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 2018

The Board of Directors is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
Revenue	4	**730,126**	642,351
Cost of services		**(337,171)**	(314,261)
Gross profit		**392,955**	328,090
Administrative expenses		**(83,049)**	(98,215)
Other gains - net	5	**1,706**	33,354
Operating profit	5	**311,612**	263,229
Finance expenses	6	**(50,525)**	(32,291)
Profit before income tax		**261,087**	230,938
Income tax expense	7	**(46,160)**	(51,297)
Profit and total comprehensive income for the period		**214,927**	179,641
Profit and total comprehensive income for the period attributable to:			
- Owners of the Company		**214,959**	179,671
- Non-controlling interests		**(32)**	(30)
		214,927	179,641
Earnings per share attributable to owners of the Company		**HK$ per share**	HK$ per share
Basic earnings per share	8	**0.55**	0.46
Diluted earnings per share	8	**0.55**	0.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**16,910**	17,202
Property, plant and equipment		**6,643,434**	6,930,280
Unbilled receivables		**21,821**	19,040
Deposit	10	**2,851**	2,851
Total non-current assets		**6,685,016**	6,969,373
Current assets			
Unbilled receivables		**11,979**	8,458
Trade and other receivables	10	**197,447**	208,598
Cash and bank balances		**483,997**	214,465
Total current assets		**693,423**	431,521
Total assets		**7,378,439**	7,400,894
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,120**	39,120
Reserves			
- Retained earnings		**3,421,992**	3,282,940
- Other reserves		**26,151**	29,607
		3,487,263	3,351,667
Non-controlling interests		**803**	835
Total equity		**3,488,066**	3,352,502
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	**2,465,034**	2,593,983
Deferred income tax liabilities		**453,375**	462,515
Contract liabilities		**226,128**	230,825
Total non-current liabilities		**3,144,537**	3,287,323
Current liabilities			
Bank borrowings	11	**360,953**	358,923
Construction payables		**3,295**	67,448
Dividend payable		**78,239**	-
Other payables and accrued expenses		**61,089**	80,874
Contract liabilities		**193,196**	191,761
Current income tax liabilities		**49,064**	62,063
Total current liabilities		**745,836**	761,069
Total liabilities		**3,890,373**	4,048,392
Total equity and liabilities		**7,378,439**	7,400,894

Notes

1. Independent review

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 June 2018 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 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately HK$52,413,000 (31 December 2017: HK$329,548,000). Included in the Group's current liabilities was contract liabilities of HK$193,196,000 (31 December 2017: HK$191,761,000) which represents non-refundable customer prepayments that will be recognised as revenue over the next twelve months through provision of transponder capacity services. The Group's current assets exceeded its current liabilities excluding contract liabilities by HK$140,783,000 (31 December 2017: the Group's net current liabilities less contract liabilities was HK$137,787,000). Based on the Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, the Group should be able to operate within the level of resources generated from its operations; and, together with the available banking facilities, the directors have a reasonable expectation that the Group will have adequate resources to continue its operations and to meet its financial obligations as and when they fall due in the next twelve months from the date of this condensed consolidated interim financial information. Therefore, the Group has prepared its condensed consolidated interim financial information on a going concern basis.

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017 and corresponding interim period and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the Group

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Notes

3. Accounting policies (Continued)

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

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

(i) HKFRS 9 Financial Instruments

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

Classification and measurement

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

Impairment of trade receivables

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

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The Group has assessed that the expected loss rate for trade receivables to be reasonable and the loss allowance has been properly provided (Note 10). Trade receivables are written off when there is no reasonable expectation of recovery.

The adoption of HKFRS 9 did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(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

3. Accounting policies (Continued)

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

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

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

- provides all the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Provision of satellite transponder capacity

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

Sales of satellite transponder capacity

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

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

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

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

Notes

3. Accounting policies (Continued)

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

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 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$31,221,000. 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	
	2018	2017
	HK$'000	HK$'000
Income from provision of satellite transponder capacity	**709,635**	620,789
Sales of satellite transponder capacity	**6,702**	6,599
Other revenues	**13,789**	14,963
	730,126	642,351

b) Segment information

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

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

The Group is domiciled in Hong Kong. The revenue from customers in Hong Kong and Greater China for the six months ended 30 June 2018 is HK$112,397,000 (30 June 2017: HK$72,217,000) and HK$173,391,000 (30 June 2017: HK$142,506,000), respectively, and the total revenue from customers in other countries is HK$444,338,000 (30 June 2017: HK$427,628,000). For the purpose of classification, the geographical source of revenue is determined based on the place of incorporation of the customers instead of the footprint of the satellites of the Group which may involve transmission to multiple geographical areas under a single satellite transponder capacity arrangement.

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

Notes

5. Operating profit

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

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

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

6. Finance expenses

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

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

Notes

7. Income tax expense

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation, that range from 7% to 43.68% (30 June 2017: 7% to 43.26%), prevailing in the countries in which the profit is earned.

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

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

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

In January 2017, the Group filed an application under the Direct Tax Dispute Resolution Scheme, 2016 ("DRS 2016") to the IR for a settlement of the tax disputes in relation to assessment years from 1997/98 to 2012/13. The DRS 2016 was introduced by the Indian government to allow eligible tax payers to settle their tax disputes with the IR as a result of the retrospective amendments to the Income Tax Act in 2012, provided all the pending appeals/writs are withdrawn and then any interests and penalties on the overdue taxes shall be waived by the IR. In February 2017, the Group received a notification from the IR determining the tax demand payable for seeking final settlement for these 16 assessment years to be HK$193,000,000 (Indian Rupee equivalent) which the Group had paid. All the Indian income tax liabilities for these 16 assessment years were fully settled during the six months ended 30 June 2017.

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

Notes

7. Income tax expense (Continued)

Note: (Continued)

Based on the latest assessment orders received and on the advice from the Group's advisers in India, the Group has made its best estimate to record a provision of approximately HK$13,000,000 for the six months ended 30 June 2018 (30 June 2017: HK$31,000,000).

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

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

Diluted

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

Share Award Schemes

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

Share Options Scheme

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

Notes

8. Earnings per share (Continued)

Diluted (Continued)

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

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

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

This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2018.

Notes

10. Trade and other receivables

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

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

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

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

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

Notes

11. Bank borrowings

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

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

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

The bank borrowings amounting to HK$1,422,343,000 (2017: HK$1,554,977,000) are secured by a charge on insurance claim proceeds relating to AsiaSat 6 and AsiaSat 8 satellites. They are repayable semi-annually commencing from February 2015 with the final repayment in April 2023 and with coupon rate of 2.65% per annum (31 December 2017: 2.65% per annum). During the six month period ended 30 June 2018, the effective interest rate on these bank borrowings was 3.52% per annum (31 December 2017: 3.52% per annum). The fair values of these bank borrowings are based on cash flows discounted using a rate based on the effective interest rate of 4.96% (31 December 2017: 4.01%) and were within level 2 of the fair value hierarchy.

On 12 July 2017, the Group obtained the New Syndicated Facilities comprising a term loan of HK$1,406,520,000 and revolving credit facilities of HK$312,560,000 respectively with final maturity in July 2022, secured by a charge on insurance claim proceeds relating to certain satellites other than AsiaSat 6 and AsiaSat 8 satellites. The New Syndicated Facilities are used to refinance the term loan and revolving credit facilities obtained in 2015 in full.

Under the New Syndicated Facilities, the term loan is repayable annually commencing from July 2018 with the final repayment in July 2022. The revolving credit facilities are available for drawdown for a period from 1 to 6 months until June 2022, and any outstanding balances will be repaid in full by July 2022. These bank borrowings carry floating rates at London Interbank Offered Rate ("LIBOR") plus a margin and the exposure of these bank borrowings to interest rate changes and the contractual repricing dates are six months or less. During the six months ended 30 June 2018, the weighted effective interest rate on these bank borrowings under the New Syndicated Facilities was 3.44% (31 December 2017: 2.95%).

Notes

11. Bank borrowings (Continued)

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

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

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

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

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

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

12. Contingent liabilities

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

Notes

14. 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 2018.

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the period from 1 January 2018 to 30 June 2018.

15. 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 2018 in conjunction with management and the independent auditors of the Company. The Committee recommended to the Board that it should approve the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018.

16. Charges on assets

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

17. Miscellaneous

The Directors are not aware of any material changes from the information published in the annual report for the year ended 31 December 2017, other than disclosed in this announcement.

18. Closure of register of members

The Register of members of the Company will be closed from 2 to 5 October 2018 (both days inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 September 2018. The interim dividend will be paid on or about 2 November 2018.

GENERAL PERFORMANCE

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

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

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

Market Conditions

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

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

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

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

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

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

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

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

INTERIM FINANCIAL RESULTS

Revenue

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

Operating Expenses

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

Other gains

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

Finance expenses

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

Depreciation

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

Income Tax Expenses

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

Profit

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

Cash Flow

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

Dividend

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

BUSINESS REVIEW

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

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

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

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

SATELLITE FLEET

During the first half of 2018, the Company's commitment to the provision of premium services within a highly dynamic technical and economic environment served to attract an expanded and diverse customer base for video broadcast and data connectivity. With the additional capacity and expanded coverage of AsiaSat 9, AsiaSat is even better equipped and readily prepared to address the needs of our current and prospective commercial and technical customers and partners.

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

ACKNOWLEDGEMENTS

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

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

Gregory M. ZELUCK
Chairman

17 August 2018

As at the date of this announcement, the Board comprises 11 directors. The Executive Director is Dr. Roger Shun-hong TONG. The Non-executive Directors are Mr. Gregory M. ZELUCK (Chairman), Mr. JU Wei Min (Deputy Chairman), Mr. LUO Ning, Dr. DING Yucheng, Mr. Julius M. GENACHOWSKI and Mr. Herman CHANG Hsiuguo. The Independent Non-executive Directors are Mr. Marcel R. FENEZ, Mr. Steven R. LEONARD, Ms. Philana Wai Yin POON and Ms. Maura WONG Hung Hung. The Alternate Director is Mr. CHONG Chi Yeung (alternate to Mr. LUO Ning).

** For identification purpose only*