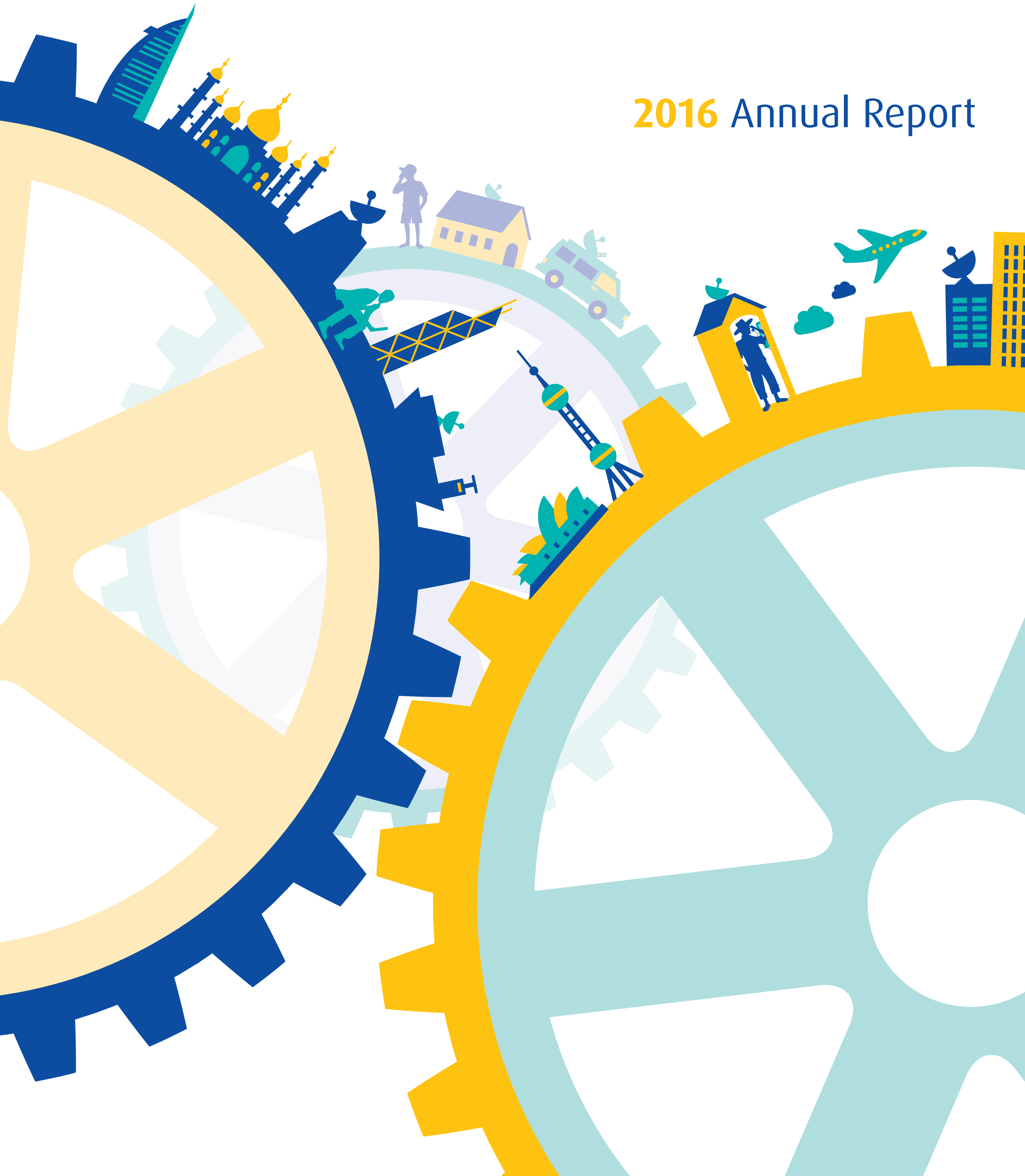
AsiaSat

**Asia Satellite Telecommunications Holdings Limited**

Stock Code: 1135

# 2016 Annual Report



# OUR VISION

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

**www.asiasat.com**

# Contents



# ABOUT AsiaSat

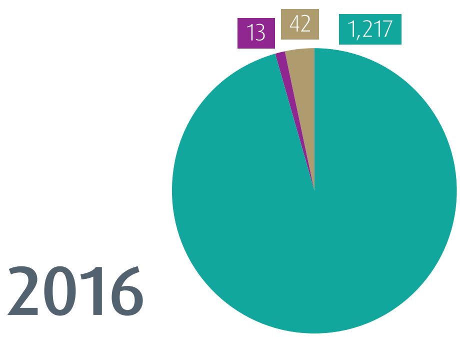
Asia Satellite Telecommunications Holdings Limited (the "Company") indirectly owns Asia Satellite Telecommunications Company Limited ("AsiaSat") and other subsidiaries (collectively the "Group") and is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (Stock Code 1135).

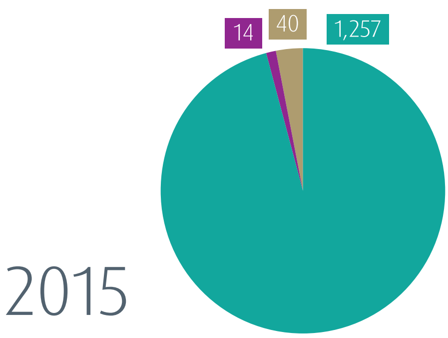
AsiaSat is Asia's premier provider of high quality satellite services to the broadcasting and telecommunications markets. The Group owns six satellites that are located in prime geostationary positions over the Asian landmass and provide access to two-thirds of the world's population.

# Financial Highlights

| | | 2016 | 2015 | Change |
|---|---|---|---|---|
| Revenue | HK$M | **1,272** | 1,311 | –3% |
| Profits attributable to owners of the Company | HK$M | **430** | 440 | –2% |
| Dividend | HK$M | **78** | 4,722 | –98% |
| Capital and reserves | HK$M | **3,106** | 2,674 | +16% |
| Earnings per share | HK cents | **110** | 112 | –2% |
| Dividend per share | HK cents | **20** | 1,207 | –98% |
| Dividend cover | Times | **5.5** | 0.1 | +5,400% |
| Return on equity | Percent | **14** | 16 | –2% pts |
| Net assets per share — book value | HK cents | **794** | 684 | +16% |
| Gearing ratio | Percent | **49** | 57 | –8% pts |

## ANALYSIS OF REVENUE BY NATURE (HK$M)




Income from provision of satellite transponder capacity

Recurring   Other revenues   Sales of satellite transponder capacity

# Corporate Information

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR
JU Wei Min *(re-designated from Deputy Chairman to Chairman on 1 January 2016)*

## DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR
Gregory M. ZELUCK *(re-designated from Chairman to Deputy Chairman on 1 January 2016)*

## EXECUTIVE DIRECTOR
Andrew G. JORDAN *(President and Chief Executive Officer) (appointed on 1 November 2016)*
William WADE *(President and Chief Executive Officer) (resigned on 1 November 2016)*

## NON-EXECUTIVE DIRECTORS
LUO Ning
Peter JACKSON
Julius M. GENACHOWSKI
Alex S. YING

## ALTERNATE DIRECTOR
CHONG Chi Yeung *(alternate director to LUO Ning)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS
Stephen LEE Hoi Yin
Maura WONG Hung Hung
James WATKINS
Kenneth McKELVIE

## AUDIT COMMITTEE
Kenneth McKELVIE *(Chairman)*
Stephen LEE Hoi Yin
Maura WONG Hung Hung
James WATKINS
JU Wei Min *(Non-voting)*
Alex S. YING *(Non-voting)*

## COMPLIANCE COMMITTEE
James WATKINS *(Chairman)*
Julius M. GENACHOWSKI
Peter JACKSON
Andrew G. JORDAN *(appointed on 23 November 2016)*
Stephen LEE Hoi Yin
Kenneth McKELVIE
William WADE *(resigned on 1 November 2016)*

## NOMINATION COMMITTEE
Maura WONG Hung Hung *(Chairman)*
JU Wei Min
Alex S. YING
Stephen LEE Hoi Yin
James WATKINS

## REMUNERATION COMMITTEE
Stephen LEE Hoi Yin *(Chairman)*
Peter JACKSON
Gregory M. ZELUCK
Maura WONG Hung Hung
Kenneth McKELVIE

## COMPANY SECRETARY
Sue YEUNG

## AUTHORISED REPRESENTATIVES
Andrew G. JORDAN *(appointed on 1 November 2016)*
Sue YEUNG
William WADE *(resigned on 1 November 2016)*

## AUDITORS
PricewaterhouseCoopers

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

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

## PRINCIPAL SOLICITORS
Mayer Brown JSM

## REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

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

# Chairman's Statement

## INTRODUCTION

In 2016, AsiaSat laid the groundwork for the prospect of improved revenues in 2017 as we move into a period of more efficient use of satellite bandwidth and increasing demand for media and data services across Asia. Although disappointing, this year's outcome should be viewed against a backdrop of globally unstable market conditions and the impact of disruptive new technologies.

The market instability resulted from a global oversupply of satellite capacity of all kinds and generally uncertain economic conditions. We recognise the need to continue to manage closely the pricing pressures on data services as well as compression improvements for video distribution, which to some extent neutralise the benefits of the increased demand generated by mobility applications and video format upgrades.

## FINANCIAL PERFORMANCE

Despite 2016's challenging market environment, the Company continues to invest in stream-lining its sales structure amid changing market conditions and rapidly evolving customer needs.

### Revenue

Revenue for 2016 was HK$1,272 million (2015: HK$1,311 million), a decrease of 3% from 2015 primarily attributable to the full-year impact of reduced short-term revenues as compared to the previous year and challenging conditions for customers and markets.

While the decline of revenue is disappointing, if the short-term non-recurring AsiaSat 3S revenue is excluded, in 2016 AsiaSat experienced approximately 3% growth over the previous year.

### Operating Expenses

Operating expenses in 2016, excluding depreciation, were HK$244 million (2015: HK$253 million) reflecting our on-going commitment to keep expenses under tight control.

### Finance Expenses

Finance expenses were HK$133 million (2015: HK$103 million) of which HK$79 million (2015: HK$26 million) was capitalised to the costs of our new satellite AsiaSat 9. The increase in finance expenses is due to the full-year effect (2015: partial year) of the bank borrowings for the payment of the special interim dividend in July 2015. Net finance expenses after capitalisation for 2016 were HK$54 million, HK$23 million lower than in the previous year (2015: HK$77 million), due to the increase in finance expenses eligible for capitalisation on the higher level of capital expenditure of the new satellite.

# Chairman's Statement

## FINANCIAL PERFORMANCE (CONTINUED)

### Depreciation

Depreciation in 2016 was HK$522 million (2015: HK$469 million), an increase of HK$53 million, reflecting a full-year of depreciation of AsiaSat 6 and AsiaSat 8, which became operational in the second half of 2015.

### Taxation

Tax expenses for 2016 were HK$27 million (2015: HK$92 million), representing a reduction of HK$65 million, or 71%, due to the reversal of a provision made in previous years following agreement with tax authorities on the treatment of certain revenue and expenses.

### Profit

Profit attributable to owners for 2016 was HK$430 million (2015: HK$440 million), a decrease of HK$10 million, or 2%, mainly due to lower revenue and higher depreciation charges. This reduction was mitigated by lower net finance expenses and lower income tax charges.

### Cash Flow

The Group generated a net cash inflow of HK$3 million in 2016 (2015 outflow: HK$3,101 million). As of 31 December 2016, the Group's cash and bank balances stood at HK$241 million (31 December 2015: HK$238 million).

Cash inflow in 2016 predominantly comprised net cash generated from the operating activities of HK$991 million (2015: HK$875 million), while 2015 also included net proceeds from bank borrowings of HK$1,896 million with no new borrowing raised in 2016.

Cash outflow for the year included capital expenditures of HK$406 million (2015: HK$692 million) and repayment of bank borrowings of HK$523 million (2015: HK$328 million). 2015's cash outflow also included payment of HK$4,874 million for interim and special interim dividends. No dividend payments were made in 2016.

### Dividend

For the year ended 31 December 2016, the Board will recommend a final dividend of HK$0.20 per share (2015: HK$Nil per share) in the forthcoming Annual General Meeting ("AGM") to be held on 14 June 2017. No interim dividend was paid for the year 2016.

For the year ended 31 December 2015, a total of HK$12.07 per share was paid, comprising the interim dividend of HK$0.18 per share and the special interim dividend of HK$11.89 per share.

# Chairman's Statement

## OVERALL BUSINESS PERFORMANCE

The Group won new contracts during the year totaling HK$1,439 million (2015: HK$533 million), including a significant agreement with Spacecom for the four-year utilisation of the entire AsiaSat 8 Ku-band payload and an increase in capacity taken by new and existing customers across the AsiaSat fleet. Renewed contracts amounted to HK$431 million (2015: HK$777 million), while combined new and renewed contracts amounted to HK$1,870 million (2015: HK$1,310 million). As at 31 December 2016, the value of contracts on hand amounted to HK$4,067 million (2015: HK$3,517 million).

AsiaSat 6 carries 14 C-band transponders specially designed for the China video market. In January 2016, we were particularly pleased to re-enter the China video market via AsiaSat 6, following full regulatory approval in China after our exit in 2007. It is our belief that the acquisition of our new customer, Shanghai Interactive Television (SiTV), signalled further support for the development of High Definition (HD) broadcasting in China, which is becoming a new industry standard.

## THE FLEET

With 99 C-band and Ku-band transponders utilised in 2016, the AsiaSat fleet of five in-orbit satellites (AsiaSat 4, AsiaSat 5, AsiaSat 6, AsiaSat 7 and AsiaSat 8) performed according to full technical specifications while AsiaSat 3S is able to provide service in inclined orbit.

As of 31 December 2016 the fleet utilisation rate, excluding AsiaSat 8, stood at 67%, down from 72% at year-end 2015, largely due to the addition of newly available transponders on AsiaSat 6, which entered commercial service in early 2016.

During the year we acquired new video and data network customers from China, South Asia and Southeast Asia, as well as leading international TV networks from Europe, Asia and around the world.

AsiaSat 9 is expected to launch in late 2017. We believe this satellite, which carries 28 C-band and 32 Ku-band transponders, along with a Ka-band payload, is ideally positioned to exploit the growth in both HD and Ultra HD (UHD) video content and advanced broadband networks. AsiaSat 9 will be a replacement for AsiaSat 4 at 122 degrees East with additional capacity delivering enhanced power and greater coverage for Direct-to-Home (DTH), regional video distribution, private networks and broadband services within our footprint running from New Zealand to the Middle East.

In the meantime, as part of the four-year utilisation agreement with Spacecom signed in December 2016, we re-located AsiaSat 8 to 4 degrees West to assist Spacecom with its capacity shortfall.

# Chairman's Statement

## IN ORBIT CAPACITY

AsiaSat 3S located at 146 degrees East remains operational and is able to provide services to customers for short-term contracts before it is retired.

AsiaSat 4 at 122 degrees East provides TV broadcast distribution, DTH and broadband services across our Asia Pacific footprint. In 2016 a growing number of broadcasters used AsiaSat 4 as a platform for TV distribution including UHD video content via the "4K-SAT" channel, pioneered by AsiaSat in late 2015 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 Asia Pacific viewers. Events covered in 2016 included the Rio Olympics, the Australian Open and Wimbledon tennis championships, the 2016 Dakar Rally, the Masters Golf Tournament and a number of European soccer competitions, along with live news feeds and events such as the presidential election and the MTV Movie Awards in the United States. In addition, AsiaSat 5 is a primary vehicle for the delivery of a number of innovative VSAT services for aviation and telecom customers.

AsiaSat 6 at 120 degrees East received full licensing approval in early 2016, creating a high value platform for HDTV services across China.

AsiaSat 7 at 105.5 degrees East is the regional platform of choice for premium content distribution from South Asia, East Asia and global TV networks. Among new customers acquired during 2016 were Sony Pictures Networks India along with KBZ Gateway and SEANET in Myanmar for nationwide VSAT networks providing broadband data connectivity services. Global TV networks such as Japan International Broadcasting Inc. and Deutsche Welle also expanded their reach via AsiaSat 7 for their English language HD services across the Asia-Pacific.

AsiaSat 8 at 4 degrees West carries high-powered Ku-band capacity and a Ka-band payload. Following an 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 from 105.5 degrees East to 4 degrees West and commenced service at end February 2017 after satisfactory completion of verification testing.

AsiaSat 9, the replacement satellite for AsiaSat 4 at 122 degrees East, is expected to launch in late 2017 allowing the Company to address new markets not presently covered by AsiaSat 4. The company is now actively engaged in advance marketing of this satellite.

Excluding AsiaSat 8 (under the Spacecom agreement, it no longer serves AsiaSat customers directly), as of 31 December 2016 the number of transponders utilised by the Company was 99, as compared with 96 as of 31 December 2015.

# Chairman's Statement

## THE ASIASAT ADVANTAGE

In the longer term the Company retains a distinctive market advantage with our deep Asian roots and close customer relationships. A further plus is our leadership in future technology, commitment to the quality and reliability of our service and our knowledge of Asian economic and cultural dynamics.

An additional AsiaSat asset is our understanding of the end-user services which remain a primary beneficiary of the region's continued overall economic development. The Asian demographic, where many markets feature populations with more than 40% under 35 years of age, continues to drive consumption of communications and information services.

Notwithstanding this positive outlook for video and related entertainment services, the rapid expansion of the VSAT sector within emerging markets in Asia is now an essential element within any regional data network and AsiaSat's flexible, mutually beneficial relationships with long-term customers such as SpeedCast, Panasonic Avionics and Telstra are delivering strong results.

Other positives for the Company include the impact of technology shifts only just beginning to be felt, including numerous deployments of OTT (Over the Top) services providing greater opportunities for the Company's broadband plans, Internet of Things (IoT) connectivity and the early roll-outs of 5G mobile video networks served by satellite backhaul that will create demand for more bandwidth connectivity.

## OUTLOOK 2017

In the coming year, the Board of Directors is cautiously optimistic on the economic prospects for the region, which, despite relatively flat indicators for some markets, continues to invest in new telecommunications and media infrastructure, as well as renewing and updating existing facilities.

New DTH platforms focused on smaller emerging markets remain attractive, especially given the need for relevant local-language services.

In order to address the ever-increasing, long-term demand for new data transmission capacity, AsiaSat will continue to evaluate opportunities to develop its HTS Ka-band capabilities, carefully monitoring and benefiting from the technical and commercial progress of deployments of IoT, UHD and other consumer driven services.

With regional economic prospects as estimated by the IMF, World Bank and EIU that range from 6.8% GDP growth for China in 2017, 7.3% for India and forecasts that hover around 6% for the majority of South and Southeast Asia (with Myanmar outstanding at 8.5%), as an innovative service provider AsiaSat has a positive commercial outlook despite the short-term negatives such as the current capacity over-supply.

# Chairman's Statement

## ACKNOWLEDGMENTS

The final quarter of 2016 was a time of transition for the Company as well as for our industry when Mr. William Wade retired as our President and Chief Executive Officer and was appointed as Senior Advisor until March 2017. On behalf of the Board of Directors, I express our sincere gratitude to Mr. Wade for his many years of dedicated and exceptional service to the Company.

We were delighted to welcome Mr. Andrew Jordan as the new President and Chief Executive Officer of the Company. Mr. Jordan is a highly-respected industry veteran with extensive experience, knowledge and contacts across the satellite communications, broadcast and telecom industries and he brings a strategic vision that we are confident will drive the company's next phase of growth.

Finally, I would like to thank the Board, the management team and the staff for their tireless work and support during 2016.

**JU Wei Min**
*Chairman*

Hong Kong, 15 March 2017

# Chief Executive Officer's Statement

Our industry thrives only when it stays close to its customers, embraces relevant new technologies and retains a sensitivity to changing consumer behavior. With detailed market knowledge and a strategic flexibility underpinned by key customer relationships, AsiaSat is well prepared to adapt to market changes in the coming year and beyond.

## NEW AND RENEWED CUSTOMERS

By mid-2016 our new satellites AsiaSat 6 and AsiaSat 8 were in full commercial service as we acquired customers from China, India, Pakistan, Singapore and Vietnam among others across our satellite fleet.

AsiaSat 9 is expected to be launched in late 2017. This satellite will offer higher power and wider coverage for our customers and will be ideally positioned as a regional platform for UHD video content distribution. The rising demand for UHD and other high quality video programming provides a clear direction for the future of our sector in Asia.

A significant transaction during the year was the completion of a Transponder Service Agreement with satellite operator Spacecom for the utilisation of the entire 24-transponder Ku-band payload on AsiaSat 8 for a period of four years. Meanwhile in India, the company struck an additional Ku-band capacity agreement with a well-established service provider, as well as signing a number of C-band contracts including the distribution service for Sony Pictures Networks India's bouquet of HD and Standard Definition (SD) services on AsiaSat 7.

Other new distribution contracts included commitments for an additional Deutsche Welle HD service on AsiaSat 7; the launch of FRANCE 24's HD service on AsiaSat 5 along with JIB/NHK WORLD TV's HD and SD channels on AsiaSat 7. Another 2016 agreement was for the transmission of Shanghai Interactive Television's (SiTV) utilisation of multiple transponders for HDTV distribution on AsiaSat 6 for the China market.

The company also signed renewal agreements with existing video and data customers from East Asia and South Asia as well as global TV networks. In all, over 700 television and radio channels are distributed by the company's satellites offering access to more than 830 million TV households across the Asia-Pacific region.

The increased demand for data services in the past year saw the company serving tens of thousands of VSAT sites across the Asian market with particularly notable growth in India. On-going investment in local infrastructure (especially backhaul for mobile services) is creating increased demand for data services via satellite in the developing markets of South and Southeast Asia.

## OCCASIONAL USE

In 2016, Occasional Use contracts signed by the Company were driven by a strong year for Satellite News Gathering (SNG) demand, sports video distribution, major conferences and disaster coverage.

# Chief Executive Officer's Statement

The numerous events distributed by AsiaSat satellites included flagship sports tournaments such as the Rio Olympics, the Euro 2016 football tournament, the Wimbledon and US Open tennis tournaments and the India Super League Cricket competition, along with the 2016 Miss World competition and political meetings and milestones such as the G20 Summit in Hangzhou, China and the US presidential election.

## MANAGEMENT TEAM

As the year closed and given the changing shape of our industry, the company streamlined and refined its sales, marketing and commercial structure to deliver greater efficiency through improved integration of our geographic and technology responsibilities.

To that end, the company appointed Barrie Woolston to the newly created role of Chief Commercial Officer tasked with the integration and leadership of all sales, marketing and commercial activities while Sabrina Cubbon has taken on a new role as Vice President, Business Development & Strategy responsible for developing strategic initiatives to drive the company's business growth.

## INDUSTRY LEADERSHIP

Given AsiaSat's 25-year history at the forefront of the Asia Pacific satellite market, the company continues to innovate both in terms of technology development and thought leadership through industry presentations, technical white papers and submissions to governments on regulatory issues.

Most notable among our technical initiatives in 2016 was the registration of an AsiaSat patent with the US authorities for "Methods and Systems for Providing High-speed Connectivity to Aircraft" led by our Vice President, Engineering and Operations and Chief Technical Officer, Dr. Roger Tong and his team. Other AsiaSat-developed, peer-reviewed technical papers for industry practitioners included discussion on topics such as UHD transmission technologies, launching satellite-delivered UHD channels, new techniques for the management of ground earth stations, as well as techniques to protect satellite spectrum resources.

On an industry-wide basis AsiaSat is committed to protecting vigorously vital satellite spectrum from market incursions by terrestrial service providers as well as limiting customer revenue leakage due to content and data piracy. Underlying the company's long-recognised regional leadership we continue to champion issues such as the central role of satellite-delivered video and data services for our new and long-term customers across multiple platforms in both developed and emerging economies.

We also continued to participate in regional and international exhibitions, conferences and meetings throughout the year. Among the many industry events in which AsiaSat participated were the CASBAA India Forum in New Delhi, CABSAT 2016 in Dubai, CCBN in Beijing, the CASBAA Satellite Industry Forum and CommunicAsia in Singapore, the Asia-Pacific Broadcasting Union General Assembly in Indonesia and the International Broadcasting Assembly in Paris and the World Broadcasting Union-IMCG meeting in Arlington, United States.

# Chief Executive Officer's Statement

In terms of industry leadership, AsiaSat remains committed to Corporate Social Responsibility initiatives through volunteerism, philanthropy and corporate donations to charity and voluntary associations providing vital links to the communities we serve.

**Andrew G. JORDAN**
*President and Chief Executive Officer*

Hong Kong, 15 March 2017

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

In the interest of the shareholders of the Company ("Shareholders"), the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. Throughout 2016, the Group complied with the requirements of local and relevant overseas regulators, and applied the principles and complied with the provisions of Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange with certain deviations as outlined below:

Pursuant to Code Provision A.6.7 of the CG Code, all non-executive directors ("NEDs") and independent non-executive directors ("INEDs") should attend general meetings of the Company to develop a balanced understanding of the views of Shareholders. Due to various business commitments, Mr. Gregory M. Zeluck and Mr. Luo Ning, being NEDs of the Company, were unable to attend the annual general meeting of the Company held on 16 June 2016 ("2016 AGM"). Mr. Chong Chi Yeung, alternate director to Mr. Luo, attended the 2016 AGM in his place.

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

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout 2016.

## THE COMPANY

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

# Corporate Governance Report

## BOARD OF DIRECTORS

The Board is currently composed of 11 members: six appointed by the shareholders of Bowenvale, CITIC and Carlyle, as NEDs, namely Mr. Ju Wei Min *(Chairman)*, Mr. Gregory M. Zeluck *(Deputy Chairman)*, Mr. Luo Ning, Mr. Peter Jackson, Mr. Julius M. Genachowski and Mr. Alex S. Ying; four INEDs, namely Mr. James Watkins, Mr. Stephen Lee Hoi Yin, Mr. Kenneth McKelvie and Ms. Maura Wong Hung Hung; and one Executive Director ("ED"), Mr. Andrew G. Jordan, who is also a President and Chief Executive Officer ("CEO") of the Company. The alternate Director of Mr. Luo Ning is Mr. Chong Chi Yeung.

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

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

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

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

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

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

# Corporate Governance Report

## DIRECTORS' TRAINING

Pursuant to Code Provision A6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Furthermore, the Company is responsible for arranging and funding training with an appropriate emphasis on Directors' roles, functions and duties.

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

The following table summarises the training received by each Director in the year 2016 based on the training records provided by the Directors:

| **Name** | **External Seminars/ Briefings/Self Reading** |
|---|---|
| **NEDs** | |
| Ju Wei Min *(Chairman)* | √ |
| Gregory M. Zeluck *(Deputy Chairman)* | √ |
| Luo Ning | √ |
| Peter Jackson | √ |
| Julius M. Genachowski | √ |
| Alex S. Ying | √ |
| Chong, Chi Yeung *(alternate to Luo Ning)* | √ |
| **INEDs** | |
| Stephen Lee Hoi Yin | √ |
| Kenneth McKelvie | √ |
| James Watkins | √ |
| Maura Wong Hung Hung | √ |
| **ED** | |
| Andrew G. Jordan *(CEO)** | √ |
| William Wade *(CEO)*# | √ |

* Appointed on 1 November 2016
# Resigned on 1 November 2016

# Corporate Governance Report

## BOARD COMMITTEES

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

## REMUNERATION COMMITTEE

The objectives of the RC are as follows:

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

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

(iii) considers and reviews:

- a. remuneration package of the Executive Director;
- b. remuneration and other conditions for senior management employees; and
- c. emoluments of the INEDs and NEDs prior to their approval by the Board each year.

The RC shall have the sole authority to:

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

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

The following is a summary of the work performed by the RC in 2016:

(i) reviewed and recommended to the Board bonuses for 2016;

(ii) reviewed remuneration policies and guiding principles;

(iii) implemented the staff recognition awards;

(iv) approved restricted shares awards for eligible employees for 2016;

(v) reviewed and recommended to the Board the 2017 annual salary increment;

# Corporate Governance Report

## REMUNERATION COMMITTEE (CONTINUED)

(vi) reviewed and recommended to the Board the Directors' emoluments for 2016;

(vii) reviewed and recommended the remuneration package for the new CEO appointed during the year; and

(viii) approved the share options granted to the new CEO.

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

The remuneration paid to the members of senior management by bands in 2016 is set out below:

| **Emolument bands (in HK dollar)** | **Number of Individuals** |
|---|---|
| HK$2,000,001 — HK$3,000,000 | 1# |
| HK$3,000,001 — HK$4,000,000 | 2* |
| HK$5,000,001 — HK$6,000,000 | 1 |
| HK$7,000,001 — HK$8,000,000 | 2 |

\# retired during 2016.

* included one member of senior management who resigned from the Group during 2016.

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

### Composition

The RC is composed of five members, of whom three are INEDs, namely Mr. Stephen Lee Hoi Yin, who is also the Chairman, Mr. Kenneth McKelvie and Ms. Maura Wong Hung Hung, whilst the other two members are NEDs, namely Mr. Peter Jackson and Mr. Gregory M. Zeluck.

## NOMINATION COMMITTEE

The primary objectives of the NC are as follows:

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

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

# Corporate Governance Report

## NOMINATION COMMITTEE (CONTINUED)

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

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

The NC has the sole authority to:

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

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

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

The following is a summary of the work performed by the NC in 2016:

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

(ii) reviewed succession plans;

(iii) recommended the suitable candidate for appointment as new CEO and ED; and

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

### Composition

The NC is composed of five members, of whom three are INED's, namely Ms. Maura Wong Hung Hung, who is also the Chairman, Mr. James Watkins and Mr. Stephen Lee Hoi Yin, whilst the other two members are NEDs, namely Mr. Alex S. Ying and Mr. Ju Wei Min.

### Summary of Board Diversity Policy

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

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

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

# Corporate Governance Report

## AUDIT COMMITTEE

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

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

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

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

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

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

The AC has the sole authority and responsibility to:

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

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

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

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

The following is a summary of the work performed by the AC in 2016:

(i) reviewed the financial statements and reports for the year ended 31 December 2015 and for the six months ended 30 June 2016;

(ii) discussed and reviewed the key audit matters determined by the IA under the new and revised auditor reporting standards under Hong Kong Standards on Auditing ("HKSA") for the year ended 31 December 2016;

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

# Corporate Governance Report

## AUDIT COMMITTEE (CONTINUED)

(iv) considered and approved the 2016 audit fees;

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

(vi) reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2016 in conjunction with the IA;

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

(viii) reviewed the "Continuing Connected Transactions" set forth on pages 56 and 57 prior to their review and confirmation by the Board ; and

(ix) conducted a private session with the IA.

### Auditors' Remuneration

The fees incurred and described below for 2016 were as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Audit Fees | **1,900** | 1,675 |
| Tax Fees | **1,240** | 1,261 |
| All Other Fees | **—** | 275 |
| | **3,140** | 3,211 |

### Audit Fees

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

### Tax Fees

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

### All Other Fees

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

# Corporate Governance Report

## AUDIT COMMITTEE (CONTINUED)

### Resources

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

### Funding

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

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

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

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

### Composition

The AC is composed of six members, four of whom are INEDs, namely Mr. Kenneth McKelvie, Mr. James Watkins, Mr. Stephen Lee Hoi Yin and Ms. Maura Wong Hung Hung, who satisfy independence, financial literacy and experience requirements, whilst the other two members are NEDs, namely Mr. Ju Wei Min and Mr. Alex S. Ying, and have only observer status with no voting rights. The AC is chaired by an INED, namely Mr. Kenneth McKelvie, who possesses appropriate professional qualifications and experience in financial matters.

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

## COMPLIANCE COMMITTEE

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

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

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

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

# Corporate Governance Report

## COMPLIANCE COMMITTEE (CONTINUED)

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

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

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

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

The CC has the sole authority to:

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

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

The following is a summary of the work performed by the CC in 2016:

(i) reviewed the corporate governance report included in the 2015 Annual Report and 2016 Interim Report;

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

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

(iv) approved the Securities Trading Policy.

### Composition

The CC is currently composed of six members, of whom three are INEDs, namely Mr. James Watkins, who is also the Chairman, Mr. Stephen Lee Hoi Yin and Mr. Kenneth McKelvie, while two are NEDs, namely Mr. Julius M. Genachowski and Mr. Peter Jackson and one is the Executive Director, namely Mr. Andrew G. Jordan who was appointed on 23 November 2016.

# Corporate Governance Report

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

The following table summarises the attendance of each Director and each Board Committee member in 2016:

| | Attendance/Number of Meetings held | | | | | |
|---|---|---|---|---|---|---|
| | **Board Meeting** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Compliance Committee** | **General Meeting** |
| **NEDs** | | | | | | |
| Ju Wei Min[1] *(Chairman)* | 5/5 | 1/2 | | 3/4 | | 1/1 |
| Gregory M. Zeluck[2] *(Deputy Chairman)* | 4/5 | | 3/4 | | | —/1 |
| Luo Ning[1] | 4/5 | | | | | —/1[*] |
| Peter Jackson[1] | 5/5 | | 4/4 | | 2/2 | 1/1 |
| Julius M. Genachowski[2] | 3/5 | | | | 2/2 | 1/1 |
| Alex S. Ying[2] | 5/5 | 2/2 | | 4/4 | | 1/1 |
| Chong, Chi Yeung (alternate to Luo Ning) | 5/5 | | | | | 1/1 |
| **INEDs** | | | | | | |
| Stephen Lee Hoi Yin | 5/5 | 2/2 | 4/4 | 4/4 | 2/2 | 1/1 |
| Kenneth McKelvie | 4/5 | 2/2 | 2/4 | | 2/2 | 1/1 |
| James Watkins | 5/5 | 2/2 | | 4/4 | 2/2 | 1/1 |
| Maura Wong Hung Hung | 5/5 | 2/2 | 4/4 | 4/4 | | 1/1 |
| **ED** | | | | | | |
| Andrew G. Jordan *(CEO)*[3] | 1/1 | | | | | —/— |
| William Wade *(CEO)*[4] | 3/3 | | | | 2/2 | 1/1 |

[1] CITIC appointed Directors
[2] Carlyle appointed Directors
[3] appointed on 1 November 2016
[4] resigned on 1 November 2016
[*] Due to prior business commitment, Mr. Luo Ning has arranged for his alternate to attend 2016 AGM. The alternate's attendance at which has not been counted in the above attendance record.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

### Financial reporting

The Directors of the Company acknowledge that they are responsible for overseeing the preparation of financial statements for each financial period, which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have:

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

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

A description by the IA, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out on pages 129 to 137.

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

### Risk management and Internal control

#### System and procedures

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

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

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

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

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### Risk management and Internal control (Continued)

#### System and procedures (Continued)

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

#### Annual assessment

In 2016, the Board, through its AC, conducted a review of the Group's risk management and internal control system, including financial, operational and compliance control, and risk management functions. To formalise the annual review of the Company's risk management and internal control system, the AC made reference to the requirements of the relevant regulatory bodies. The Board is of the view that, in general, the Group has set up a sound risk management and internal control environment and implemented an effective system of risk management and internal control.

#### Internal Audit plan

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

#### Grievances and whistle-blowing policies

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

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

## COMPANY SECRETARY

The Company Secretary is an employee of the Group and has confirmed that she has taken no less than 15 hours of the relevant professional training for the year ended 31 December 2016 in compliance with Rule 3.29 of the Listing Rules.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

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

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

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

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

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

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

### Procedures for making enquiry to the Board

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

### Procedures for putting forward proposals at general meetings

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

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

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

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (Continued)

### Procedures for putting forward proposals at general meetings (Continued)

A copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, must be deposited at the registered office of the Company (Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda):

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

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

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

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

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

# Corporate Governance Report

## CONSTITUTIONAL DOCUMENTS

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

## GUIDELINES ON CONDUCT

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

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

# Environmental, Social and Governance Report

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

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

## A. ENVIRONMENTAL

### A.1 Emissions

#### Operating Centres

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

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

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

(a) $CO_2$ Emissions

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

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

- Air conditioning systems management through new operation strategies, timing and temperature control;
- Improved thermal insulation and air flow within the operating centres;

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (CONTINUED)

### A.1 Emissions (Continued)

#### Operating Centres (Continued)

(a) $CO_2$ Emissions (Continued)

- Equipment operations: optimised use of equipment and consolidation of uplink traffic management; and
- Use of Green technologies and equipment.

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

Indirect emissions, based on the latest conversion factor from our electricity supplier, generated through daily consumption of electricity via the operating centres totalled approximately 3,445 tonnes of $CO_2$ (99.998% of the total $CO_2$ emissions) in 2016, while direct emissions are produced by diesel generators which contributed about 0.037 tonnes (about 0.001% of the total $CO_2$ emission). The latest conversion factor from the electricity supplier is based on the supplier's sources of energy (natural gas, coal or oil) which AsiaSat has no ability to influence.

(b) Electromagnetic Emissions

On the consideration of electromagnetic emissions' effect on human safety, AsiaSat performs regular electromagnetic radiation level measurements at 123 locations spread out over the operating centres (an increase from 2015 due to the addition of new equipment in our stations). Employee working areas are further equipped with radiation emission alarms to safeguard employees from accidental electromagnetic emission leaks. The average electromagnetic emission flux density measured over the year on 123 locations is 0.0002W/$m^2$ with a maximum reading of 0.017W/$m^2$ inside the shielded area at one of the 6.3 m antennae. These levels are significantly lower than the recommendation from ITU-T K.100 (December 2014) of 10W/$m^2$ and an improvement from 2015. The Company confirms these levels are well within the safety requirements, which provides a healthy working environment for its employees. This is an order of magnitude better than the compliance required by the applicable laws and regulations relating to occupational health and safety hazards.

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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (CONTINUED)

### A.2 Use of Resources

The resources used by the Group consist principally of the electricity, water and paper consumed at the office and the earth station. The water consumption of the Group is minimal. The Group continues to practise paper saving initiatives, such as double-sided printing and built-in password confirmation to avoid printing mistakes. The Group has also implemented the collection of waste paper for effective recycling.

### A.3 The Environment and Natural Resources

Due to the nature of the business, apart from the above-mentioned emissions and resources usage, the Group does not have significant direct or indirect impact on the environment or on natural resources in the course of its operations.

## B. SOCIAL

The Group believes that one of the key aspects of its success is the good relationship it maintains with employees. We are committed to nurturing an open and diverse working environment for our employees. We offer numerous growth and development opportunities with competitive rewards and benefits, with the aim of helping our employees achieve a healthy work-life balance.

### B.1 Employment

The employee turnover rate of the Group is about 11.11% for the year.

#### (a) Diversity of staff

(i) Number of employees by location as at 31 December 2016:

| | No. of Employees |
|---|---|
| Hong Kong | 129 |
| China | 16 |
| Total | 145 |

# Environmental, Social and Governance Report

## B. SOCIAL (CONTINUED)

### B.1 Employment (Continued)

#### (a) Diversity of staff (Continued)

(ii) Number of employees by gender as at 31 December 2016:

| | No. of Employees |
|---|---|
| Female | 55 |
| Male | 90 |
| Total | 145 |

(iii) Number of Employees by employee category as at 31 December 2016:

| | No. of Employees |
|---|---|
| Permanent | 144 |
| Temporary | 1 |
| Total | 145 |

(iv) Number of employees by age distribution as at 31 December 2016:

| Age Group: | No. of Employees 40 and below | No. of Employees Above 40 |
|---|---|---|
| Hong Kong | 45 | 84 |
| China | 7 | 9 |
| Total | 52 | 93 |

# Environmental, Social and Governance Report

## B. SOCIAL (CONTINUED)

### B.2 Health and Safety

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

To strengthen employees' health awareness, the Group has established a Health & Wellness Program and regularly arranges health talks and encourage the employees' participation to raise awareness of the importance of both physical and mental fitness.

During the year 2016, Group did not experience any major accident or work injury.

### B.3 Development and Training

The Group provides a variety of training programs to our employees based on individual and business needs, including on-the-job training, in-house training, and external training and education subsidies. Average training hours for each employee was about 14 hours in 2016.

### B.4 Labour Standards

The Group fully understands that employing child labour and forced labour is a violation of basic human rights and international labour conventions and strictly prohibits the use of child labour and forced labour in our business operations. The Group has also complied with all relevant labour laws and regulations during the year and strives to create an environment of respect, integrity and fairness for our employees.

### B.5 Supply Chain Management

The Group values the partnership with suppliers and works together with them to promote sustainable development of the Group. The Group has established a procurement policy to evaluate suppliers, including background, qualification, past performance, quality control of services, financial status, fulfilment of contracts, professionalism of project team, operation in compliance with relevant laws and regulations and with a goal to act for the best interests of their environments and society. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers failing to meet the requirements ultimately will be disqualified. The Group values communication with suppliers and will continue to provide feedback to the suppliers to improve the performance of the services received.

# Environmental, Social and Governance Report

## B. SOCIAL (CONTINUED)

### B.6 Product Responsibility

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

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

### B.7 Anti-corruption

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

AsiaSat has in place company policies and procedures designed to prevent, detect and report bribery and corruption, which applies to all AsiaSat subsidiaries, offices and business partners worldwide. Our company policy prohibits any AsiaSat personnel from, directly or indirectly, offering, promising, soliciting or receiving any payment that is in the nature of a bribe, kickback, advantage or other inducement in any form. This applies whether the payment has the purpose or effect of public or commercial bribery or influencing a public official in the performance of his or her official functions or duties. We expect all third parties working with us or on our behalf (including but not limited to agents, consultants and representatives) to comply with these principles in their performance of their work for or on behalf of AsiaSat.

# Environmental, Social and Governance Report

## B. SOCIAL (CONTINUED)

### B.7 Anti-corruption (Continued)

Key elements of our Anti-Bribery and Corruption Policy include:

— Guidelines on offering and receiving gifts and hospitality;

— Rules on making charitable donations or political contributions;

— Dealing with requests for facilitation or "grease" payments;

— Due diligence for selecting and managing potential suppliers, agents, intermediaries and other business partners;

— An anonymous whistle-blower hotline for AsiaSat staff to report any suspicion of fraud or corruption;

— Regular communications and training to remind staff of our anti-corruption commitments;

— Annual verification statement by staff acknowledging that he or she has read and understood the Company's Anti-Bribery Policy; and

— Ongoing monitoring of our anti-corruption commitments and annual audits for potential fraud risks.

A copy of our "**Code of Business Conduct and Ethics**" is available on our website in both Chinese and English: http://www.asiasat.com. The Code is provided to our agents and representatives, including consultants.

There were no reports of corruption involving the Company or its employees during the year.

### B.8 Community Investment

#### Corporate Social Responsibilities (CSR)

The Group participates in various CSR activities such as volunteer work at the Crossroads Foundation and the Oxfam rice campaign, and has sponsored charity walks organized by the Children's Heart Foundation. This year, we have also partnered with Food Angel and Redress.

We have established a long term partnership with the Crossroads Foundation and the Children's Heart Foundation. During the year, we have donated to various charity organizations such as Oxfam and the Children's Heart Foundation.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overall performance

Profit attributable to owners of the Company was HK$430 million (2015: HK$440 million), a decrease of HK$10 million or 2% from the prior year. The decrease in profit was mainly attributable to a decrease in revenue and a higher depreciation charge, mitigated by a lower net finance expense and lower tax charges compared to the prior year. More details are set out below.

### Revenue

Revenue in 2016 was HK$1,272 million (2015: HK$1,311 million), a decrease of HK$39 million, or 3% from the previous year. The decline was primarily attributable to the full-year impact of reduced short-term revenues as compared to the previous year and challenging conditions within customers and markets.

While the decline of revenue is disappointing, if the short-term non-recurring AsiaSat 3S revenue is excluded, in 2016 AsiaSat experienced approximately 3% growth over the previous year.

### Cost of services

Cost of services was HK$627 million (2015: HK$578 million), up by HK$49 million or 8% compared to last year, mainly contributed by an increase of HK$53 million in depreciation expenses. The increase was primarily due to full-year depreciation of AsiaSat 6 and AsiaSat 8, which became operational in the second half of 2015.

### Other gains

A gain of HK$5 million (2015: HK$19 million) was realised, a decrease of HK$14 million from 2015, mainly attributable to less interest income due to lower bank deposits during the year after the payment of the special interim dividend in the second half of 2015.

### Administrative expenses

Administrative expenses were HK$138 million (2015: HK$143 million), a slight decrease of HK$5 million or 3%. The slight decrease was attributable to a lower exchange loss from the Renminbi against Hong Kong Dollars in the year and lower staff costs but offset by higher legal and professional fees and a larger impairment charge on trade debts.

### Finance expenses

Finance expenses were HK$133 million (2015: HK$103 million) of which HK$79 million (2015: HK$26 million) was capitalised as costs for our new satellite, AsiaSat 9. The increase in finance expenses is due to the full-year effect (2015: partial year) of the bank borrowings for the payment of the special interim dividend in July 2015. Net finance expenses after capitalisation for 2016 were HK$54 million, HK$23 million lower than in the previous year (2015: HK$77 million), due to the increase in finance expenses eligible for capitalisation on the higher level of capital expenditure of the new satellite.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Income tax expense

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax was calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation, that range from 7% to 43.26% (2015: 7% to 43.26%), prevailing in the countries in which the profit is earned. The income tax expense was HK$27 million, compared to an income tax expense of HK$92 million in the previous year, representing a decrease of HK$65 million or 71%. The decrease was mainly due to a reversal of a tax provision in respect of previous years after reaching an agreement with tax authorities on the tax treatment of certain revenue and expenses. The Group's effective tax rate therefore dropped to 5.9% from 17.3% in previous year. Further details are set out in Note 10 to the consolidated financial statements.

### Financial Results Analysis

The financial results are highlighted below:

| | | **2016** | 2015 | Change |
|---|---|---|---|---|
| Revenue | HK$M | **1,272** | 1,311 | −3% |
| Profits attributable to owners of the Company | HK$M | **430** | 440 | −2% |
| Dividend | HK$M | **78** | 4,722 | −98% |
| Capital and reserves | HK$M | **3,106** | 2,674 | +16% |
| Earnings per share | HK cents | **110** | 112 | −2% |
| Dividend per share | HK cents | **20** | 1,207 | −98% |
| Dividend cover | Times | **5.5** | 0.1 | +5,400% |
| Return on equity | Percent | **14** | 16 | −2% pts |
| Net assets per share — book value | HK cents | **794** | 684 | +16% |
| Gearing ratio | Percent | **49** | 57 | −8% pts |

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group generated a net cash inflow of HK$3 million (2015: outflow of HK$3,101 million). Cash inflow mainly comprised net cash generated from operating activities of HK$991 million (2015: HK$875 million), while 2015 also included net proceeds from bank borrowings of HK$1,896 million, with no new borrowing raised in 2016. Cash outflow for the year included capital expenditure of HK$406 million (2015: HK$692 million) and repayment of bank borrowings of HK$523 million (2015: HK$328 million). Cash outflow in 2015 also included the payment of HK$4,874 million in interim and special interim dividends. No dividend payments were made in 2016.

As at 31 December 2016, the Group had cash and bank balances of HK$241 million (31 December 2015: HK$238 million). The cash and bank balances are denominated in United States Dollars, Renminbi and Hong Kong Dollars.

Total bank borrowings as at 31 December 2016 were HK$3,263 million (31 December 2015: HK$3,748 million), all denominated in United States Dollars. Out of these bank borrowings, HK$1,817 million (31 December 2015: HK$2,087 million) is at a fixed interest rate for the whole tenor and the remainder of HK$1,446 million (31 December 2015: HK$1,661 million) is at a floating rate of LIBOR plus a margin. There was no seasonality effect on the Group's borrowing requirements. Bank borrowings were mainly used to finance the Group's capital expenditure and the payment of the special interim dividend in 2015. Details of the maturity profile of the total bank borrowings and undrawn bank facilities are set out in Note 20 to the consolidated financial statements. The Group had net debt of HK$3,022 million as at 31 December 2016 (31 December 2015: HK$3,510 million).

## CAPITAL STRUCTURE

### Funding and treasury policy

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

### Hedging for Exchange rates and Financial instruments

The Group's revenue, capital expenditure, main operating expenditure and bank borrowings are denominated in United States Dollars, Hong Kong Dollars and Renminbi. The effect of exchange rate fluctuations in the United States Dollar is not material as the Hong Kong Dollar is pegged within a narrow band to the United States Dollar at the approximate exchange rate of HK$7.80 to US$1.00 and therefore no hedging for United States Dollars is conducted. The foreign exchange rate of the Renminbi has depreciated against the Hong Kong Dollar during the year ended 31 December 2016. The amount of Renminbi business is approximately 24% of total revenue. We did not hedge this currency risk.

# Management Discussion and Analysis

## CAPITAL STRUCTURE (CONTINUED)

### Hedging for Exchange rates and Financial instruments (Continued)

The Group has bank borrowings of HK$1,817 million with a fixed interest rate for the loan period and there is no need to hedge interest rate risk. The remaining bank borrowings of HK$1,446 million are at a floating rate. The interest rate risk can be managed by an interest rate swap, if necessary. The Group regularly reviews the exposure arising from the movement of interest rates. During the year, the Group did not enter into any interest rate swap arrangements.

## ORDER BOOK

As at 31 December 2016, the value of contracts on hand amounted to HK$4,067 million (2015: HK$3,517 million), the majority of which will be realised over the next few years. Almost all these contracts are denominated in United States Dollars.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 2016, there were neither material acquisitions nor disposals of subsidiaries or associated companies.

## SEGMENT INFORMATION

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 144 permanent staff (2015: 138).

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

The Group has established a performance-based appraisal system. The present remuneration packages consist of salaries, discretionary bonuses and fringe benefits that are comparable with the market.

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES (CONTINUED)

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

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

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

## CHARGES ON GROUP ASSETS

Save as disclosed in Note 20 to the consolidated financial statements, there was no charge over the Group's assets as at 31 December 2016.

## CAPITAL COMMITMENTS

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

As at 31 December 2016, the Group had total capital commitments of HK$319 million (2015: HK$619 million), all of which was contracted for but not provided in the financial statements.

# Management Discussion and Analysis

## GEARING RATIO

The Group's gearing ratio is calculated by dividing the net debt by the total capital. The net debt is the total interest-bearing bank borrowings less total cash and bank balances. The total capital is the total equity plus the net debt. As at 31 December 2016, the Group's gearing ratio was as follows:

| | **31 December 2016 HK$ million** | 31 December 2015 HK$ million |
|---|---|---|
| Total bank borrowings | **3,263** | 3,748 |
| Less : Cash and bank balances | **(241)** | (238) |
| Net debt | **3,022** | 3,510 |
| Total equity | **3,106** | 2,674 |
| Total capital | **6,128** | 6,184 |
| Gearing ratio | **49%** | 57% |

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as of 31 December 2016.

# Biographical Details of Directors and Senior Management

## DIRECTORS

**JU Wei Min**, aged 53, was appointed NED on 12 October 1998 and was re-designated as a Chairman of the Company on 1 January 2016. Mr. Ju is executive Vice President of China Investment Corporation. He was formerly Vice President and Chief Financial Officer of CITIC Limited, Chairman of CITIC Trust Co., Ltd. and CITIC Resources Holdings Co., Ltd. and a NED of CITIC Securities Company Limited. CITIC Limited, CITIC Resources Holdings Co., Ltd. and CITIC Securities Company Limited are Hong Kong listed companies. He has over 20 years' experience in financial services industry and conglomerate management, especially in corporate finance, risk management and investment. He holds a Bachelor's Degree and Master's Degree in Economics.

**Gregory M. ZELUCK**, aged 55, was appointed NED on 19 May 2015 and was re-designated as Deputy Chairman of the Company on 1 January 2016. Mr. Zeluck is a Managing Director of Carlyle and a Co-Head of Carlyle Asia Partners advising on Asian buyout opportunities. He joined Carlyle in 1998 and is based in Hong Kong. Prior to joining Carlyle, Mr. Zeluck spent one year at Merrill Lynch as part of the Asian High Yield team and 13 years at Lehman Brothers in its Corporate Finance and Merchant Banking groups, approximately four of which were spent in Asia. He received an A.B. from Princeton University, graduating magna cum laude in East Asian studies. He was a director of Hyundai Communications & Network Co. Limited, a company listed on the Korea Exchange from 2006 to 2013. He was a board director of Natural Beauty Bio-Technology Limited, a Hong Kong listed company from 2014 to 2015 and Ta Chong Bank Limited, a company listed in Taiwan until March 2016.

**Andrew G. JORDAN**, aged 57, was appointed President and CEO of the Company on 1 November 2016. Mr. Jordan has over 25 years of experience in the satellite industry. He started his career in 1984 in the computer software industry as a sales executive before being promoted to regional manager based in Singapore. He acted as the General Manager in Marketing of AsiaSat from 1991 to 1993. He has held executive positions with several satellite operators including General Electric's GE Satellite. During the period from 2013 to October 2016, he held the position of Executive Vice President Strategic Projects at Eutelsat SA, France and was responsible for overseeing Eutelsat's business in Asia and for developing key strategic customer relationships globally. In the course of his career, he has led complex deal negotiations in China, Hong Kong, Australia, Italy and the United Kingdom. He obtained a Bachelor's degree in Chinese from London University's School of Oriental and African Studies in 1984.

# Biographical Details of Directors and Senior Management

## DIRECTORS (CONTINUED)

**LUO Ning**, aged 57 was appointed NED of the Company on 22 January 2010. Mr. Luo is an Assistant President of CITIC and CITIC Corporation Limited, a Vice Chairman of CITIC Guoan Group and a Chairman of CITIC Networks Co. Ltd. He joined CITIC in 2000 and also holds directorships in several other subsidiaries of CITIC. He is a Chairman of CITIC Guoan Information Industry Company Limited which is listed on the Shenzhen Stock Exchange in the People's Republic of China. He is also a Deputy Chairman of Frontier Services Group Limited, an ED of CITIC Telecom International Holdings Limited and NED of Lajin Entertainment Network Group Limited. They are Hong Kong listed companies. He has over 21 years' experience in the telecommunication business and holds a Bachelor Degree in Communication Speciality from the Wuhan People's Liberation Army Institute of Communication Command.

**Peter JACKSON**, aged 68, was appointed as NED of the Company on 9 January 2012. Mr. Jackson was the Company's previous Executive Chairman and retired on 31 July 2011. Prior to his retirement from the Company, he had served as an ED and a CEO of the Company since May 1996. Before the listing of the Company, he had already served in that position as the CEO of AsiaSat since July 1993. On 31 July 2010, he retired from his position as the CEO and was then appointed as the Executive Chairman of the Company for a period of 1 year from 1 August 2010 to 31 July 2011. He has over 40 years' experience in the telecommunications field. Prior to joining the Company, he was employed by Cable & Wireless plc where he held engineering, marketing and management positions. Currently, he is also a consultant to CITIC, substantial shareholder of the Company and a NED of SpeedCast International Limited which is listed on the Australian Stock Exchange. He is also working with several private equity firms in board or advisory positions.

**Julius M. GENACHOWSKI**, aged 54, was appointed as a NED of the Company on 19 May 2015. Mr. Genachowski is a Managing Director in Carlyle, focusing on acquisitions and growth investments in global technology, media and telecom, including Internet and mobile. He is based in Washington, DC. He returned to the private sector after serving as Chairman of the U.S. Federal Communications Commission (FCC) from 2009 to 2013. He presided at the FCC during a period of robust innovation and investment around communications technology and software, including wired and wireless broadband applications, devices and networks. Prior to his FCC appointment, he worked for more than a decade in the private sector. As a senior executive and member of the Office of the Chairman, he helped build IAC/InterActiveCorp, which owned and operated multiple Internet, media and digital commerce businesses. He has taught a joint class at Harvard's Business and Law Schools, and served as a Senior Fellow at the Aspen Institute and is currently a board member of MasterCard Inc., Sprint, Sonos, Syniverse, and ProKarma. He graduated with highest honors from Columbia College in 1985 and Harvard Law School in 1991.

# Biographical Details of Directors and Senior Management

## DIRECTORS (CONTINUED)

**Alex S. YING**, aged 48, was appointed as NED of the Company on 19 May 2015. Mr. Ying advises Carlyle on its investment in AsiaSat effective 1 February 2017 and was formerly a Managing Director of Carlyle advising on Asian buyout opportunities, with a particular focus on the Technology, Media and Telecommunications sector. He joined Carlyle Asia Partners team in 2001 and is based in Hong Kong.

Prior to joining Carlyle Asia Partners, Mr. Ying was a member of Carlyle's U.S. Real Estate Group since 1997. Prior to joining Carlyle, he was an investment banker with CIBC Oppenheimer, where he focused on a variety of industries, including telecom and healthcare. Prior to that, Mr. Ying worked in both the Acquisition and Asset Management groups of Colony Capital, a global real estate private equity firm.

Mr. Ying received his M.B.A. from the Anderson School at the University of California, Los Angeles. He received a B.S. from the University of California, Los Angeles, and a master's degree in real estate development from the University of Southern California. He was a board director of Ta Chong Bank Limited, a company listed in Taiwan until March 2016.

**James WATKINS**, aged 71, was appointed an INED of the Company on 30 June 2006. Mr. Watkins qualified as a solicitor in 1969 and was for 20 years a Partner in Linklaters, a leading international English law firm. From 1997 to 2003, he was a Director and the General Counsel of the Jardine Matheson Group in Hong Kong. He was an INED of Advanced Semiconductor Manufacturing Corporation Limited from 2005 to 2016 and an INED of Global Sources Limited from 2005 until end of 2016. He is an INED of a number of Hong Kong and overseas listed companies, including Mandarin Oriental International Ltd., Hongkong Land Holdings Ltd. and Jardine Cycle & Carriage Ltd. He holds a Degree in Law from The University of Leeds, United Kingdom.

**Stephen LEE Hoi Yin**, aged 57, was appointed INED of the Company on 6 March 2013. Mr. Lee has over 30 years' experience in accounting, auditing and financial management, at KPMG in London and Hong Kong. He was an audit partner of KPMG Hong Kong before becoming the partner-in-charge of the risk & compliance advisory practices of KPMG in respect of Hong Kong, the PRC and the Asia Pacific region. He retired from KPMG in 2011, and is currently serving as an Adjunct Associate Professor at The Chinese University of Hong Kong and as President of The Institute of Internal Auditors Hong Kong Limited. He was awarded a Bachelor of Arts (Hons) degree in Accountancy from City of London Polytechnic in 1981. He is an associate member of The Institute of Chartered Accountants in England and Wales and The Institute of Internal Auditors, and a fellow member of The Hong Kong Institute of Certified Public Accountants. He is a Member of the Board of the Hospital Authority Hong Kong and an INED of Chiyu Banking Corporation Limited and Prime Property Fund Asia GP Pte Limited.

# Biographical Details of Directors and Senior Management

## DIRECTORS (CONTINUED)

**Kenneth McKELVIE**, aged 66, was appointed INED of the Company on 6 March 2013. Mr. McKelvie is a fellow of the Institute of Chartered Accountants in England and Wales. He joined the London office of Deloitte Plender Griffiths & Co in 1969, and transferred to Hong Kong in 1977. He was a partner in the China member firm of Deloitte Touche Tohmatsu for 29 years, and retired in 2011. He was Chairman of Deloitte China and a member of the global board of Deloitte Touche Tohmatsu from 2002 to 2008.

**Maura WONG Hung Hung**, aged 51, was appointed INED of the Company on 9 May 2013. Ms. Wong has over 20 years' experience in finance and private equity in Asia. She was a founder partner of JP Morgan Partners Asia (formerly Chase Capital Partners Asia), a pan-Asia private equity fund, where she ran the Greater China as well as Telecommunications, Media and Technology Practice. She was one of the pioneers of private equity in Asia as a founding member of Goldman Sachs' Principal Investment Area in Asia. She is currently CEO of Civic Exchange, an independent public policy think tank in Hong Kong. She graduated from Harvard Business School with an MBA and as Baker Scholar. Before that she received a Bachelor of Arts degree in International and Public Affairs from Princeton University where she graduated as Phi Beta Kappa and Magna Cum Laude (high honors).

**CHONG Chi Yeung**, aged 49, was appointed an alternate director to Mr. Luo Ning on 9 May 2013. Mr. Chong is the Assistant President of CITIC Metal Group Limited, a wholly-owned subsidiary of CITIC Limited in Hong Kong. Prior to joining CITIC in 2005, he held various financial and managerial positions in both large scale China Stated-owned Enterprises and Hong Kong listed companies. He graduated from California State University, United States with a Bachelor's Degree and a Master Degree in Business Administration major in Finance in 1994. He has over 17 years of experience in merger and acquisition, corporate restructuring and financial management.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Catherine CHANG**, aged 49, is AsiaSat's General Counsel. Ms. Chang joined AsiaSat in 1994 and established the legal department to manage the legal affairs of the Company. Prior to joining the Company, she was a solicitor at Ebsworth & Ebsworth (now HWL Ebsworth), an Australian law firm. She graduated from the University of New South Wales, Australia, with a Bachelor's Degree in Law and a Bachelor's Degree in Commerce, majoring in Accountancy.

**Sabrina CUBBON**, aged 55, is AsiaSat's Vice President, Business Development and Strategy responsible for developing strategic initiatives to drive the company's future growth. She has over 32 years of experience in the telecommunications industry.

Mrs. Cubbon joined AsiaSat in August 1992. During the past 25 years she has led the international sales and marketing team and lately worked as Vice President, Marketing and Global Accounts. She graduated from the University of Manchester, United Kingdom, with a Master's Degree by research in Electronic and Electrical Engineering, specialised in cryptography.

**Roger TONG**, aged 55, is AsiaSat's Vice President, Engineering and Operations and Chief Technical Officer. Dr. Tong has over 32 years' experience in the satellite and telecommunications industry and has worked in Canada, Mainland China and Hong Kong. He has held various senior management positions at COM DEV International, Allen Telecom Corporation and Mark IV Industries. Prior to joining AsiaSat in March 2008, he was the Technical Consultant to Telesat Canada where he was responsible for various satellite programmes. He holds a Bachelor's degree in Computer Engineering and a Master's degree in Engineering from the McMaster University, Canada, a MBA degree from the Wilfrid Laurier University in Canada and a Doctor of Business Administration from University of Newcastle in Australia.

**Barrie WOOLSTON**, aged 56, is AsiaSat's Chief Commercial Officer. Mr. Woolston is responsible for leading the global sales team, as well as driving marketing and commercial activities of AsiaSat. Mr. Woolston has 30 years of experience in the Technology, Media, Telecom sectors, with a wealth of solid experience in managing sales teams and driving new business. Prior to joining AsiaSat in February 2017, he was employed by Arqiva Limited between 2003 and 2016 as the Commercial Director of Satellite and Media. Before that, he held various sales, marketing, product management and operations positions with leading brands globally.

**Sue YEUNG**, aged 53, is AsiaSat's Chief Financial Officer, and Company Secretary. Ms. Yeung is a member of the Institute of Chartered Accountants in England and Wales. She has held various senior positions in both multinational companies and a Hong Kong listed company. Prior to joining AsiaSat in October 2006, she was a Regional Chief Financial Officer of Pearson Education Asia Limited with the overall responsibilities of its Asia Operations. She holds a Bachelor of Science Degree in Chemical Engineering from London University and is a fellow member of Hong Kong Institute of Certified Public Accountants.

# Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

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

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

## BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 4 to 9, the Chief Executive Officer's Statement set out on pages 10 to 12 and the Management Discussion and Analysis set out on pages 36 to 41 of this Annual Report. This discussion forms part of this directors' report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report set out on pages 29 to 35 and the Corporate Governance Report set out on pages 13 to 28 of this Annual Report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 62.

No interim dividend was declared during the year. An interim dividend of HK$0.18 per share and a special interim dividend of HK$11.89 per share were declared and paid in 2015. The Board recommends a final dividend of HK$0.20 per share (2015: HK$Nil per share) for year ended 31 December 2016. No interim dividends was paid for the year 2016.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 65 and Note 28 to the consolidated financial statements.

# Directors' Report

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$30,000 (2015: HK$30,000).

## BANK BORROWINGS

Particulars of bank borrowings of the Group at 31 December 2016 are set out in Note 20 to the consolidated financial statements.

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVES

As at 31 December 2016, the distributable reserves of the Company amounted to HK$430,202,000 (2015: HK$429,401,000), as calculated under the Companies Act 1981 of Bermuda.

## PRE-EMPTIVE RIGHTS

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

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

# Directors' Report

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Trust, which was set up to administer the Company's Share Award Scheme, has purchased a total of 883,389 ordinary shares of HK$0.10 each of the Company at an average price of HK$10.96 per share on the Stock Exchange. The purchase involved a total cash outlay of HK$9,679,000. The aggregate price of the purchased shares was charged to equity as "Shares held under Share Award Scheme".

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2016 and the Company has not redeemed any of its shares during the year ended 31 December 2016.

## SHARE AWARD SCHEME

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

Details of the Share Award Scheme and the shares awarded thereunder are set out in Note 18 to the consolidated financial statements.

## SHARE OPTION SCHEME

The Company has granted Mr. Andrew G. Jordan share options (the "Share Options") in respect of 2,956,130 shares which entitle Mr. Jordan to subscribe for one share at a price of HK$12.50 upon the exercise of one Share Option. The Stock Exchange considered that the grant of the Share Options was analogous to a share option scheme and it is required to be approved at the forthcoming AGM to be held in June 2017. The purpose of the share option scheme (the "Scheme") is to retain the CEO for the development of the Group's business. The Scheme is set up for a term of 10 years and will expire on 13 October 2026. 20% of the Share Options shall vest at the end of each calendar year for five years commencing with 2017, provided that the vesting in each calendar year is conditional upon (i) the Group having achieved its performance targets as set by the Board for that calendar year, and (ii) Mr. Jordan's continued service with AsiaSat during that calendar year.

# Directors' Report

## SHARE OPTION SCHEME (CONTINUED)

Movement in the share options granted to a Director during the year ended 31 December 2016:

| | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|
| **Director** | **Date of grant** | **Opening balance** | **Granted during the year** | **Exercised during the year** | **Balance as at 31 December 2016** | **Exercise price per share HK$** | **Exercisable** |
| Andrew G. JORDAN | 14 October 2016 | — | 2,956,130 | — | 2,956,130 | 12.50 | 31 December 2017–13 October 2026 |

## DIRECTORS

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

### Chairman and Non-executive Director

JU Wei Min *(re-designated from Deputy Chairman to Chairman on 1 January 2016)*

### Deputy Chairman and Non-executive Director

Gregory M. ZELUCK *(re-designated from Chairman to Deputy Chairman on 1 January 2016)*

### Executive Director

Andrew G. JORDAN *(President and Chief Executive Officer) (appointed on 1 November 2016)*
William WADE *(President and Chief Executive Officer) (resigned on 1 November 2016)*

### Non-executive Directors

LUO Ning
Peter JACKSON
Julius M. GENACHOWSKI
Alex S. YING

# Directors' Report

## Alternate Director

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

## Independent Non-executive Directors

Stephen LEE Hoi Yin
Kenneth McKELVIE
James WATKINS
Maura WONG Hung Hung

Mr. William Wade resigned from the Board on 1 November 2016 due to retirement and he has confirmed that he had no disagreement with the Board.

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mr. Ju Wei Min, Mr. Stephen Lee Hoi Yin and Mr. Julius M. Genachowski will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 101 of the Company's Bye-laws, Mr. Andrew G. Jordan, who was appointed as an ED after the last AGM, will retire and, being eligible, offer himself for re-election.

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

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

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

Mr. William Wade had a service contract with the Company as the CEO of the Company with effect from 1 August 2010 and he resigned on 1 November 2016 and remained as senior advisor to the Group until 31 March 2017.

Mr. Andrew G. Jordan has a service contract with the Company as the CEO of the Company with effect from 1 November 2016. The contract can be terminated by either party by giving the other six months' notice in writing.

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

## UPDATE ON DIRECTORS' INFORMATION

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

With effect from 1 November 2016, Mr. Andrew G. Jordan was appointed as an ED and CEO.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 42 to 46.

# Directors' Report

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

At 31 December 2016, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, were as follows:

### Ordinary shares of HK$0.10 each in the Company at 31 December 2016

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

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

\# Appointed as an ED and CEO on 1 November 2016

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

# Directors' Report

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that, as at 31 December 2016, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

### Ordinary shares of HK$0.10 each in the Company at 31 December 2016

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

# Directors' Report

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

### Ordinary shares of HK$0.10 each in the Company at 31 December 2016 (continued)

Notes:

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

(2) Jupiter Investment Holdings, L.L.C. ("Jupiter"), a subsidiary of the Carlyle Group L.P. ("Carlyle") controls 50% of the voting rights of Bowenvale. Accordingly, Jupiter and Carlyle are deemed to be interested in the total of 291,174,695 shares of the Company held by Bowenvale.

## MANAGEMENT CONTRACTS

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

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the total revenue from the Group's five largest customers represented 32% of the Group's consolidated revenue and the total revenue from the Group's largest customer represented 10% of the Group's consolidated revenue. The total amount of purchases attributable to the Group's five largest suppliers was 30% of the total purchases and the largest supplier represented 18% of the Group's total purchases.

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

# Directors' Report

## CONTINUING CONNECTED TRANSACTIONS

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

The Group has signed the transponder master agreement ("2012 Agreement") with CITIC Networks Company Limited ("CITIC Networks", a wholly-owned subsidiary of CITIC) and CITICSat, under which the Group provided satellite transponder capacity to CITIC Networks and CITICSat for use by their customers. Furthermore, pursuant to this agreement, CITICSat is responsible for marketing activities in China on behalf of the Group. In return, the Group reimburses the expenditure CITICSat incurs plus a marketing fee, which is collectively known as the marketing expense.

The 2012 Agreement expired in October 2015 and the Group has signed a new transponder master agreement ("2015 Agreement") with CITIC Networks and CITICSat for the provision of satellite transponder capacity for use by their customers for three years.

Pursuant to the 2015 Agreement, the Group charges a utilisation fee to CITICSat based on the market comparable rate or at a rate similar to those the Group would have offered to independent third party customers in China with a discount of no more than 5%, to be determined with reference to the projected sales for the relevant year and the discount that the Group would have offered to other bulk purchaser(s) of its satellite transponder capacity in China. Furthermore, the Group will pay a marketing consulting fee to CITICSat for marketing activities in China but will no longer reimburse the expenditure incurred by CITICSat as previously stipulated in the 2012 Agreement. The marketing consulting fee is a fixed fee of RMB1,000,000 plus a variable fee of 0.25% over any recognised sales by CITICSat of the satellite transponder capacity in excess of RMB200,000,000.

# Directors' Report

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

As part of CITIC's restructuring initiatives, the satellite-related telecommunications businesses of CITIC Networks and CITICSat were transferred to CITIC Digital Media Networks Co., Ltd. ("CITIC Digital", a wholly-owned subsidiary of CITIC) and its branch, CITIC Digital Media Networks Co., Ltd. Satellite Telecommunications Branch ("CITIC Digital Branch"), respectively with effect from 31 December 2016. The Company entered into a novation agreement such that CITIC Digital has replaced CITIC Networks and CITIC Digital Branch has replaced CITICSat as parties to the 2015 Agreement with effect from 31 December 2016.

Pursuant to the 2015 Agreement, the total utilisation fee generated in 2016 was HK$301,047,000 (2015: HK$270,516,000). The total marketing consulting fee paid in 2016 was HK$1,333,000 (2015: HK$11,701,000); the substantial decrease resulted as the Group did not reimburse the expenditure of CITICSat (now CITIC Digital Branch) incurred in 2016.

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

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

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

# Directors' Report

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

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

Pursuant to the Dividend Facility Agreement, if, among other things, any person or group of persons acting in concert (other than, in each case, Bowenvale or any existing direct or indirect shareholder of Bowenvale as at the date of the Dividend Facility Agreement) gains direct or indirect control of the Company, then the Dividend Facility shall immediately be cancelled and all the outstanding amounts under the Dividend Facility shall become immediately due and payable. The outstanding amount of the Dividend Facility is US$190 million as at 31 December 2016.

## PERMITTED INDEMNITY PROVISIONS

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to, and within the knowledge of, the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares as at 15 March 2017.

# Directors' Report

## AUDITOR

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

By order of the Board

**Sue YEUNG**
*Company Secretary*

Hong Kong, 15 March 2017

# Audit Committee Report

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

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

The AC reviewed and discussed with management and the IA the 2016 consolidated financial statements included in the 2016 Annual Report. In this regard, the AC had discussions with management with regard to new, or changes in, accounting policies as applied and significant judgments affecting the Group's financial statements. The AC also received reports and met with the IA to discuss the general scope of their audit work (including the impact of changes in accounting policies and auditing standards as applied).

Based on these reviews and discussions and the report of the IA, the AC recommended to the Board approval of the consolidated financial statements for the year ended 31 December 2016, with the Independent Auditor's Report thereon.

The AC also reviewed and recommended to the Board approval of the unaudited condensed consolidated financial information for the first six months of 2016, prior to public announcement and filing.

The AC recommended to the Board that the Shareholders be asked to re-appoint PricewaterhouseCoopers as the Group's IA for 2017.

## MEMBERS OF THE AUDIT COMMITTEE

| | |
|---|---|
| Kenneth McKelvie | *(Chairman)* |
| Stephen Lee Hoi Yin | |
| James Watkins | |
| Maura Wong Hung Hung | |
| Ju Wei Min | *(Non-voting)* |
| Alex S. Ying | *(Non-voting)* |

Hong Kong, 15 March 2017

# Index to the Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | Note | **HK$'000** | HK$'000 |
| Revenue | 5 | **1,272,385** | 1,310,991 |
| Cost of services | 6 | **(627,392)** | (578,226) |
| **Gross profit** | | **644,993** | 732,765 |
| Administrative expenses | 6 | **(138,313)** | (143,329) |
| Other gains — net | 7 | **4,651** | 19,256 |
| **Operating profit** | | **511,331** | 608,692 |
| Finance expenses | 9 | **(54,353)** | (76,695) |
| **Profit before income tax** | | **456,978** | 531,997 |
| Income tax expense | 10 | **(27,044)** | (92,242) |
| **Profit and total comprehensive income attributable to the owners of the Company for the year** | | **429,934** | 439,755 |
| **Earnings per share attributable to the owners of the Company for the year** (expressed in HK$ per share) | | | |
| **Basic earnings per share** | 11 | **1.10** | 1.12 |
| **Diluted earnings per share** | 11 | **1.10** | 1.12 |

The notes on pages 67 to 127 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

| | Note | As at 31 December 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land and land use rights | 13 | **17,785** | 18,368 |
| Property, plant and equipment | 14 | **6,830,436** | 6,889,238 |
| Unbilled receivables | | **19,575** | 12,041 |
| Deposit | 16 | **2,851** | 2,616 |
| **Total non-current assets** | | **6,870,647** | 6,922,263 |
| **Current assets** | | | |
| Unbilled receivables | | **9,215** | — |
| Trade and other receivables | 16 | **317,624** | 359,596 |
| Cash and bank balances | 17 | **240,583** | 237,579 |
| **Total current assets** | | **567,422** | 597,175 |
| **Total assets** | | **7,438,069** | 7,519,438 |
| **EQUITY** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | **39,120** | 39,120 |
| Reserves | 19 | | |
| — Retained earnings | | **3,029,950** | 2,597,197 |
| — Other reserves | | **35,600** | 37,191 |
| | | **3,104,670** | 2,673,508 |
| Non-controlling interests | | **904** | 782 |
| **Total equity** | | **3,105,574** | 2,674,290 |

# Consolidated Statement of Financial Position

| | Note | As at 31 December 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 20 | **2,913,283** | 3,252,379 |
| Deferred income tax liabilities | 22 | **432,271** | 426,884 |
| Other payables | | **39,000** | — |
| Deferred revenue | 21 | **67,215** | 80,314 |
| Other amounts received in advance | | **1,377** | 1,377 |
| **Total non-current liabilities** | | **3,453,146** | 3,760,954 |
| **Current liabilities** | | | |
| Bank borrowings | 20 | **350,040** | 495,740 |
| Construction payables | | **30,521** | 51,397 |
| Other payables and accrued expenses | | **68,725** | 103,928 |
| Deferred revenue | 21 | **173,085** | 162,343 |
| Current income tax liabilities | | **256,978** | 270,786 |
| **Total current liabilities** | | **879,349** | 1,084,194 |
| **Total liabilities** | | **4,332,495** | 4,845,148 |
| **Total equity and liabilities** | | **7,438,069** | 7,519,438 |

The notes on pages 67 to 127 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 127 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf.

**JU Wei Min**
*Director*

**Andrew G. JORDAN**
*Director*

# Consolidated Statement of Changes In Equity

| | Note | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital HK$'000 | Share premium HK$'000 | Shares held under Share Award Scheme HK$'000 | Share-based payment reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2015** | | 39,120 | 17,866 | (4,874) | 18,006 | 7,036,123 | 7,106,241 | 782 | 7,107,023 |
| **Total comprehensive income for the year** | | – | – | – | – | 439,755 | 439,755 | – | 439,755 |
| **Transactions with owners** | | | | | | | | | |
| Employees share award scheme: | | | | | | | | | |
| – Shares held under Share Award Scheme | | – | – | (9,763) | – | – | (9,763) | – | (9,763) |
| – Share-based payment | | – | – | – | 11,134 | – | 11,134 | – | 11,134 |
| – Shares vested under Share Award Scheme | | – | – | 14,494 | (14,494) | – | – | – | – |
| Transfer to share-based payment reserve | | – | – | – | 4,822 | (4,822) | – | – | – |
| Final dividend relating to 2014 | | – | – | – | – | (152,566) | (152,566) | – | (152,566) |
| Interim dividend relating to 2015 | 12 | – | – | – | – | (70,415) | (70,415) | – | (70,415) |
| Special interim dividend relating to 2015 | 12 | – | – | – | – | (4,651,314) | (4,651,314) | – | (4,651,314) |
| Dividend for shares held by Share Award Trust | | – | – | – | – | 436 | 436 | – | 436 |
| **Total transactions with owners, recognised directly in equity** | | – | – | 4,731 | 1,462 | (4,878,681) | (4,872,488) | – | (4,872,488) |
| **Balance at 31 December 2015** | | 39,120 | 17,866 | (143) | 19,468 | 2,597,197 | 2,673,508 | 782 | 2,674,290 |
| **Balance at 1 January 2016** | | **39,120** | **17,866** | **(143)** | **19,468** | **2,597,197** | **2,673,508** | **782** | **2,674,290** |
| **Total comprehensive income for the year** | | **–** | **–** | **–** | **–** | **429,934** | **429,934** | **–** | **429,934** |
| **Transactions with owners** | | | | | | | | | |
| Employees share award scheme: | | | | | | | | | |
| – Shares held under Share Award Scheme | | **–** | **–** | **(9,679)** | **–** | **–** | **(9,679)** | **–** | **(9,679)** |
| – Share-based payment | | **–** | **–** | **–** | **10,907** | **–** | **10,907** | **–** | **10,907** |
| – Shares vested under Share Award Scheme | | **–** | **–** | **9,822** | **(9,822)** | **–** | **–** | **–** | **–** |
| Transfer from share-based payment reserve | | **–** | **–** | **–** | **(2,819)** | **2,819** | **–** | **–** | **–** |
| Dissolution of Partnership | | **–** | **–** | **–** | **–** | **–** | **–** | **122** | **122** |
| **Total transactions with owners, recognised directly in equity** | | **–** | **–** | **143** | **(1,734)** | **2,819** | **1,228** | **122** | **1,350** |
| **Balance at 31 December 2016** | | **39,120** | **17,866** | **–** | **17,734** | **3,029,950** | **3,104,670** | **904** | **3,105,574** |

The notes on pages 67 to 127 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | Note | **HK$'000** | HK$'000 |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 23 | **1,070,350** | 1,068,928 |
| Interest paid | | **(60,208)** | (56,016) |
| Hong Kong profits tax refunded | | **29,927** | — |
| Hong Kong profits tax paid | | **(5,269)** | (80,018) |
| Overseas tax paid | | **(44,263)** | (58,152) |
| **Net cash generated from operating activities** | | **990,537** | 874,742 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(405,772)** | (691,865) |
| Proceeds from disposals of property, plant and equipment | 23 | **81** | 20,619 |
| Interest received | | **1,176** | 25,530 |
| Increase in short-term bank deposits with maturities over three months | | **—** | 2,173,783 |
| **Net cash (used in)/generated from investing activities** | | **(404,515)** | 1,528,067 |
| **Cash flows from financing activities** | | | |
| Purchases of shares under Share Award Scheme | | **(9,679)** | (9,763) |
| Proceeds from bank borrowings | | **—** | 1,896,094 |
| Repayment of bank borrowings | | **(522,598)** | (327,598) |
| Interest paid | | **(50,741)** | (15,259) |
| Dividends paid | 12 | **—** | (4,873,859) |
| **Net cash used in financing activities** | | **(583,018)** | (3,330,385) |
| **Net increase/(decrease) in cash and cash equivalents** | | **3,004** | (927,576) |
| Cash and cash equivalents at beginning of the year | | **237,579** | 1,165,155 |
| **Cash and cash equivalents at end of the year** | 17 | **240,583** | 237,579 |

The notes on pages 67 to 127 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Going concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately HK$311,927,000 (2015: HK$487,019,000). Included in the Group's current liabilities were deferred revenue of HK$173,085,000 (2015: HK$162,343,000) 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 net current liabilities less deferred revenue was HK$138,842,000 (2015: HK$324,676,000). The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of resources generated from its operations, together with the available banking facilities. Based on these forecasts and projections, 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 the Group's consolidated financial statements. Therefore, the Group has prepared its consolidated financial statements on a going concern basis.

#### 2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

| | |
|---|---|
| HKAS 1 (Amendment) | Disclosure Initiative |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| HKAS 27 (Amendment) | Equity Method in Separate Financial Statements |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exemption |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations |
| Annual Improvements 2014 | Annual Improvements 2012–2014 Cycle |

The adoption of these new and amended standards did not result in substantial changes to the accounting policies and consolidated financial statements of the Group in the current year.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### 2.1.2 Changes in accounting policies and disclosures (Continued)

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

The following new standards and amendments to existing standards have been issued, but are not effective for the financial year beginning 1 January 2016 and have not been early adopted.

| | |
|---|---|
| HKAS 7 (Amendment) | Statement of Cash Flows[1] |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |

1 Effective for the Group for annual periods beginning on or after 1 January 2017
2 Effective for the Group for annual periods beginning on or after 1 January 2018
3 Effective for the Group for annual periods beginning on or after 1 January 2019
4 To be determined

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application and is not yet in a position to state whether these new and amended standards will have any significant impact on the Group's result of operations and financial position.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation

#### (a) Subsidiaries

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

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

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

#### (b) Transactions with non-controlling interests

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation (Continued)

#### (c) Disposal of subsidiaries

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

### 2.3 Separate financial statements

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

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

### 2.4 Segment reporting

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

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (Continued)

#### (b) Transactions and balances

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

#### (c) Group companies

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

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

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment

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

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

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

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

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

| | |
|---|---|
| Satellites: | |
| — AsiaSat 3S | 6.25% |
| — AsiaSat 4 | 6.67% |
| — AsiaSat 5 | 6.25% |
| — AsiaSat 6 | 6.25% |
| — AsiaSat 7 | 6.25% |
| — AsiaSat 8 | 6.25% |
| Buildings | 4% |
| Tracking facilities | 10%–20% |
| Furniture, fixtures and fittings | 20%–33% |
| Office equipment | 25%–33% |
| Motor vehicles | 25% |
| Teleport equipment | 30% |
| Plant and equipment | 20% |

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment (Continued)

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

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

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

### 2.7 Impairment of non-financial assets

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

### 2.8 Financial assets

#### (a) Loans and receivables

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### (b) Impairment of financial assets carried at amortised cost

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

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that it would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### (b) Impairment of financial assets carried at amortised cost (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

### 2.9 Trade and other receivables

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Cash and cash equivalents

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

### 2.11 Share capital

Ordinary shares are classified as equity.

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

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

### 2.12 Construction payables

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

### 2.13 Borrowings

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Borrowing costs

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

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

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

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

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

### 2.15 Current and deferred income tax

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Current and deferred income tax (Continued)

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

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

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Employee benefits

#### (a) Pension obligations

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

#### (b) Share-based compensation

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

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Employee benefits (Continued)

#### (b) Share-based compensation (Continued)

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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

#### (c) Performance-based bonus

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Provisions

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

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

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

### 2.18 Contingent liabilities and contingent assets

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

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below.

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

(b) Revenue from the sale of transponder capacity under transponder purchase agreements is recognised on a straight-line basis from the date of delivery of the transponder capacity until the end of the estimated useful life of the satellite.

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

Deposits received in advance in connection with the provision of transponder capacity are deferred and included in other payables.

(c) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Leases

#### (a) As a lessee

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

#### (b) As a lessor

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

### 2.21 Dividend distribution

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk

During the year, almost all of the Group's revenues, premiums for satellite insurance coverage, interest expenses and substantially all capital expenditure were denominated in United States Dollars and Renminbi. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. At 31 December 2016 and 2015, the majority of the Group's transponder utilisation agreements, transponder purchase agreements, obligations to purchase telemetry, tracking and control equipment and bank borrowings were denominated in United States Dollars and Renminbi. The Group has not hedged its foreign currency exposure.

At 31 December 2016, certain trade receivables and cash and bank balances were denominated in Renminbi ("RMB") and the foreign currency exposure is analysed as follows:

| | **2016** | 2015 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade receivables | **91,888** | 99,497 |
| Cash and bank balances | **2,123** | 50,253 |

At 31 December 2016, it is estimated that a general increase/decrease of 500 basis points in the exchange rate of RMB against HK$, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$4,789,000 (2015: HK$8,082,000).

At 31 December 2016, certain trade receivables and cash and bank balances and bank borrowings were denominated in United States Dollars ("USD") and they mainly included the following items whose foreign currency exposure is analysed as follows:

| | **2016** | 2015 |
|---|---|---|
| | **USD'000** | USD'000 |
| Trade receivables | **10,275** | 9,437 |
| Cash and bank balances | **27,527** | 20,387 |
| Bank borrowings | **(420,618)** | (483,635) |
| Construction payables | **(3,934)** | (6,632) |
| Other payables | **(6,988)** | (2,765) |

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk (Continued)

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in the exchange rate of USD against HK$, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$14,014,000 (2015: HK$16,134,000).

The sensitivity analysis above has been determined assuming that the change in foreign currency exchange rate had occurred at the reporting date and had been applied to the amount receivable/payable in RMB and USD at that date. For RMB and USD, the 500 basis points and 50 basis points increase/decrease respectively represent management's assessment of a reasonably possible change in the foreign currency exchange rate over the period until the next annual reporting date. The analysis is presented on the same basis for 2015.

#### (b) Credit risk

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

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

#### (c) Cash flow and fair value interest rate risk

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

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (c) Cash flow and fair value interest rate risk (Continued)

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

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Effective interest rate %** | **HK$'000** | Effective interest rate % | HK$'000 |
| Short-term deposits | **—** | **—** | 3.8% | 1,008 |
| Bank borrowings | **3.6%** | **1,446,021** | 3.4% | 1,661,571 |

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in the interest rate, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately HK$14,460,000 (2015: HK$16,605,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the interest-bearing short-term bank deposits and bank borrowings in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The analysis is performed on the same basis for 2015.

#### (d) Liquidity risk

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

As at 31 December 2016, the Group had available unutilised banking facilities of approximately HK$466,168,000 out of which approximately HK$155,168,000 will be expired in June 2017 and the remaining of HK$311,000,000 will be expired in July 2020.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (d) Liquidity risk (Continued)

As at 31 December 2015, the Group had available unutilised banking facilities of approximately HK$154,998,000 which are available for a term of 5 years from 27 July 2015, the initial drawdown date of the facilities.

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

| | **2016** | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Within 1 year HK$'000** | **More than 1 year but less than 5 years HK$'000** | **More than 5 years HK$'000** | **Total HK$'000** | Within 1 year HK$'000 | More than 1 year but less than 5 years HK$'000 | More than 5 years HK$'000 | Total HK$'000 |
| Bank borrowings | **457,183** | **2,805,201** | **444,379** | **3,706,763** | 619,481 | 2,927,113 | 750,191 | 4,296,785 |
| Construction payables | **30,521** | **—** | **—** | **30,521** | 51,397 | — | — | 51,397 |
| Other payables and accrued expenses | **68,725** | **39,000** | **—** | **107,725** | 103,928 | — | — | 103,928 |
| | **556,429** | **2,844,201** | **444,379** | **3,845,009** | 774,806 | 2,927,113 | 750,191 | 4,452,110 |

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital management

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

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

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

In December 2013, the Group entered a long-term loan agreement to finance the construction of AsiaSat 6 and AsiaSat 8 satellites. In June 2015, the Group entered another loan agreement to finance the dividend payments and working capital of the Group. The Group is required to comply with certain financial covenants. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2016, the Group complied with all of the covenants on the above borrowing agreements.

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

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital management (Continued)

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Total bank borrowings (Note 20) | **3,263,323** | 3,748,119 |
| Less: cash and bank balances (Note 17) | **(240,583)** | (237,579) |
| Net debt | **3,022,740** | 3,510,540 |
| Total equity | **3,105,574** | 2,674,290 |
| Total capital | **6,128,314** | 6,184,830 |
| Gearing ratio | **49%** | 57% |

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

### 3.3 Fair value estimation

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### 4.1 Critical accounting estimates

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

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 4.1 Critical accounting estimates (Continued)

#### (a) Useful lives of in-orbit satellites

The Group's operations are capital intensive and it has significant investments in satellites. The carrying value of the Group's in-orbit satellites that have been commissioned and brought into service and which are not fully depreciated (AsiaSat 4, AsiaSat 5, AsiaSat 6, AsiaSat 7 and AsiaSat 8) represented 64% of its total assets as of 31 December 2016 (2015: 69%). The Group estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reporting period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual lives of satellites are longer than the Group has estimated, the Group would have a smaller depreciation expense. As a result, if the Group's estimations of the useful lives of its satellites are not accurate or are required to be changed in the future, the Group's net income in future periods would be affected.

For the year ended 31 December 2016, it is estimated that a general increase/decrease of one year of useful life of the in-orbit satellites, with all other variables held constant, would decrease/increase the depreciation charge for the year by approximately HK$29,146,000 (2015: HK$25,976,000) and HK$33,098,000 (2015: HK$29,542,000) respectively.

### 4.2 Critical judgments in applying the entity's accounting policies

#### (a) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the deductibility of certain expenses items. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

The Group is required to evaluate at each reporting date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. If any such indication exists, the Group should estimate the recoverable amount of the long-lived assets. An impairment loss is recognised for the excess of the carrying amount of such long-lived assets over their recoverable amounts. The recoverable amount is determined at the higher of fair value less costs to sell and value in use. The value in use is the present value of the cash flows expected to arise from the continuing use of long-lived assets and cash arising from its disposal at the end of its useful life. The estimates of the cash flows are based on the terms and period of existing transponder utilisation agreements ("Existing Agreements") and the anticipated renewal of these Existing Agreements.

Modifications to the terms of the Existing Agreements that result in shorter utilisation periods upon renewal and/or those that result in the reduction in agreed rates will result in a lower recoverable amount (if the discount rate used is not changed); which may, in turn, result in a situation wherein the recoverable amounts are less than the carrying amounts (therefore, an impairment loss would need to be recognised).

At 31 December 2016 and 2015, there had been no indication that the carrying amounts of long-lived assets of the Group may have become impaired.

## 5 REVENUE AND SEGMENT INFORMATION

### (a) Revenue:

The Group's revenue is analysed as follows:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Income from provision of satellite transponder capacity | | |
| — recurring (Note) | **1,216,783** | 1,257,433 |
| Sales of satellite transponder capacity | **13,363** | 13,585 |
| Other revenues | **42,239** | 39,973 |
| | **1,272,385** | 1,310,991 |

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Revenue: (Continued)

Note: For the year ended 31 December 2016, a total amount of HK$13,269,000 (2015: HK$25,508,000) was recorded as the additional revenue received or receivable from certain customers following the enactment of the Finance Act in India in 2012, which imposes tax on the Group for revenue that could be considered as Indian sourced. Further details were set out in Note 10 to these consolidated financial statements.

### (b) Segment information:

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

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

The Group is domiciled in Hong Kong. The revenue from customers in Hong Kong and Greater China for the year ended 31 December 2016 are HK$177,283,000 (2015: HK$200,684,000) and HK$315,265,000 (2015: HK$289,482,000) respectively, and the total revenue from customers in other countries is HK$779,837,000 (2015: HK$820,825,000). For the purpose of classification, the geographical source of revenue is determined based on the place of incorporation of the customers instead of the footprint of the satellites of the Group which may involve transmission to multiple geographical areas under a single satellite transponder capacity arrangement.

For the year ended 31 December 2016, revenues of approximately HK$126,027,000 (2015: HK$125,827,000), which accounted for approximately 10% (2015: 10%) of the total revenue, are derived from a single external customer for the provision of satellite telecommunication systems for broadcasting and telecommunication.

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

# Notes to the Consolidated Financial Statements

## 6 EXPENSES BY NATURE

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

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Auditor's remuneration | | |
| — audit services | **1,900** | 1,675 |
| — non-audit services | **1,240** | 1,536 |
| Provision/(write back) for impairment of | | |
| — trade receivables, net (Note 16) | **2,350** | (1,317) |
| — other receivables | **—** | (4,403) |
| Depreciation of property, plant and equipment (Note 14) | **521,816** | 469,135 |
| Employee benefit expense (Note 8) | **132,030** | 143,909 |
| Operating leases | | |
| — Office premises | **7,973** | 8,852 |
| — Leasehold land and land use rights (Note 13) | **583** | 583 |
| Net exchange loss | **8,785** | 21,166 |
| Marketing and promotions expense | **5,015** | 5,167 |
| Satellite operations | **7,363** | 7,109 |

## 7 OTHER GAINS — NET

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Interest income | **4,808** | 18,835 |
| Net (loss)/gain on disposals of property, plant and equipment | **(157)** | 421 |
| | **4,651** | 19,256 |

# Notes to the Consolidated Financial Statements

## 8 EMPLOYEE BENEFIT EXPENSE

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Salary and other benefits, including directors' remuneration | **112,506** | 123,027 |
| Share-based payment | **10,907** | 11,134 |
| Pension costs — defined contribution plans | **8,617** | 9,748 |
| Total staff costs | **132,030** | 143,909 |

| | **2016** | 2015 |
|---|---|---|
| Number of employees | **144** | 138 |

### (a) Pensions — defined contribution plans

Forfeited contributions totaling HK$1,513,000 (2015: HK$44,000) were fully utilised during the year, leaving no available balance at the year end to reduce future contributions.

There was no outstanding balance of contribution payable at both 31 December 2016 and 31 December 2015.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2015: one) director whose emoluments are reflected in the analysis shown in Note 29. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Basic salaries, housing allowances, other allowances and benefits in kind | **14,813** | 16,463 |
| Employer's contribution to pension scheme | **2,016** | 2,084 |
| Performance related bonuses | **2,880** | 2,907 |
| Share-based payment | **3,695** | 4,039 |
| | **23,404** | 25,493 |

# Notes to the Consolidated Financial Statements

## 8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

### (b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2016** | 2015 |
| Emolument bands (in HK dollar) | | |
| HK$3,000,001 — HK$3,500,000 | **1** | — |
| HK$5,500,001 — HK$6,000,000 | **1** | 1 |
| HK$6,000,001 — HK$6,500,000 | **—** | 2 |
| HK$7,000,001 — HK$7,500,000 | **1** | 1 |
| HK$7,500,001 — HK$8,000,000 | **1** | — |
| | **4** | 4 |

## 9 FINANCE EXPENSES

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest expenses incurred on bank borrowings | **132,881** | 102,812 |
| Less: interest capitalised on qualifying assets | **(78,528)** | (26,117) |
| Total | **54,353** | 76,695 |

The interest rate applied in determining the amount of interest capitalised in 2016 was 3.64% (2015: 3.52%).

## 10 INCOME TAX EXPENSE

A significant portion of the Group's profit is treated as earned outside Hong Kong and is not subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation, that range from 7% to 43.26% (2015: 7% to 43.26%) prevailing in the countries in which the profit is earned.

# Notes to the Consolidated Financial Statements

## 10 INCOME TAX EXPENSE (CONTINUED)

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **32,421** | 15,646 |
| — Overseas taxation (Note (b)) | **44,339** | 46,747 |
| — Adjustments in respect of prior years (Note (a), (b)) | **(55,103)** | — |
| Total current tax | **21,657** | 62,393 |
| Deferred income tax (Note 22) | **5,387** | 29,849 |
| Income tax expense | **27,044** | 92,242 |

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

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

# Notes to the Consolidated Financial Statements

## 10 INCOME TAX EXPENSE (CONTINUED)

Note: (Continued)

(b) (Continued)

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

Based on the settlement conclusion under the DRS 2016, the Group has recognised an additional provision of HK$2 million in the consolidated statement of comprehensive income for 2016 to reflect differences against the original estimates of the tax liabilities made in prior years. The final settlement paid after year end has cleared a substantial balance of the Indian income tax liability carried as at the year end.

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 net provision of HK$14 million for the year ended 31 December 2016 (2015: HK$28 million).

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before income tax | **456,978** | 531,997 |
| Tax calculated at tax rate of 16.5% (2015: 16.5%) | **75,401** | 87,779 |
| Tax effect of income not subject to income tax | **(103,348)** | (108,051) |
| Tax effect of expenses not deductible for tax purposes | **65,755** | 65,767 |
| Income tax in respect of overseas profits | **44,339** | 46,747 |
| Adjustments in respect of prior years | **(55,103)** | — |
| Tax charge | **27,044** | 92,242 |

The effective tax rate of the Group was 5.9% (2015: 17.3%).

The lower effective tax rate for the year ended 31 December 2016 was mainly attributable to the adjustments made in respect of prior years as a result of resolving certain disputes with relevant tax authorities.

# Notes to the Consolidated Financial Statements

## 11 EARNINGS PER SHARE

### Basic

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit attributable to owners of the Company | **429,934** | 439,755 |

| | **2016** | 2015 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands) | **390,989** | 390,978 |
| Basic earnings per share (HK$) | **1.10** | 1.12 |

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 Scheme

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

# Notes to the Consolidated Financial Statements

## 11 EARNINGS PER SHARE (CONTINUED)

### Share Options Scheme

The Company has share options 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 from the grant date to the end of the reporting 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.

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit attributable to owners of the Company | **429,934** | 439,755 |

| | **2016** | 2015 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands) | **390,989** | 390,978 |
| Effect of Award Shares (in thousands) | **987** | 894 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands) | **391,976** | 391,872 |
| Diluted earnings per share (HK$) | **1.10** | 1.12 |

The conversion of share options would have an anti-dilutive effect to the basic earnings per share during the year ended 31 December 2016.

# Notes to the Consolidated Financial Statements

## 12 DIVIDENDS

No dividends were paid in 2016. The dividends paid in 2015 were HK$4,873,859,000 (HK$12.46 per share). The Board recommends the payment of a final dividend of HK$0.20 per share (2015: HK$Nil). Such dividends are to be approved by the shareholders at the annual general meeting to be held on 14 June 2017. These consolidated financial statements do not reflect these dividends payable.

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend paid of HK$Nil (2015: HK$0.18) per ordinary share | **—** | 70,415 |
| Special interim dividend paid of HK$Nil (2015: HK$11.89) per ordinary share | **—** | 4,651,314 |
| Proposed final dividend of HK$0.20 (2015: HK$Nil) per ordinary share | **78,239** | — |
| | **78,239** | 4,721,729 |

## 13 LEASEHOLD LAND AND LAND USE RIGHTS

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| In Hong Kong held on: | | |
| Leases of between 10 to 50 years | **17,785** | 18,368 |
| At 1 January | **18,368** | 18,951 |
| Amortisation of prepaid operating lease payments (Note 6) | **(583)** | (583) |
| At 31 December | **17,785** | 18,368 |

# Notes to the Consolidated Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Satellites and tracking facilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | In operation HK$'000 | Under construction/ not ready for use HK$'000 | Buildings HK$'000 | Furniture, fixtures and fittings HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 | Teleport equipment HK$'000 | Plant and equipment HK$'000 | Total HK$'000 |
| **At 1 January 2015** | | | | | | | | | |
| Cost | 6,937,255 | 3,190,904 | 168,358 | 17,266 | 7,387 | 4,114 | 36,889 | 704 | 10,362,877 |
| Accumulated depreciation | (3,547,162) | – | (58,129) | (8,888) | (3,985) | (1,886) | (31,620) | (704) | (3,652,374) |
| Net book amount | 3,390,093 | 3,190,904 | 110,229 | 8,378 | 3,402 | 2,228 | 5,269 | – | 6,710,503 |
| **Year ended 31 December 2015** | | | | | | | | | |
| Opening net book amount | 3,390,093 | 3,190,904 | 110,229 | 8,378 | 3,402 | 2,228 | 5,269 | – | 6,710,503 |
| Additions | 11,025 | 654,514 | – | 159 | 1,170 | 1,200 | – | – | 668,068 |
| Transfer between categories | 2,371,269 | (2,371,269) | – | – | – | – | – | – | – |
| Disposals (Note 23) | (20,198) | – | – | – | – | – | – | – | (20,198) |
| Depreciation | (451,550) | – | (6,735) | (3,077) | (1,551) | (953) | (5,269) | – | (469,135) |
| Closing net book amount | 5,300,639 | 1,474,149 | 103,494 | 5,460 | 3,021 | 2,475 | – | – | 6,889,238 |
| **At 31 December 2015** | | | | | | | | | |
| Cost | 9,299,250 | 1,474,149 | 168,358 | 17,425 | 8,543 | 4,214 | 36,889 | 704 | 11,009,532 |
| Accumulated depreciation | (3,998,611) | – | (64,864) | (11,965) | (5,522) | (1,739) | (36,889) | (704) | (4,120,294) |
| Net book amount | 5,300,639 | 1,474,149 | 103,494 | 5,460 | 3,021 | 2,475 | – | – | 6,889,238 |
| **Year ended 31 December 2016** | | | | | | | | | |
| Opening net book amount | **5,300,639** | **1,474,149** | **103,494** | **5,460** | **3,021** | **2,475** | **–** | **–** | **6,889,238** |
| Additions | **13,051** | **449,277** | **–** | **47** | **877** | **–** | **–** | **–** | **463,252** |
| Disposals (Note 23) | **(238)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(238)** |
| Depreciation | **(509,457)** | **–** | **(6,734)** | **(3,039)** | **(1,628)** | **(958)** | **–** | **–** | **(521,816)** |
| Closing net book amount | **4,803,995** | **1,923,426** | **96,760** | **2,468** | **2,270** | **1,517** | **–** | **–** | **6,830,436** |
| **At 31 December 2016** | | | | | | | | | |
| Cost | **9,348,760** | **1,923,426** | **168,358** | **17,472** | **9,289** | **4,214** | **36,889** | **704** | **11,509,112** |
| Accumulated depreciation | **(4,544,765)** | **–** | **(71,598)** | **(15,004)** | **(7,019)** | **(2,697)** | **(36,889)** | **(704)** | **(4,678,676)** |
| Net book amount | **4,803,995** | **1,923,426** | **96,760** | **2,468** | **2,270** | **1,517** | **–** | **–** | **6,830,436** |

# Notes to the Consolidated Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of HK$521,816,000 (2015: HK$469,135,000) has been charged in cost of services in the consolidated statement of comprehensive income.

During the year ended 31 December 2016, the Group has capitalised borrowing costs amounting to HK$78,528,000 (2015: HK$26,117,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 3.64% (2015: 3.52%).

## 15 SUBSIDIARIES

### (a) Particulars of subsidiaries

The following is the list of the principal subsidiaries at 31 December 2016:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital and debt securities | Interest held 2016 | Interest held 2015 |
|---|---|---|---|---|---|
| AsiaSat BVI Limited# | British Virgin Islands, limited liability company | Investment holding in Hong Kong | 3,000 ordinary shares of US$1 each | **100%** | 100% |
| Asia Satellite Telecommunications Company Limited | Hong Kong, limited liability company | Provision of satellite transponder capacity worldwide | Ordinary shares of HK$300,000 and non-voting deferred shares of HK$200,000 | **100%** | 100% |

# Shares held directly by the Company.

### (b) Controlled special purpose entity

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

| Special purpose entity | Place of incorporation | Principal activities |
|---|---|---|
| Asia Satellite Share Award Trust | Jersey, Channel Islands | Administering and holding the Company's shares for the Share Award Scheme for the benefit of eligible employees |

# Notes to the Consolidated Financial Statements

## 16 TRADE AND OTHER RECEIVABLES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Trade receivables | **213,517** | 238,711 |
| Trade receivables from related parties (Note 27(d)) | **101,754** | 116,713 |
| Less: allowance for impairment of trade receivables | **(21,081)** | (20,368) |
| Trade receivables — net | **294,190** | 335,056 |
| Other receivables — net | **—** | 1,755 |
| Deposits and prepayments | **26,285** | 25,401 |
| | **320,475** | 362,212 |
| Less non-current portion: deposit | **(2,851)** | (2,616) |
| Current portion | **317,624** | 359,596 |

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

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

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

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

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Not yet due | **141,551** | 197,730 |
| 1 to 30 days | **38,123** | 40,797 |
| 31 to 60 days | **31,394** | 13,555 |
| 61 to 90 days | **14,895** | 15,724 |
| 91 to 180 days | **49,094** | 38,895 |
| 181 days or above | **40,214** | 48,723 |
| | **315,271** | 355,424 |

# Notes to the Consolidated Financial Statements

## 16 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2016, trade receivables of approximately HK$128,278,000 (2015: HK$147,324,000) are due from a single external customer. The remaining balances are relating to large number of customers that are internationally dispersed.

As of 31 December 2016, trade receivables of HK$21,081,000 (2015: HK$20,368,000) were impaired and fully provided for. The impaired receivables mainly relate to customers' failure to make payment for more than six months. The ageing analysis of these receivables is as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Not yet due | **—** | 502 |
| 1 to 30 days | **770** | 1,063 |
| 31 to 60 days | **16** | 721 |
| 61 to 90 days | **19** | 145 |
| 91 to 180 days | **2,394** | 2,832 |
| 181 days or above | **17,882** | 15,105 |
| | **21,081** | 20,368 |

Movements on the allowance for impairment of trade receivables are as follows:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| At 1 January | **20,368** | 22,924 |
| Provision/(write back) for impairment of receivables, net | **2,350** | (1,317) |
| Amounts written off | **(1,637)** | (1,239) |
| At 31 December | **21,081** | 20,368 |

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

# Notes to the Consolidated Financial Statements

## 16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Not yet due | **141,551** | 197,228 |
| 1 to 30 days | **37,353** | 39,734 |
| 31 to 60 days | **31,378** | 12,834 |
| 61 to 90 days | **14,876** | 15,579 |
| 91 to 180 days | **46,700** | 36,063 |
| 181 days or above | **22,332** | 33,618 |
| | **294,190** | 335,056 |

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## 17 CASH AND BANK BALANCES

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Cash at bank and on hand | **240,583** | 236,571 |
| Short-term bank deposits | | |
| — mature within 3 months | **—** | 1,008 |
| | **240,583** | 237,579 |

For the year ended 31 December 2016, the effective interest rate on short-term bank deposits was 1.7% (2015: 3.8%). These deposits have an average maturity of 17 days (2015: 49 days).

# Notes to the Consolidated Financial Statements

## 17 CASH AND BANK BALANCES (CONTINUED)

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash at bank and on hand | **240,583** | 236,571 |
| Short-term bank deposits | | |
| — mature within 3 months | **—** | 1,008 |
| Cash and cash equivalents | **240,583** | 237,579 |

## 18 SHARE CAPITAL

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Number of Shares ('000)** | **HK$'000** | Number of Shares ('000) | HK$'000 |
| Authorised: | | | | |
| Ordinary shares at HK$0.10 each | **550,000** | **55,000** | 550,000 | 55,000 |
| Issued and fully paid: | | | | |
| At 31 December | **391,196** | **39,120** | 391,196 | 39,120 |

### (a) Share Award Scheme

#### Scheme adopted on 22 August 2007

On 22 August 2007, the Board approved the establishment of a Share Award Scheme ("Scheme") with the objective to enhance the competitiveness of the Group in attracting and retaining the best senior staff for the development of the Group's business. Under the Scheme, award shares of the Company ("Award Shares") are granted to eligible employees of the Company or any one of its subsidiaries.

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

# Notes to the Consolidated Financial Statements

## 18 SHARE CAPITAL (CONTINUED)

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

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

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

During the year, a total of 813,922 shares (2015: 1,372,457 shares) have been awarded to employees at no consideration. In 2015, the Award Shares included additional shares of 778,008 granted at no consideration to executive directors and employees as a result of the payment of a special interim dividend in 2015. A total of 891,804 shares (2015: 522,645 shares) at a cost of HK$9,822,000 (2015: HK$14,494,000) were vested during the year. A total of 148,127 shares (2015: nil) at a cost of HK$1,436,000 (2015: nil) were forfeited during the year.

There were no shares awarded to the executive director (2015 : 192,689 shares). The number of shares vested in the executive director was 113,386 shares (2015: 75,928 shares) for the year ended 31 December 2016.

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

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Average fair value per share HK$** | **Number of Award Shares** | Average fair value per share HK$ | Number of Award Shares |
| **At 1 January** | **15.88** | **2,468,949** | 23.36 | 1,619,137 |
| Awarded | **11.16** | **813,922** | 17.82 | 1,372,457 |
| Vested | **11.01** | **(891,804)** | 27.73 | (522,645) |
| Forfeited | **9.69** | **(148,127)** | — | — |
| **At 31 December** | **14.79** | **2,242,940** | 15.88 | 2,468,949 |

# Notes to the Consolidated Financial Statements

## 18 SHARE CAPITAL (CONTINUED)

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

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

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Value HK$'000 | Number of shares held | Value HK$'000 | Number of shares held |
| **At 1 January** | **143** | **8,415** | 4,874 | 178,060 |
| Purchase during the year | **9,679** | **883,389** | 9,763 | 353,000 |
| Shares vested during the year | **(9,822)** | **(891,804)** | (14,494) | (522,645) |
| **At 31 December** | **—** | **—** | 143 | 8,415 |

The remaining vesting periods of the Award Shares outstanding as at 31 December 2016 are between 0.5 year to 4.5 years (2015: 0.5 year to 4.5 years).

### (b) Share Option Scheme

The Company has granted share options in respect of 2,956,130 shares at no consideration to Mr. Andrew G. Jordan in accordance with the terms of his appointment as the executive director and President and Chief Executive Officer on 14 October 2016. 20% of the share options shall vest at the end of each calendar year for five years commencing with 2017, provided that the vesting in each calendar year is conditional upon (i) the Group having achieved its performance targets as set by the Board for that calendar year, and (ii) Mr. Jordan's continued service with the Group during that calendar year. The share options can be exercised at anytime after vesting. The sole participant of this scheme is Mr. Jordan and the scheme is valid for 10 years and is subject to approval by the shareholders in the Company's Annual General Meeting to be held in June 2017. The expiry date of the share options is on 13 October 2026.

# Notes to the Consolidated Financial Statements

## 18 SHARE CAPITAL (CONTINUED)

### (b) Share Option Scheme (Continued)

Movement in the number of share options outstanding and their related average exercise fair value is as follows:

| | 2016 | |
|---|---|---|
| | Exercise price per share option HK$ | Number of share options |
| **At 1 January** | | — |
| Granted | 12.50 | 2,956,130 |
| **At 31 December** | **12.50** | **2,956,130** |

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

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

# Notes to the Consolidated Financial Statements

## 19 RESERVES

| | Share premium HK$'000 | Shares held under Share Award Scheme HK$'000 | Share-based payment reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 1 January 2015** | 17,866 | (4,874) | 18,006 | 7,036,123 | 7,067,121 |
| Profit for the year | – | – | – | 439,755 | 439,755 |
| Purchase of shares under Share Award Scheme | – | (9,763) | – | – | (9,763) |
| Share-based payment | – | – | 11,134 | – | 11,134 |
| Shares vested under Share Award Scheme | – | 14,494 | (14,494) | – | – |
| Transfer to share-based payment reserve | – | – | 4,822 | (4,822) | – |
| Final dividend relating to 2014 | – | – | – | (152,566) | (152,566) |
| Interim dividend relating to 2015 | – | – | – | (70,415) | (70,415) |
| Special interim dividend relating to 2015 | – | – | – | (4,651,314) | (4,651,314) |
| Dividend for shares held by Share Award Trust | – | – | – | 436 | 436 |
| **At 31 December 2015** | 17,866 | (143) | 19,468 | 2,597,197 | 2,634,388 |
| **At 1 January 2016** | **17,866** | **(143)** | **19,468** | **2,597,197** | **2,634,388** |
| Profit for the year | **–** | **–** | **–** | **429,934** | **429,934** |
| Purchase of shares under Share Award Scheme | **–** | **(9,679)** | **–** | **–** | **(9,679)** |
| Share-based payment | **–** | **–** | **10,907** | **–** | **10,907** |
| Shares vested under Share Award Scheme | **–** | **9,822** | **(9,822)** | **–** | **–** |
| Transfer from share-based payment reserve | **–** | **–** | **(2,819)** | **2,819** | **–** |
| **At 31 December 2016** | **17,866** | **–** | **17,734** | **3,029,950** | **3,065,550** |

# Notes to the Consolidated Financial Statements

## 20 BANK BORROWINGS

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current | **350,040** | 495,740 |
| Non-current | **2,913,283** | 3,252,379 |
| | **3,263,323** | 3,748,119 |

The Group utilised banking facilities of approximately HK$3,339,980,000 (2015: HK$3,855,563,000) as at 31 December 2016. The carrying amount of the bank borrowings was approximately HK$3,263,323,000 (2015: HK$3,748,119,000), after netting off transaction costs of approximately HK$76,657,000 (2015: HK$107,444,000).

Bank borrowings are all denominated in USD.

The bank borrowings amounting to HK$1,817,302,000 (2015: HK$2,086,549,000) 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 (2015: 2.65% per annum). The effective interest rate on these bank borrowings was 3.52% (2015: 3.52%). The fair values of these bank borrowings are based on cash flows discounted using a rate based on the effective interest rate of 3.46% (2015: 3.55%) and are 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 the certain satellites other than AsiaSat 6 and AsiaSat 8 satellites. 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 a 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 3.64% (2015: 3.35%).

# Notes to the Consolidated Financial Statements

## 20 BANK BORROWINGS (CONTINUED)

At 31 December 2016, the Group's bank borrowings were repayable as follows:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **350,040** | 495,740 |
| Between 1 and 2 years | **344,675** | 342,090 |
| Between 2 and 5 years | **2,141,693** | 2,202,504 |
| Over 5 years | **426,915** | 707,785 |
| | **3,263,323** | 3,748,119 |

The interest expense on bank borrowings for the year ended 31 December 2016 was HK$132,881,000 (2015: HK$102,812,000), of which HK$78,528,000 (2015: HK$26,117,000) was capitalised as the costs of property, plant and equipment during the year.

In December 2016, the Group has also obtained a short-term credit facility of HK$155,168,000 with a maturity date of one year after the initial drawdown date. The facility is available for drawdown within 6 months from December 2016 and any undrawn facility will then be cancelled. The Group did not make any drawdown from this facility at the end of 2016.

As at 31 December 2016, the Group had available unutilised banking facilities of approximately HK$466,168,000 out of which approximately HK$155,168,000 will be expired in June 2017 and the remaining of HK$311,000,000 will be expired in July 2020.

As at 31 December 2015, the Group had available unutilised banking facilities of approximately HK$154,998,000 which are available for a term of 5 years from 27 July 2015, the initial drawdown date of the facilities.

# Notes to the Consolidated Financial Statements

## 20 BANK BORROWINGS (CONTINUED)

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

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current | **350,040** | 495,740 | **352,049** | 495,382 |
| Non-current | **2,913,283** | 3,252,379 | **2,917,160** | 3,250,354 |
| | **3,263,323** | 3,748,119 | **3,269,209** | 3,745,736 |

## 21 DEFERRED REVENUE

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The maturity of deferred revenue is as follows: | | |
| Within one year | **173,085** | 162,343 |
| More than one year | **67,215** | 80,314 |
| | **240,300** | 242,657 |

## 22 DEFERRED INCOME TAX LIABILITIES

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 January | **426,884** | 397,035 |
| Recognised in the consolidated statement of comprehensive income (Note 10) | **5,387** | 29,849 |
| At 31 December | **432,271** | 426,884 |

# Notes to the Consolidated Financial Statements

## 22 DEFERRED INCOME TAX LIABILITIES (CONTINUED)

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

| | Accelerated tax depreciation HK$'000 | Share-based payment reserve HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 1 January 2015** | 398,520 | (1,485) | — | 397,035 |
| Recognised in the consolidated statement of comprehensive income | 29,970 | (121) | — | 29,849 |
| **At 31 December 2015** | **428,490** | **(1,606)** | **—** | **426,884** |
| Recognised in the consolidated statement of comprehensive income | **5,456** | **143** | **(212)** | **5,387** |
| **At 31 December 2016** | **433,946** | **(1,463)** | **(212)** | **432,271** |

Deferred income tax assets are recognised for tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has no significant unrecognised deferred income tax assets (2015: HK$Nil).

# Notes to the Consolidated Financial Statements

## 23 CASH GENERATED FROM OPERATIONS

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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Profit for the year before income tax | **456,978** | 531,997 |
| Adjustments for: | | |
| — Provision/(write back) for impairment of trade receivables, net | **2,350** | (1,317) |
| — Write back for impairment of other receivables | **—** | (4,403) |
| — Share-based payment (Note 8) | **10,907** | 11,134 |
| — Amortisation of prepaid operating lease payments (Note 13) | **583** | 583 |
| — Depreciation (Note 14) | **521,816** | 469,135 |
| — Net loss/(gain) on disposals of property, plant and equipment (see below) | **157** | (421) |
| — Interest income (Note 7) | **(4,808)** | (18,835) |
| — Finance expenses | **54,353** | 76,695 |
| — Unrealised exchange loss/(gain) | **1,183** | (16,267) |
| Changes in working capital: | | |
| — Unbilled receivables | **(16,749)** | (4,373) |
| — Trade and other receivables | **34,657** | 86,023 |
| — Other payables and accrued expenses | **11,280** | (16,367) |
| — Deferred revenue | **(2,357)** | (44,656) |
| Cash flows from operations | **1,070,350** | 1,068,928 |

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

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Net book amount of disposals (Note 14) | **238** | 20,198 |
| Net (loss)/gain on disposals (Note 7) | **(157)** | 421 |
| Proceeds from disposals of property, plant and equipment | **81** | 20,619 |

# Notes to the Consolidated Financial Statements

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

| | Loans and receivables | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Assets as per consolidated statement of financial position** | | |
| Trade and other receivables excluding prepayments | **300,232** | 343,580 |
| Cash and bank balances (Note 17) | **240,583** | 237,579 |
| Deposit — non-current | **2,851** | 2,616 |
| Total | **543,666** | 583,775 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Liabilities as per consolidated statement of financial position** | | |
| Bank borrowings | **3,263,323** | 3,748,119 |
| Construction payables | **30,521** | 51,397 |
| Other payables and accrued expenses | **107,725** | 103,928 |
| Total | **3,401,569** | 3,903,444 |

## 25 CONTINGENCIES

The Group had no significant contingent liabilities as of 31 December 2016.

# Notes to the Consolidated Financial Statements

## 26 COMMITMENTS

### Capital commitments

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| AsiaSat 9 | | |
| Contracted but not provided for | **312,861** | 618,899 |
| Other assets | | |
| Contracted but not provided for | **6,136** | — |
| | **318,997** | 618,899 |

### Operating lease commitments — Group company as lessee

The Group leases certain of its office premises under non-cancellable operating lease agreements. The lease terms are between 2 to 4 years, and the majority of lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the consolidated statement of comprehensive income during the year is disclosed in Note 6.

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| No later than 1 year | **9,828** | 7,885 |
| Later than 1 year and no later than 5 years | **36,573** | 3,584 |
| | **46,401** | 11,469 |

# Notes to the Consolidated Financial Statements

## 26 COMMITMENTS (CONTINUED)

### Operating lease commitments — Group company as lessor

The Group leases its tracking facilities to certain customers under non-cancellable operating leases. The lease terms are between 2 to 6 years. The lease income recognised under 'other revenues' in the consolidated statement of comprehensive income during the year was HK$19,807,000 (2015: HK$24,779,000).

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

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| No later than 1 year | **20,201** | 20,942 |
| Later than 1 year and no later than 5 years | **13,829** | 36,311 |
| | **34,030** | 57,253 |

## 27 RELATED PARTY TRANSACTIONS

At 31 December 2016, the Company was directly controlled by Bowenvale Limited (incorporated in the British Virgin Islands) with a shareholding of approximately 74%. Bowenvale Limited was indirectly owned by CITIC Group Corporation ("CITIC") (incorporated in China) and The Carlyle Group L.P. ("Carlyle") (incorporated in the United States), which have equal voting rights in the Company. The remaining 26% of the Company's shares were held by the public.

The following transactions were carried out with related parties:

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

The Group has entered into a transponder master agreement with CITIC Networks Company Limited ("CITIC Networks", a wholly owned subsidiary of CITIC) and CITIC Networks Company Limited, Beijing Satellite Telecommunications Branch ("CITICSat", the branch established and run by CITIC Networks), under which CITIC Networks and CITICSat granted the exclusive right to the Group to provide satellite transponder capacity for use by their customers. These transactions are carried out at a rate mutually-agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.

# Notes to the Consolidated Financial Statements

## 27 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| CITICSat | **301,047** | 270,516 |

### (b) Marketing expense

Pursuant to the transponder master agreement mentioned in (a) above, CITICSat conducts marketing activities in China on behalf of the Group. In return, the Group pays CITICSat a marketing fee. In addition to the marketing fee, the Group also reimbursed the expenditure incurred by CITICSat for the period up to 18 October 2015. These transactions are carried out at a rate mutually-agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| CITICSat | **1,333** | 11,701 |

### (c) Key management compensation

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other short-term employee benefits | **34,150** | 37,278 |
| Share-based payment | **5,819** | 6,781 |
| | **39,969** | 44,059 |

# Notes to the Consolidated Financial Statements

## 27 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Key management compensation (Continued)

The Group made payments to a subsidiary of CITIC, a subsidiary of Carlyle and a subsidiary of General Electric Company ("GE", a former shareholder of the Company) for certain Non-executive Directors representing them.

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| A subsidiary of CITIC | **490** | 490 |
| A subsidiary of GE | **—** | 168 |
| A subsidiary of Carlyle | **436** | 268 |
| | **926** | 926 |

### (d) Year end balances arising from these transactions

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables from related parties (Note 16): | | |
| CITICSat (Note) | **101,754** | 116,713 |
| Payables to related parties: | | |
| CITICSat | **—** | 2,562 |
| Deferred revenue in relation to related parties: | | |
| CITICSat | **113,814** | 134,220 |

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

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

Note: Pursuant to the transponder master agreement as mentioned in Note (a) above in respect of the Group's provision of satellite transponder capacity for use by CITICSat's customers, the Group will bear any credit risk in connection with services provided to these customers. Accordingly, the Group will assess whether there is any objective evidence that the amounts ultimately due from these customers may be impaired at each year end. At 31 December 2016, a provision for impairment of HK$11,000 (2015: HK$2,043,000) was recorded and included within the provision as disclosed in Note 16.

# Notes to the Consolidated Financial Statements

## 28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### Statement of financial position of the Company

| | Note | As at 31 December 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **443,142** | 444,698 |
| **Total non-current assets** | | **443,142** | 444,698 |
| **Current assets** | | | |
| Amount due from a subsidiary | | **45,103** | 46,764 |
| Other receivables, deposits and prepayments | | **417** | 433 |
| **Total current assets** | | **45,520** | 47,197 |
| **Total assets** | | **488,662** | 491,895 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **39,120** | 39,120 |
| Reserves | (a) | | |
| — Retained earnings | | **22,413** | 19,878 |
| — Other reserves | | **425,655** | 427,389 |
| **Total equity** | | **487,188** | 486,387 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payables and accrued expenses | | **1,072** | 5,332 |
| Current income tax liabilities | | **402** | 176 |
| **Total liabilities** | | **1,474** | 5,508 |
| **Total equity and liabilities** | | **488,662** | 491,895 |

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2017 and was signed on its behalf.

**JU Wei Min**
*Director*

**Andrew G. JORDAN**
*Director*

# Notes to the Consolidated Financial Statements

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

### (a) Reserve movement of the Company

| | Share premium HK$'000 | Share-based payment reserve HK$'000 | Contributed surplus HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 1 January 2015** | 17,866 | 18,006 | 390,055 | 19,768 | 445,695 |
| Profit for the year | – | – | – | 4,874,405 | 4,874,405 |
| Employee share award scheme: | | | | | |
| – Share-based payment | – | 11,134 | – | – | 11,134 |
| – Shares vested under Share Award Scheme | – | (14,494) | – | – | (14,494) |
| – Adjustment for shares vested | – | 4,822 | – | – | 4,822 |
| Final dividend relating to 2014 | – | – | – | (152,566) | (152,566) |
| Interim dividend relating to 2015 | – | – | – | (70,415) | (70,415) |
| Special interim dividend relating to 2015 | – | – | – | (4,651,314) | (4,651,314) |
| **At 31 December 2015** | 17,866 | 19,468 | 390,055 | 19,878 | 447,267 |
| **At 1 January 2016** | **17,866** | **19,468** | **390,055** | **19,878** | **447,267** |
| Profit for the year | **–** | **–** | **–** | **2,535** | **2,535** |
| Employee share award scheme: | | | | | |
| – Share-based payment | **–** | **10,907** | **–** | **–** | **10,907** |
| – Shares vested under Share Award Scheme | **–** | **(9,822)** | **–** | **–** | **(9,822)** |
| – Adjustment for shares vested | **–** | **(2,819)** | **–** | **–** | **(2,819)** |
| **At 31 December 2016** | **17,866** | **17,734** | **390,055** | **22,413** | **448,068** |

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

# Notes to the Consolidated Financial Statements

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

### (a) Reserve movement of the Company (Continued)

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

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

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

In the opinion of the Directors, as at 31 December 2016, the Company's reserves available for distribution consisted of the share-based payment reserve of HK$17,734,000 (2015: HK$19,468,000), contributed surplus of HK$390,055,000 (2015: HK$390,055,000) and retained earnings of HK$22,413,000 (2015: HK$19,878,000).

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS

### Directors' emoluments

The remuneration of every director for the year ended 31 December 2016 is set out below:

| Name of Director | Fees HK$'000 | Salary HK$'000 | Performance related bonuses HK$'000 | Other benefits (a) HK$'000 | Employer's contribution to a retirement benefit scheme HK$'000 | Share-based payment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Ju Wei Min (b) & (j) | 218 | — | — | — | — | — | 218 |
| Luo Ning (b) & (j) | 109 | — | — | — | — | — | 109 |
| Peter Jackson (b) & (j) | 163 | — | — | — | — | — | 163 |
| Gregory M. Zeluck (d), (e) & (j) | 218 | — | — | — | — | — | 218 |
| Julius M. Genachowski (d), (e) & (j) | 109 | — | — | — | — | — | 109 |
| Alex S. Ying (d), (e) & (j) | 109 | — | — | — | — | — | 109 |
| James Watkins | 399 | — | — | — | — | — | 399 |
| Stephen Lee Hoi Yin | 399 | — | — | — | — | — | 399 |
| Kenneth McKelvie | 429 | — | — | — | — | — | 429 |
| Maura Wong Hung Hung | 399 | — | — | — | — | — | 399 |
| Chong Chi Yeung | — | — | — | — | — | — | — |
| William Wade (h) & (i) | — | 5,494 | 1,373 | 1,147 | 824 | 327 | 9,165 |
| Andrew G. Jordan (g) & (i) | — | 833 | — | 461 | — | 453 | 1,747 |
| **Total** | 2,552 | 6,327 | 1,373 | 1,608 | 824 | 780 | 13,464 |

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### Directors' emoluments (Continued)

The remuneration of every director for the year ended 31 December 2015 is set out below:

| Name of Director | Fees | Salary | Performance related bonuses | Other benefits (a) | Employer's contribution to a retirement benefit scheme | Share-based payment | Total |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Ju Wei Min (b) & (j) | 218 | — | — | — | — | — | 218 |
| Luo Ning (b) & (j) | 109 | — | — | — | — | — | 109 |
| Peter Jackson (b) & (j) | 163 | — | — | — | — | — | 163 |
| Gregory M. Zeluck (d), (e) & (j) | 134 | — | — | — | — | — | 134 |
| Julius M. Genachowski (d), (e) & (j) | 67 | — | — | — | — | — | 67 |
| Alex S. Ying (d), (e) & (j) | 67 | — | — | — | — | — | 67 |
| Sherwood P. Dodge (c), (f) & (j) | 84 | — | — | — | — | — | 84 |
| John F. Connelly (c), (f) & (j) | 42 | — | — | — | — | — | 42 |
| Nancy Ku (c), (f) & (j) | 42 | — | — | — | — | — | 42 |
| James Watkins | 499 | — | — | — | — | — | 499 |
| Stephen Lee Hoi Yin | 499 | — | — | — | — | — | 499 |
| Kenneth McKelvie | 529 | — | — | — | — | — | 529 |
| Maura Wong Hung Hung | 499 | — | — | — | — | — | 499 |
| Chong Chi Yeung | — | — | — | — | — | — | — |
| William Wade (i) | — | 6,339 | 1,585 | 375 | 951 | 1,564 | 10,814 |
| Total | 2,952 | 6,339 | 1,585 | 375 | 951 | 1,564 | 13,766 |

Notes:

(a) Other benefits include car and insurance premium and are short-term in nature.
(b) Paid to a subsidiary of CITIC.
(c) Paid to a subsidiary of GE.
(d) Paid to a subsidiary of Carlyle
(e) Appointed on 19 May 2015
(f) Resigned on 19 May 2015
(g) Appointed on 1 November 2016
(h) Resigned on 1 November 2016
(i) Mr. Wade, resigned on 1 November 2016, and Mr. Jordan, appointed on 1 November 2016, are also the President and Chief Executive Officer of the Group.
(j) In addition to the directors' emoluments disclosed above, these directors of the Company receive emoluments from the Company, part of which is in respect of their services to the Company and its subsidiaries. No apportionment has been made as these directors consider that it is impracticable to apportion this amount between their services to the Company and their services to the subsidiaries.

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### Directors' emoluments (Continued)

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: None).

## 30 SUBSEQUENT EVENTS

Save as disclosed in Note 10, there have been no other events subsequent to year end which require adjustment or disclosure in the consolidated financial statements in accordance with HKFRSs.

# Financial Summary

| | 2012<br>HK$'000 | 2013<br>HK$'000 | 2014<br>HK$'000 | 2015<br>HK$'000 | **2016**<br>**HK$'000** |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Revenue | | | | | |
| From continuing operations | 1,779,545 | 1,498,631 | 1,364,958 | 1,310,991 | **1,272,385** |
| From discontinued operations | 182,593 | — | — | — | **—** |
| Elimination on consolidation | (77,234) | — | — | — | **—** |
| Consolidated total | 1,884,904 | 1,498,631 | 1,364,958 | 1,310,991 | **1,272,385** |
| Profit before taxation | 1,345,603 | 897,747 | 723,220 | 531,997 | **456,978** |
| Taxation | (431,231) | (150,227) | (164,200) | (92,242) | **(27,044)** |
| Profit after taxation | 914,372 | 747,520 | 559,020 | 439,755 | **429,934** |
| Loss attributable to non-controlling interests | 119 | 120 | 119 | — | **—** |
| Profits attributable to owners | 914,491 | 747,640 | 559,139 | 439,755 | **429,934** |
| Earnings per share: | | | | | |
| Basic | HK$2.34 | HK$1.91 | HK$1.43 | HK$1.12 | **HK$1.10** |
| Diluted | HK$2.33 | HK$1.91 | HK$1.43 | HK$1.12 | **HK$1.10** |
| **Assets and liabilities** | | | | | |
| Total assets | 8,662,812 | 8,536,733 | 10,545,925 | 7,519,438 | **7,438,069** |
| Total liabilities | (1,123,453) | (1,014,962) | (3,438,902) | (4,845,148) | **(4,332,495)** |
| Shareholders' equity | 7,539,359 | 7,521,771 | 7,107,023 | 2,674,290 | **3,105,574** |

# Independent Auditor's Report

羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of Asia Satellite Telecommunications Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 127, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

# Independent Auditor's Report

## BASIS FOR OPINION

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

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

### Independence

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

## KEY AUDIT MATTERS

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

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

Key audit matters identified in our audit are summarised as follows:

- Assessment on working capital sufficiency
- Provision for income tax in India

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| **1. Assessment on working capital sufficiency**<br><br>*Refer to note 2.1.1 to the consolidated financial statements*<br><br>As at 31 December 2016, the Group's current liabilities exceeded its current assets by HK$312 million. The net current liability position may impact the Group's ability to continue as a going concern. Accordingly, for the preparation of the Group's consolidated financial statements, management performed an assessment with respect to the working capital sufficiency, as supported by a cash flow forecast prepared based on the budget approved by the board of directors of the Company, and concluded 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 year end date and therefore the use of going concern basis in preparing the consolidated financial statements is appropriate.<br><br>We focused on the evaluation of management's assessment because this involved making significant judgements and assumptions about future events and conditions whose outcomes are inherently uncertain. | In order to evaluate management's assessment, we assessed certain key assumptions underlying the cash flow forecast for the next twelve months from 31 December 2016 by performing the following procedures among others:<br><br>— for the forecast revenue which comprised (i) the backlog revenue as supported by signed contracts with existing and new customers and (ii) the estimated revenue based on expected renewal and growth rates, we tested a sample of signed contracts and also compared the estimated renewal and growth rates to historical data and found these assumptions reasonable;<br><br>— for the forecast cash receipts from customers, we compared the estimated debtor turnover rate and found it consistent with the historical turnover rate for the year;<br><br>— for the forecast repayment of loan principals and interests, we checked to the repayment schedule and recalculated the interest payments according to the terms of respective loan agreements noting no material variances; |

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **1. Assessment on working capital sufficiency (continued)** | — for the forecast renewal of revolving loans and additional drawdown of facilities, we made reference to the renewal and drawdown history during the year and the loan facility letters, as well as management's assessment on the Group's compliance with the loan covenants during the forecast period, and found their assumptions about the feasibility of rolling over the revolving loans and drawing down the unutilised facilities as acceptable;<br><br>— for the Group's capital commitments and forecast expenditure in relation to the construction and launch of a new satellite, we tested on a sample basis to the supporting documents and found the forecast payments consistent with the terms of respective agreements or quotations from suppliers; and<br><br>— we also evaluated management's sensitivity analysis of the forecast cash and bank balances by considering potential downside scenarios against reasonably plausible changes to the key assumptions and found the resultant impact did not adversely change the forecast position of available funds. |

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

**Key Audit Matter**

**2. Provision for income tax in India**

*Refer to notes 4.2(a) and 10 to the consolidated financial statements*

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

During 2016, the Indian government introduced the Direct Tax Dispute Resolution Scheme 2016 ("DRS 2016") which allows eligible tax payers to settle their tax disputes with the IR. In January 2017, the Group filed an application under the DRS 2016 in relation to the assessment years from 1997/98 to 2012/13 for which tax had been assessed on the Group as a result of the retrospective amendments to the Income Tax Act in 2012. Subsequently in February 2017, the Group received a notification from the IR which concluded that the final tax assessed on those assessment years was HK$193 million. This amount had been provided for and included in the Group's current income tax liabilities of HK$257 million as at 31 December 2016 and was paid by the Group in full (in Indian Rupee equivalent) after the year end.

**How our audit addressed the Key Audit Matter**

In evaluating management's judgement to recognise a provision for income tax in India, we examined the correspondences between the Group and the IR and between the Group and its tax advisers.

For assessment years from 1997/98 to 2012/13, we checked the income tax provision balance as at 31 December 2016 to the notice of assessment issued by the IR subsequent to the year end in response to the Group's application for settlement of the tax disputes for all these years. We also checked the subsequent tax payment made to the IR to the bank advice. We noted no material variances from these testings.

For the income tax provision balance in relation to assessment years from 2013/14 and onwards, we performed the following procedures:

— for those assessment years where the tax assessment orders were received, we examined those orders and checked the necessary adjustments against the provisions made in prior years, noting no material variances;

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **2. Provision for income tax in India (continued)**<br><br>For the year ended 31 December 2016, the Group recorded income tax expenses of HK$14 million related to India, which was based on management's best estimates in accordance with the latest tax rules and regulations in India, the latest developments of the tax disputes with the IR, final assessment orders received from the IR and past assessment orders where the orders for certain assessment years are yet to be received.<br><br>We focused on the Indian income tax provision due to the complexity and estimation required by management in the tax computation and given that the magnitude of the provision is significant to the consolidated financial statements. | — discussed with management and their external tax adviser to understand the latest tax rules and regulations in India applicable to the Group's operations and the basis of tax computations, in particular the estimation made for those assessment years where the tax assessment orders are yet to be received; and<br><br>— for the key variables used in the current year's tax computation including, among others, the types of customers, the amount of revenue derived from the customers, the allowable expenses ratios, the tax attributable ratios for determination of the amount of taxable income and the tax rates, we performed checking on a sample basis to the relevant documents supporting management's basis of inputs to the variables and recalculated the computation. We found no material variances from our testings. |

## OTHER INFORMATION

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 15 March 2017

# Shareholder Information

## EXPECTED TIMETABLE

### Financial Year Ended 31 December 2016

| | |
|---|---|
| Annual General Meeting | 14 June 2017 |
| Final Dividend Payable | 6 July 2017 |

### Financial Year Ending 31 December 2017

| | |
|---|---|
| Interim Results announcement | August 2017 |
| Annual Results announcement | March 2018 |
| Annual Report published | April 2018 |
| Annual General Meeting | June 2018 |

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

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

# Shareholder Information

## LISTING

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

## DIVIDEND

Subject to approval by shareholders at the forthcoming AGM, the proposed final dividend for the year ended 31 December 2016 will be payable on or about 6 July 2017.

## ORDINARY SHARES

Shares outstanding as at 31 December 2016: 391,195,500 ordinary shares
Free float: 100,020,805 ordinary shares (25.57%)
Nominal value: HK$0.10 per share

## STOCK CODE

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

## ANNUAL REPORT 2016

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

## WEBSITE

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

# Shareholder Information

## COMPANY CONTACT

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

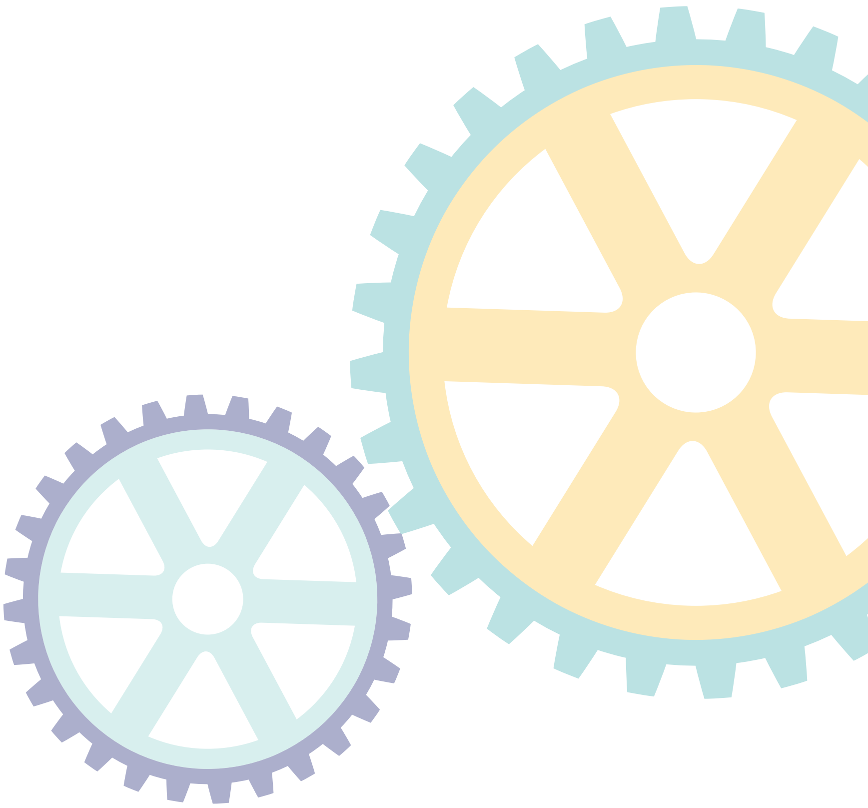
Manager, Marketing Communications
Asia Satellite Telecommunications Holdings Limited
12/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

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

## INVESTOR RELATIONS CONTACT

The Office of the President and Chief Executive Officer
Asia Satellite Telecommunications Holdings Limited
12/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

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



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