted

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

<u>Share Award Scheme</u>

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

<u>Share Options Scheme</u>

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

Notes

8. Earnings per share (Continued)

Diluted (Continued)

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

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

9. Dividends

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Interim dividend for the six months ended 30 June 2017 of HK$0.18 per share (HK$Nil per share for the six months ended 30 June 2016)	**70,415**	-
	70,415	-

Notes

10. Trade and other receivables

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

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

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

11. Bank borrowings

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

Notes

11. Bank borrowings (Continued)

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

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

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

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

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

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

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

Notes

11. Bank borrowings (Continued)

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

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

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

12. Contingent liabilities

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

13. Subsequent events

Saved as disclosed in Note 11, there was no other material subsequent event to be disclosed.

14. Purchase, Sale or Redemption of the Company's Listed Securities

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

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

Notes

15. Corporate governance

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

Regarding the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, the Group has adopted procedures governing directors' securities transactions in compliance with the relevant code provisions. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the period from 1 January 2017 to 30 June 2017.

16. Audit committee

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

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

17. Charges on assets

Saved as disclosed in Note 11, there was no charge over the Group's assets.

18. Miscellaneous

The Directors are not aware of any material changes from the information published in the annual report for the year ended 31 December 2016, other than disclosed in this announcement.

19. Closure of register of members

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

GENERAL PERFORMANCE

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

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

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

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

INTERIM FINANCIAL RESULTS

Revenue

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

Operating Expenses

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

Other Gains

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

Finance Expenses

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

Depreciation

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

Income Tax Expenses/Credit

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

Profit

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

Cash Flow

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

Dividend

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

Refinancing Loans

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

Contracts on Hand

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

SATELLITE FLEET

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

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

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

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

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

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

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

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

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

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

NEW AND RENEWING CUSTOMERS

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

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

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

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

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

MARKET REVIEW

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

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

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

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

OUTLOOK

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

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

ACKNOWLEDGEMENTS

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

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

JU Wei Min
Chairman

17 August 2017

As at the date of this announcement, the Board comprises 11 directors. The Executive Director is Mr. Andrew G. JORDAN. The Non-executive Directors are Mr. JU Wei Min (Chairman), Mr. Gregory M. ZELUCK (Deputy Chairman), Mr. LUO Ning, Mr. Peter JACKSON, Mr. Julius M. GENACHOWSKI and Mr. Herman CHANG Hsiuguo. The Independent Non-executive Directors are Mr. Marcel R. FENEZ, Mr. Stephen LEE Hoi Yin, Mr. Steven R. LEONARD and Ms. Maura WONG Hung Hung. The Alternate Director is Mr. CHONG Chi Yeung (alternate to Mr. LUO Ning).

* *For identification purpose only*