

ASIASAT

Asia Satellite Telecommunications Holdings Limited
Stock Code: 1135



2016 INTERIM REPORT

Insightful Thinking
Driving Results

AsiaSat

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.

OUR VISION

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

www.asiasat.com

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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

William WADE (*President and Chief Executive Officer*)

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
Kenneth McKELVIE
James WATKINS
Maura WONG Hung Hung

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*)

COMPLIANCE COMMITTEE

James WATKINS (*Chairman*)
Julius M. GENACHOWSKI
Peter JACKSON
William WADE
Stephen LEE Hoi Yin
Kenneth McKELVIE

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
Kenneth McKELVIE
Maura WONG Hung Hung

Corporate Information

COMPANY SECRETARY

Sue YEUNG

AUTHORISED REPRESENTATIVES

William WADE
Sue YEUNG

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

For the first six months of 2016, AsiaSat continued to contend with a challenging market environment characterised by increasing competition, fierce pricing pressure and the overall downturn in the global economy.

Revenue and net profit remained relatively flat when compared to the corresponding period in 2015.

Despite the challenging market conditions, there were a number of new contracts for AsiaSat during the review period. Our advanced new satellites, AsiaSat 6 and AsiaSat 8, were in full operation with new customers acquired in Mainland China, Bangladesh and Thailand. We also added new customers from around the region, including the emerging market of Myanmar, as well as India, Pakistan, Singapore and Vietnam, among others.

We have started to make inroads into Ultra HD (UHD), the ultra-high definition television broadcasting standard of the future, for which we are becoming widely recognised as a pioneer in Asia.

INTERIM RESULTS

Revenue

For the first half of 2016, revenue was HK\$640 million (2015: HK\$641 million), which was about the same as the prior period.

Contracts on Hand

As at 30 June 2016, the value of contracts on hand remained stable at around HK\$3,543 million (31 December 2015: HK\$3,517 million), as compared with the last year end.

Operating Expenses

Excluding depreciation, operating expenses in the first half of 2016 totalled HK\$117 million (2015: HK\$126 million), a decrease of HK\$9 million as compared with the corresponding interim period last year. The decrease mainly came from lower exchange loss and staff costs, offset by a higher impairment charges on trade receivables.

Finance Expenses

Finance expenses were HK\$67 million (2015: HK\$39 million), of which HK\$46 million (2015: HK\$26 million) was capitalised as a cost of satellite. The finance expenses increased in line with the higher level of borrowings as a result of the dividend re-capitalisation completed in 2015.

Chairman's Statement

Depreciation

Depreciation in the first half of 2016 was HK\$261 million (2015: HK\$220 million), an increase of HK\$41 million, mainly due to the full six-month depreciation charge on AsiaSat 6 and AsiaSat 8 during the current interim period.

Income Tax Credit/Expense

The income tax credit was HK\$7 million, compared to income tax expenses of HK\$50 million in the prior period, representing a decrease of HK\$57 million. The decrease was mainly due to a reversal of a tax provision in respect of previous years after reaching an agreement with a tax authority on the tax treatment of certain revenue and expenses items.

Profit

Profit attributable to owners for the first half of 2016 was HK\$249 million (2015: HK\$250 million), relatively flat compared to the prior period. Higher depreciation charges were fully mitigated by income tax credits as mentioned above.

Cash Flow

For the first six months of 2016, the Group had a net cash outflow of HK\$13 million (2015: HK\$10 million), including payment of capital expenditure of HK\$183 million (2015: HK\$441 million) and repayment of bank borrowings of HK\$292 million (2015: HK\$144 million). As at 30 June 2016, the Group had cash and bank balances of HK\$225 million (31 December 2015: HK\$238 million).

Dividend

The Board has not declared an interim dividend (2015: special interim dividend of HK\$11.89 per share and interim dividend of HK\$0.18 per share) for this interim period.

SATELLITES

During the first half of 2016, we continued to provide premium services to customers across the Asia-Pacific with our growing fleet of satellites.

AsiaSat 3S, remains currently operational and is being leased to a customer for short-term use.

AsiaSat 4, at 122 degrees East, provides a wide range of satellite services to clients, including TV broadcast distribution, Direct-to-Home (DTH) and broadband services across our footprint in the Asia-Pacific region. In the first half of 2016, a growing number of broadcasters began to make use of this satellite as a platform for UHD programming, as evidenced by the launch of more video content from our UHD content partners on "4K-SAT" channel.

Chairman's Statement

AsiaSat 5, at 100.5 degrees East, was again the number one platform for transmitting live sports and news events from around the world to viewers in Asia. These included the Australian Open, the Wimbledon tennis championship, the 2016 Dakar Rally, the Masters Golf Tournament and various European soccer tournaments, as well as coverage of news and events such as the Taiwan presidential election and the MTV Movie Awards. In addition, AsiaSat 5 became a vehicle for delivering VSAT services for aviation and telecom customers.

AsiaSat 7, at 105.5 degrees East, continued to be the platform of choice for premier content from South Asia, East Asia and global TV networks during the first six months of the year. Among the new customers acquired during this period were Sony Pictures Networks India, KBZ Gateway and SEANET in Myanmar for a nationwide VSAT network for broadband data connectivity services. Japan International Broadcasting Inc. also expanded its service offering for its NHK WORLD TV HD English language news and lifestyle TV network serving the Asia-Pacific.

For the most recent additions to our fleet, **AsiaSat 6** and **AsiaSat 8**, we began to see take-up for these satellites by customers during the review period.

On **AsiaSat 6**, at 120 degrees East, we acquired new customer after receiving licensing approval from the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China. We believe that AsiaSat 6 will be the future platform for HDTV in China.

AsiaSat 8, at 105.5 degrees East, is collocated with AsiaSat 7, where it is providing high-powered Ku band capacity for China, India, the Middle East and Southeast Asia. During the review period, AsiaSat 8 was selected by Thai Aerospace Industries Company Limited (TAI) to provide mobility services in the South East Asia region.

Construction of **AsiaSat 9**, the replacement satellite for AsiaSat 4, remained on schedule for completion in early 2017. AsiaSat 9 will allow us to address new markets that are not presently covered by AsiaSat 4. We are actively engaged in advance the marketing of this satellite.

The number of transponders leased or sold as of 30 June 2016 was 103, as compared with 96 as of 31 December 2015. However, due to the addition of available transponders from the two new satellites, the overall utilisation rate for the period ended 30 June 2016 decreased to 60% from 72% as of 31 December 2015.

NEW CUSTOMERS

During the first six months of 2016, AsiaSat added a growing number of customers looking for advanced, reliable services for television and radio programme distribution as well as VSAT network services across the Asia-Pacific region.

Chairman's Statement

NEW CUSTOMERS (CONTINUED)

We were particularly pleased to have the opportunity to re-enter the China video market via AsiaSat 6, following approval by the State Administration of Press, Publication, Radio, Film and Television at the beginning of the year to distribute broadcast video in China. It is our belief that the acquisition of new customer for this satellite marks the beginning of future partnerships in support of the development of HD broadcasting in China.

We also look forward to working with our customers in building up communications infrastructure in the region through AsiaSat 9 after its launch next year.

MARKET REVIEW

The Market

The market for the worldwide satellite industry continues to be challenging, not only as a result of the sluggish economy but also due to excess capacity, reduced demand due to changes in the video market and the impact of the slowing economy, and competition that have created greater pressure on pricing.

However, we remain confident about our long-term prospects in the Asia Pacific region, given AsiaSat's solid reputation in the market, our established base of leading customers and our quality service offering of advanced technology solutions and other value-added services.

Advances in Broadcasting Technology

We continue to be regarded as one of Asia's pioneers in the development of UHD video during the review period. As the market for UHD opens up in the region, we will be in an advantageous position as we are already well recognised in the market for our work bringing this technology forward. Although in the short term, UHD is not likely to generate significant revenue we believe our investment may begin to pay off in the second half of next year. With the launch of AsiaSat 9, with its high power and wider coverage, it is ideally positioned to be the new platform for UHD video content.

Industry Events

We continued to participate extensively in regional and international exhibitions, conferences and meetings throughout the review period, as these events raise our industry profile by enabling us to demonstrate our expertise in satellite broadcasting and communications.

Among the many industry events in which we took part during the first six months of 2016 were the CASBAA India Forum, CABSAT in Dubai, WBU-IMCG Forum, CASBAA Satellite Industry Forum and CommunicAsia, Asia's most established ICT, broadcast and digital multimedia event.

Over the past six months under review, we have been leveraging our participation in these events by making greater use of online media to disseminate the information we present, including speeches, interviews and white papers.

Chairman's Statement

OUTLOOK

For the remainder of 2016, we do not anticipate any significant changes in market conditions and believe that they will continue to pose a challenge not only for AsiaSat but the industry as a whole. The increased competition from terrestrial systems that is affecting satellite operators in other parts of the world is not expected to significantly impact Asia in the near to medium term, due to the lack of quality terrestrial networks in many parts of the Asia Pacific region.

While core business should remain stable for the remainder of the year, it should be noted that a number of the adjustments that impacted first half results will not be realised in the second half of the year. The new contracts signed in the first half will only partially compensate for the expiry of short term revenue from a to-be retired satellite and the termination of a number of contracts which will occur in the second half due to changes in regulations. In addition, we will not have the benefit of the tax credit of HK\$41 million realised in the first half.

ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome to the management team Ms. Zhang Yan who assumed the role of Vice President, China, in May of this year following the retirement of Mr. Zhang Hai Ming.

I would also like to express my gratitude to our customers, our management team and staff who work so hard to keep AsiaSat at the forefront of our industry, and to our shareholders for continuing to place their faith in us.

JU Wei Min

Chairman

17 August 2016

Corporate Governance

STATEMENT

In the interest of the shareholders of the Company, the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. The Company complied with the requirements of local and relevant overseas regulators in this regard except in respect of Code Provision A.6.7 of the Corporate Governance Code and Corporate Governance Report (“CG Code”), as described below.

CODE ON CORPORATE GOVERNANCE PRACTICES

All independent non-executive directors (“INEDs”) and non-executive directors (“NEDs”) are appointed for a specific term of three years each or, in the case of initial appointment, for the period up to the next re-election at the Company’s annual general meeting. They are all subject to retirement, rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-laws.

The Company is committed to maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2016 except for the following:

Under Code Provision A.6.7 of the CG Code, all NEDs and INEDs should attend general meetings of the Company and develop a balanced understanding of the views of shareholders. Due to various business commitments, Mr. Gregory M. ZELUCK, being a Deputy Chairman and a NED of the Company and Mr. LUO Ning, being a NED 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 the period from 1 January 2016 to 30 June 2016.

Corporate Governance

AUDIT COMMITTEE

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

The Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 in conjunction with management and the independent auditors of the Company. The Committee recommended to the Board that it should approve the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016.

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

During the six months ended 30 June 2016, the Trust, which was set up to administer the Company's Share Award Scheme, has purchased a total of 869,078 ordinary shares of HK\$0.10 each of the Company at an average price of HK\$11 per share on the Stock Exchange. The purchase involved a total cash outlay of HK\$9,516,000. The aggregate price of the purchased shares was charged to equity as "Shares held under Share Award Scheme".

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

GUIDELINES ON CONDUCT

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

Other Information

DIRECTORS' INTERESTS

As at 30 June 2016, as recorded in the register required to be maintained under Section 352 of the Securities and Futures Ordinance ("SFO") (Cap. 571), the following Directors have the following interests in the share capital of the Company:

		Number of shares/underlying shares held								
		Long or short position	Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests	Total	% of the Issued Share Capital of the Company
Directors										
Peter JACKSON	Long position	800,264	—	—	—	—	—	—	800,264	0.20
William WADE	Long position	794,515	—	—	—	—	—	—	794,515	0.20
James WATKINS	Long position	50,000	—	—	—	—	—	—	50,000	0.01

Other Information

SUBSTANTIAL EQUITY HOLDERS

As at 30 June 2016, according to the register required to be kept under Section 336 of the SFO and information otherwise reported to the Company, the following persons held an interest of 5% or more in the shares in the Company:

Name	Capacity	Long or short position	No. of ordinary shares in the Company	% of the Issued Share Capital of the Company
Bowenvale Limited	Beneficial owner	Long position	291,174,695 ^{(1) & (2)}	74.43
Able Star Associates Limited	Interest in controlled corporation	Long position	291,174,695 ⁽¹⁾	74.43
CITIC Corporation Limited	Interest in controlled corporation	Long position	291,174,695 ⁽¹⁾	74.43
CITIC Limited	Interest in controlled corporation	Long position	291,174,695 ⁽¹⁾	74.43
CITIC Group Corporation	Interest in controlled corporation	Long position	291,174,695 ⁽¹⁾	74.43
Jupiter Investment Holdings, L.L.C.	Interest in controlled corporation	Long position	291,174,695 ⁽²⁾	74.43
The Carlyle Group L.P.	Interest in controlled corporation	Long position	291,174,695 ⁽²⁾	74.43
Aberdeen Asset Management plc and its Associates	Investment manager	Long position	23,530,000	6.01

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("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 CITIC Group Corporation ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC Projects, CITIC Corporation Limited, CITIC Limited and CITIC are deemed to be interested in the total of 291,174,695 shares in the Company held by Bowenvale.
- (2) Jupiter Investment Holdings, L.L.C. ("Jupiter"), a subsidiary of The Carlyle Group L.P. ("Carlyle"), controls 50% of the voting rights of Bowenvale. Accordingly, Jupiter and Carlyle are deemed to be interested in the total of 291,174,695 shares of the Company held by Bowenvale.

Other Information

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Except for the Company's Share Award Scheme described in the annual report, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

UPDATE ON DIRECTORS' INFORMATION

The following are changes in the information of the directors since the date of the 2015 annual report of the Company required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

With effect from 21 March 2016:

- Mr. Gregory M. Zeluck and Mr. Alex S. Ying ceased to act as a Board Director of Ta Chong Bank Limited, a company listed in Taiwan.

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.

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 amount of Facility is US\$240 million and for a tenor of 5 years commencing 27 July 2015.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue for the period was HK\$640 million (2015: HK\$641 million), which was about the same as for the prior period.

Cost of services

Cost of services was HK\$315 million (2015: HK\$275 million), an increase of HK\$40 million, mainly due to a full six-month depreciation charge on AsiaSat 6 and AsiaSat 8 in the current period.

Other gains

Other gains amounted to HK\$1 million (2015: HK\$18 million). The decrease of HK\$17 million was mainly due to a decrease in bank interest income.

Administrative expenses

Administrative expenses were HK\$63 million (2015: HK\$71 million), a decrease of HK\$8 million. The decrease was mainly due to a lower exchange loss of HK\$5 million compared to the prior interim period and lower staff costs in the current period. The impairment charges on trade receivables of HK\$2 million made in the current period, compared to a reversal of impairment charges on trade receivables of HK\$6 million in the prior period, have mitigated the effect of those savings.

Finance expenses

Finance expenses were HK\$67 million (2015: HK\$39 million), of which HK\$46 million (2015: HK\$26 million) was capitalised in the cost of a satellite. The finance expenses increased in line with the higher level of borrowings as a result of the dividend re-capitalisation completed in 2015.

Income tax credit/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. Tax on income subject to Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at rates of taxation, that range from 7% to 43.26% (2015: 7% to 43.26%), in the countries in which the profit is earned.

The income tax credit was HK\$7 million, compared to income tax expense of HK\$50 million in the prior period, represented a decrease of HK\$57 million. The decrease was mainly due to a reversal of a tax provision in respect of previous years after reaching an agreement with a tax authority on the tax treatment of certain revenue and expenses items. Further details are set out in Note 9 to the condensed consolidated interim financial information.

Management Discussion and Analysis

Profit for the period

Profit attributable to owners amounted to HK\$249 million (2015: HK\$250 million), relatively flat when compared to the previous period. The factors contributing to this are described above.

Financial results analysis

The financial results are highlighted below:

		Six months ended 30 June		
		2016	2015	Change
Revenue	HK\$M	640	641	—
Profit attributable to owners of the Company	HK\$M	249	250	—
Dividend	HK\$M	—	4,722	-100%
Capital and reserves	HK\$M	2,920	2,548	+15%
Earnings per share	HK cents	64	64	—
Dividend per share	HK cents	—	1,207	-100%
Return on equity	Percent	9	10	-1% pt.
		At	At	
		30 June	31 December	
		2016	2015	Change
Net assets per share — book value	HK cents	746	684	+9%
Gearing ratio	Percent	53	57	-4% pts.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group generated a net cash outflow of HK\$13 million (2015: HK\$10 million), including payment of capital expenditure of HK\$183 million (2015: HK\$441 million) and repayment of bank borrowings of HK\$292 million (2015: HK\$144 million). As at 30 June 2016, the Group had cash and bank balances of HK\$225 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 30 June 2016 were HK\$3,474 million (31 December 2015: HK\$3,748 million), all denominated in United States Dollars. Out of these bank borrowings, HK\$1,953 million (31 December 2015: HK\$2,087 million) was at fixed interest rates for the whole tenure and the remainder of HK\$1,521 million (31 December 2015: HK\$1,661 million) was 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 a special interim dividend in 2015. Details of the maturity profile of the total bank borrowings and undrawn bank facilities are set out in Note 17 to the condensed consolidated interim financial information. The Group had net debt of HK\$3,249 million as at 30 June 2016 (31 December 2015: HK\$3,510 million).

Management Discussion and Analysis

CAPITAL STRUCTURE

Funding and treasury policy

The Group adopts conservative treasury policies and exercises tight control over its cash and risk management. Cash is generally placed in short-term deposits denominated in United States Dollars and Renminbi to meet its payments.

Hedging for exchange rates and financial instruments

The Group's revenue, capital expenditure, main operating expenditure and bank borrowings are denominated in United States Dollars, Hong Kong Dollars and Renminbi. The effect of exchange rate fluctuations in the United States Dollars is not material as the Hong Kong Dollar is pegged within a narrow band to the United States Dollar at the approximate exchange rate of HK\$7.80 to US\$1.00 and therefore no hedging for United States Dollars is conducted. The Renminbi has depreciated against the Hong Kong Dollar during the six months ended 30 June 2016. The amount of RMB business is approximately 23% of total revenue. We did not hedge this currency risk.

The Group has bank borrowings at around HK\$1,953 million with a fixed interest rate for the loan period and there is no need to hedge any interest rate risk. The remaining bank borrowings of HK\$1,521 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 period under review, the Group did not enter into any interest rate swap arrangements.

Order book

As at 30 June 2016, the value of contracts on hand amounted to HK\$3,543 million (31 December 2015: HK\$3,517 million), of which approximately HK\$494 million will be recognised in the second half of this year. A large majority of the contracts in the order book are denominated in United States Dollars.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the period, there were neither material acquisitions nor disposals of subsidiaries.

SEGMENT INFORMATION

The revenue of the Group, analysed by business segment, is disclosed in Note 6 to the condensed consolidated interim financial information.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 139 (31 December 2015: 138) permanent employees.

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

The Group has established a performance-based appraisal system. The present remuneration package consists of salaries, discretionary bonuses, share award scheme and fringe benefits that are comparable with the market.

A share award scheme (the "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 Equity Trust (Jersey) 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 Group does not operate an in-house training programme. However, the Group does provide ad hoc training and sponsors employees to attend external vocational training that is relevant to the discharge of their duties and their career progression.

CHARGES ON GROUP ASSETS

Save as disclosed in Note 17 to the condensed consolidated interim financial information, there was no charge over the Group's assets.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in Note 18 to the condensed consolidated interim financial information.

As at 30 June 2016, the Group had total capital commitments of HK\$530 million (31 December 2015: HK\$619 million), of which all were contracted but not provided for.

Management Discussion and Analysis

GEARING RATIO

The Group's gearing ratio is calculated by dividing the net debts by the total capital. The net debts are the total interest bearing bank borrowings less total cash and bank balances. The total capital is the total equity attributable to owners of the Company plus the net debts. As at 30 June 2016, the Group's gearing ratio was as follows:

	30 June 2016 HK\$' million	31 December 2015 HK\$' million
Total bank borrowings	3,474	3,748
Less : Cash and bank balances	(225)	(238)
Net Debt	3,249	3,510
Total equity attributable to owners of the Company	2,920	2,674
	6,169	6,184
Gearing ratio	53%	57%

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016.

Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue	6	640,041	641,284
Cost of services		(314,646)	(274,952)
Gross profit		325,395	366,332
Administrative expenses		(63,295)	(71,249)
Other gains — net	7	728	17,561
Operating profit	7	262,828	312,644
Finance expenses	8	(20,713)	(13,285)
Profit before income tax		242,115	299,359
Income tax credit/(expense)	9	7,114	(49,753)
Profit and total comprehensive income for the period		249,229	249,606
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		249,229	249,606
— Non-controlling interests		—	—
		249,229	249,606
Earnings per share attributable to owners of the Company		HK\$ per share	HK\$ per share
Basic earnings per share	10	0.64	0.64
Diluted earnings per share	10	0.63	0.64

The notes on pages 24 to 42 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	12	18,076	18,368
Property, plant and equipment	13	6,837,502	6,889,238
Unbilled receivables		30,764	12,041
Deposit	14	2,616	2,616
Total non-current assets		6,888,958	6,922,263
Current assets			
Trade and other receivables	14	334,277	359,596
Cash and bank balances		224,630	237,579
Total current assets		558,907	597,175
Total assets		7,447,865	7,519,438
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares	15	39,120	39,120
Reserves			
— Retained earnings		2,847,201	2,597,197
— Other reserves	16	33,421	37,191
		2,919,742	2,673,508
Non-controlling interests		782	782
Total equity		2,920,524	2,674,290

The notes on pages 24 to 42 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	3,119,358	3,252,379
Deferred income tax liabilities		421,119	426,884
Deferred revenue		73,881	80,314
Other amounts received in advance		1,377	1,377
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total non-current liabilities		3,615,735	3,760,954
Current liabilities			
Bank borrowings	17	354,568	495,740
Construction payables		32,045	51,397
Other payables and accrued expenses		75,531	103,928
Deferred revenue		177,710	162,343
Current income tax liabilities		271,752	270,786
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total current liabilities		911,606	1,084,194
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		4,527,341	4,845,148
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		7,447,865	7,519,438
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Net current liabilities		(352,699)	(487,019)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total assets less current liabilities		6,536,259	6,435,244
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

The notes on pages 24 to 42 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Shares held under Share Award Scheme HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2016	39,120	17,866	(143)	19,468	2,597,197	2,673,508	782	2,674,290
Total comprehensive income for the period ended 30 June 2016	—	—	—	—	249,229	249,229	—	249,229
Total transactions with owners, recognised directly in equity								
Employees share award scheme:								
— Shares held under Share Award Scheme	—	—	(9,516)	—	—	(9,516)	—	(9,516)
— Share-based payment	—	—	—	6,521	—	6,521	—	6,521
— Share vested under Share Award Scheme	—	—	1,770	(1,770)	—	—	—	—
Transfer from share-based payment reserve	—	—	—	(775)	775	—	—	—
Total transactions with owners, recognised directly in equity	—	—	(7,746)	3,976	775	(2,995)	—	(2,995)
Balance at 30 June 2016	39,120	17,866	(7,889)	23,444	2,847,201	2,919,742	782	2,920,524
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 period ended 30 June 2015	—	—	—	—	249,606	249,606	—	249,606
Total transactions with owners, recognised directly in equity								
Employees share award scheme:								
— Shares held under Share Award Scheme	—	—	(9,542)	—	—	(9,542)	—	(9,542)
— Share-based payment	—	—	—	5,464	—	5,464	—	5,464
Final dividends relating to 2014	—	—	—	—	(152,566)	(152,566)	—	(152,566)
Special interim dividend	—	—	—	—	(4,651,314)	(4,651,314)	—	(4,651,314)
Total transactions with owners, recognised directly in equity	—	—	(9,542)	5,464	(4,803,880)	(4,807,958)	—	(4,807,958)
Balance at 30 June 2015	39,120	17,866	(14,416)	23,470	2,481,849	2,547,889	782	2,548,671

The notes on pages 24 to 42 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Cash flows from operating activities:		
— Cash generated from operations	526,640	485,187
— Interest paid	(32,451)	(24,116)
— Hong Kong profits tax refunded	29,916	—
— Hong Kong profits tax paid	(3,637)	(56,821)
— Overseas tax paid	(21,934)	(28,429)
	<hr/>	<hr/>
Cash flows from operating activities — net	498,534	375,821
	<hr/>	<hr/>
Cash flows from investing activities:		
— Purchases of property, plant and equipment	(182,797)	(441,401)
— Proceeds on disposals of property, plant and equipment	18	—
— Interest received	863	23,796
— Decrease in short-term bank deposits with maturities over three months	—	2,178,097
	<hr/>	<hr/>
Cash flows (used in)/from investing activities — net	(181,916)	1,760,492
	<hr/>	<hr/>
Cash flows from financing activities:		
— Purchase of shares under Share Award Scheme	(9,516)	(9,542)
— Proceeds from bank borrowings	—	188,577
— Repayment of bank borrowings	(292,499)	(144,299)
— Interest paid	(27,552)	—
	<hr/>	<hr/>
Cash flows (used in)/from financing activities — net	(329,567)	34,736
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(12,949)	2,171,049
Cash and cash equivalents at beginning of the period	237,579	1,165,155
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	224,630	3,336,204
	<hr/>	<hr/>

The notes on pages 24 to 42 form an integral part of the condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong Dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 17 August 2016.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2016, the Group’s current liabilities exceeded its current assets by approximately HK\$352,699,000 (31 December 2015: HK\$487,019,000). Included in the Group’s current liabilities was deferred revenue of HK\$177,710,000 (31 December 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\$174,989,000 (31 December 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 this condensed consolidated interim financial information. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

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

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

HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 9	Financial Instruments ¹
HKFRS 16	Lease ²
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

1 Effective for the Group for annual periods beginning on or after 1 January 2018

2 Effective for the Group for annual periods beginning on or after 1 January 2019

3 Effective date to be determined

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 reported result of operations and financial position.

Notes to the Condensed Consolidated Interim Financial Information

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in any risk management policies since year end.

5.2 Liquidity risk

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

As at 30 June 2016, the Group had available unutilised banking facilities of approximately HK\$302,566,000 (31 December 2015 : 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 Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

During the period ended 30 June 2016, there were no significant changes in the business or economic circumstances that affect the fair value estimation of the Group's financial assets and financial liabilities. In addition, there were no reclassifications of financial assets.

5.4 Fair value of financial liabilities measured at amortised cost

The fair value of bank borrowings is as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Current	368,914	495,382
Non-current	3,149,502	3,250,354
	3,518,416	3,745,736

The carrying value of the Group's other financial assets and financial liabilities approximates their fair values due to their relatively short term nature of those financial instruments.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue is analysed as follows:

	Six months ended 30 June 2016 HK\$'000	2015 HK\$'000
Income from provision of satellite transponder capacity		
— recurring	609,534	614,550
Sales of satellite transponder capacity	6,697	6,802
Other revenues	23,810	19,932
	640,041	641,284

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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 qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the President and Chief Executive Officer for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the condensed consolidated interim financial information.

Revenue reported in Note 6(a) above represented transactions with third parties and is reported to the President and Chief Executive Officer in a manner consistent with that in the condensed consolidated statement of comprehensive income.

The Group is domiciled in Hong Kong. Revenue from customers in Hong Kong and China (other than Hong Kong) for the six months ended 30 June 2016 is HK\$90,839,000 (six months ended 30 June 2015: HK\$98,242,000) and HK\$156,082,000 (six months ended 30 June 2015: HK\$149,910,000) respectively, and the total revenue from customers in other countries is HK\$393,120,000 (six months ended 30 June 2015: HK\$393,132,000). For the purpose of classification, the geographical source of revenue is determined based on the place of incorporation of the customers instead of the footprint of the satellites of the Group which may involve transmission to multiple geographical areas under a single satellite transponder capacity arrangement.

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

Notes to the Condensed Consolidated Interim Financial Information

7 OPERATING PROFIT

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest income	(893)	(17,561)
Net loss on disposals of property, plant and equipment other than transponders	165	—
Other gains — net	(728)	(17,561)
Salary and other benefits, including directors' remuneration	56,375	60,177
Share-based payment	6,521	5,464
Pension costs — defined contribution plans	5,200	4,824
Total staff costs	68,096	70,465
Auditors' remuneration	918	773
Provision/(write back) for impairment of trade receivables, net	2,494	(6,413)
Depreciation of property, plant and equipment (Note 13)	261,026	220,467
Operating leases		
— Premises	3,987	4,542
— Leasehold land and land use rights (Note 12)	292	292
Net exchange loss	6,712	11,797

8 FINANCE EXPENSES

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest expenses incurred on bank borrowings	67,049	39,402
Less: interest capitalised on qualifying assets	(46,336)	(26,117)
Total	20,713	13,285

The interest rate applied in determining the amount of interest capitalised in the six months ended 30 June 2016 was 3.59% (30 June 2015: 3.52%).

Notes to the Condensed Consolidated Interim Financial Information

9 INCOME TAX (CREDIT)/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% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation, that range from 7% to 43.26% (six months ended 30 June 2015: 7% to 43.26%), prevailing in the countries in which the profit is earned.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	24,190	24,940
— Overseas taxation (Note (b))	15,247	26,088
— Adjustment in respect of prior years (Note (a))	(40,786)	—
Total current tax	(1,349)	51,028
Deferred income tax	(5,765)	(1,275)
Income tax (credit)/expense	(7,114)	49,753

Notes:

- (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. The Company has been assessed for tax by the IR on revenues received for the provision of satellite transponder capacity to certain customers for purposes of those customers carrying on business in India or earning income from any source in India. Details were set out in Note 31 to the annual financial statements for the year ended 31 December 2011.

In May 2012, the Finance Bill was passed by the Indian Parliament and certain amendments were enacted with retrospective effect. Under the Indian Income Tax Act (as amended by the Finance Act), revenues received from the provision of satellite transponder capacity to customers which carry on business in India or earn income from any source in India ("Indian sourced") are 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, this may have significant unfavourable consequences to the Group's tax proceedings in the Indian Courts in respect of which orders in favour of the Group had been granted in the past. The amount of the Group's revenues that is deemed to be Indian sourced is yet to be decided by the Indian Courts and therefore the exact tax consequences are still uncertain.

Based on the latest advice received by the Group from the Group's advisers in India, the Group has recorded a provision of approximately HK\$6 million for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$16 million) reflecting an appropriately conservative view based on the historical information currently available. Management intends to rigorously defend the Group's position in this regard in the ongoing tax proceedings in the Indian Courts.

Notes to the Condensed Consolidated Interim Financial Information

10 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	<u>249,229</u>	<u>249,606</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<u>390,918</u>	<u>390,804</u>
Basic earnings per share (HK\$)	<u>0.64</u>	<u>0.64</u>

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has restricted shares under the Share Award Scheme which would have a dilutive effect. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) 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.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	<u>249,229</u>	<u>249,606</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<u>390,918</u>	<u>390,804</u>
Effect of Awarded Shares (in thousands)	<u>1,770</u>	<u>745</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	<u>392,688</u>	<u>391,549</u>
Diluted earnings per share (HK\$)	<u>0.63</u>	<u>0.64</u>

Notes to the Condensed Consolidated Interim Financial Information

11 DIVIDENDS

The Board has not declared an interim dividend (special interim dividend of HK\$11.89 per share and interim dividend of HK\$0.18 per share for six months ended 30 June 2015).

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Special interim dividend of HK\$11.89 per share	—	4,651,314
Interim dividend for the six months ended 30 June 2016 of HK\$Nil per share (interim dividend for the six months ended 30 June 2015 of HK\$0.18 per share)	—	70,415
	<u>—</u>	<u>4,721,729</u>

12 LEASEHOLD LAND AND LAND USE RIGHTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
At 1 January	18,368	18,951
Amortisation of prepaid operating lease payments (Note 7)	(292)	(292)
	<u>18,076</u>	<u>18,659</u>

13 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
At 1 January	6,889,238	6,710,503
Additions	209,473	439,274
Disposals	(183)	—
Depreciation (Note 7)	(261,026)	(220,467)
	<u>6,837,502</u>	<u>6,929,310</u>

Notes to the Condensed Consolidated Interim Financial Information

14 TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables	240,949	238,711
Trade receivables from related parties (Note 19)	102,743	116,713
Less: provision for impairment of trade receivables	(22,862)	(20,368)
	320,830	335,056
Trade receivables — net	320,830	335,056
Other receivables — net	250	1,755
Deposits and prepayments	15,813	25,401
	336,893	362,212
Less non-current portion: Deposit	(2,616)	(2,616)
	334,277	359,596

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Not yet due	198,436	197,228
1 to 30 days	32,557	39,734
31 to 60 days	17,890	12,834
61 to 90 days	17,989	15,579
91 to 180 days	21,054	36,063
181 days or above	32,904	33,618
	320,830	335,056

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE CAPITAL

	Number of shares (‘000)	Ordinary shares HK\$‘000
Issued and fully paid		
At 1 January 2015 and 30 June 2015	391,196	39,120
At 1 January 2016 and 30 June 2016	391,196	39,120

Share Award Scheme

The Share Award Scheme was approved to be established by the Board of Directors on 22 August 2007. Details of the Scheme were set out in Note 18 to the 2015 annual financial statements.

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

	Number of Award Shares 2016	2015
At 1 January	2,468,949	1,619,137
Vested during the period	(159,722)	—
At 30 June	2,309,227	1,619,137

Movement in the Shares held under Share Award Scheme is as follows:

	2016		2015	
	Number of shares held	Value HK\$‘000	Number of shares held	Value HK\$‘000
At 1 January	8,415	143	178,060	4,874
Purchase during the period	869,078	9,516	340,000	9,542
Shares vested during the period	(159,722)	(1,770)	—	—
At 30 June	717,771	7,889	518,060	14,416

159,722 shares at a cost of HK\$1,770,000 (six months ended 30 June 2015: no share) were vested during the period.

There was no additional share awarded to eligible employees and directors during the six month periods ended 30 June 2016 and 2015. The remaining vesting periods of the Award Shares outstanding as at 30 June 2016 are between 1 month and 4 years.

Notes to the Condensed Consolidated Interim Financial Information

16 OTHER RESERVES

	Six months ended 30 June			
	Share premium HK\$'000	Share- based payment reserve HK\$'000	Shares held under Share Award Scheme HK\$'000	Total HK\$'000
At 1 January 2015	17,866	18,006	(4,874)	30,998
Share-based payment	—	5,464	—	5,464
Purchase of shares under Share Award Scheme	—	—	(9,542)	(9,542)
At 30 June 2015	17,866	23,470	(14,416)	26,920
At 1 January 2016	17,866	19,468	(143)	37,191
Share-based payment	—	6,521	—	6,521
Purchase of shares under Share Award Scheme	—	—	(9,516)	(9,516)
Shares vested under Share Award Scheme	—	(1,770)	1,770	—
Transfer from share-based payment reserve to retained earnings	—	(775)	—	(775)
At 30 June 2016	17,866	23,444	(7,889)	33,421

Notes to the Condensed Consolidated Interim Financial Information

17 BANK BORROWINGS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Current	354,568	495,740
Non-current	3,119,358	3,252,379
	<u>3,473,926</u>	<u>3,748,119</u>

The Group utilised banking facilities of approximately HK\$3,568,714,000 (31 December 2015: HK\$3,855,563,000) as at 30 June 2016. The carrying amount of the bank borrowings was approximately HK\$3,473,926,000 (31 December 2015: HK\$3,748,119,000), after netting off unamortised transaction costs of approximately HK\$94,788,000 (31 December 2015: HK\$107,444,000).

Bank borrowings are denominated in United States Dollars.

The bank borrowings amounting to HK\$1,953,232,000 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 an interest rate of 2.65% per annum (31 December 2015 : 2.65% per annum). During the six month period ended 30 June 2016, the effective interest rate on these bank borrowings was 3.52% per annum (year ended 31 December 2015: 3.52% per annum). The fair values of these bank borrowings are based on cash flows discounted using a rate based on the effective interest rate of 3.10% (31 December 2015: 3.55%) and were within level 2 of the fair value hierarchy.

The remaining balances of bank borrowings, comprising a term loan and revolving credit facility, are secured by a charge on insurance claim proceeds relating to certain satellites other than AsiaSat 6 and AsiaSat 8 satellites. The term loan is repayable annually commencing from July 2016 with the final repayment in July 2020. Each drawdown under the revolving credit facility can be rolled over at the end of respective terms until July 2020; on that date all the outstanding balances will be repaid in full. These bank borrowings carry floating rates at London Interbank Offered Rate ("LIBOR") plus a margin and the exposure of these bank borrowings to interest rate changes and the contractual repricing dates are six months or less. The weighted effective interest rate on these bank borrowings was 3.59% per annum (31 December 2015: 3.35% per annum). The carrying amounts of these bank borrowings approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

17 BANK BORROWINGS (CONTINUED)

At 30 June 2016, the Group's bank borrowings were repayable as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within 1 year	354,568	495,740
Between 1 and 2 years	343,425	342,090
Between 2 and 5 years	2,207,916	2,202,504
Over 5 years	568,017	707,785
	<u>3,473,926</u>	<u>3,748,119</u>

The interest expense on bank borrowings during the six months ended 30 June 2016 was HK\$67,049,000 (six months ended 30 June 2015: HK\$39,402,000) and HK\$46,336,000 (six months ended 30 June 2015: HK\$26,117,000) was capitalised as the cost of property, plant and equipment during the period.

As at 30 June 2016, the Group had available unutilised banking facilities of approximately HK\$302,566,000 (31 December 2015: 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 carrying amount and fair value of the bank borrowings are as follows:

	Carrying amount		Fair value	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Current	354,568	495,740	368,914	495,382
Non-current	3,119,358	3,252,379	3,149,502	3,250,354
	<u>3,473,926</u>	<u>3,748,119</u>	<u>3,518,416</u>	<u>3,745,736</u>

Notes to the Condensed Consolidated Interim Financial Information

18 COMMITMENTS

Capital commitments

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
AsiaSat 9		
Contracted but not provided for	517,033	618,899
Other assets		
Contracted but not provided for	12,978	—
	530,011	618,899

Operating lease commitments — Group Company as lessee

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

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Not later than 1 year	7,885	7,885
Later than 1 year and not later than 5 years	—	3,584
	7,885	11,469

Notes to the Condensed Consolidated Interim Financial Information

18 COMMITMENTS (CONTINUED)

Operating lease commitments — Group Company as lessor

The Group leased its premises to certain customers under non-cancellable operating leases. The lease terms are between 2 to 5 years. The lease income recognised under 'other revenues' in the condensed consolidated statement of comprehensive income during the period was HK\$11,767,000 (six months ended 30 June 2015: HK\$12,288,000).

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Not later than 1 year	20,404	20,942
Later than 1 year and not later than 5 years	23,933	36,311
	44,337	57,253

19 RELATED PARTY TRANSACTIONS

At 30 June 2016, the Company was directly controlled by Bowenvale Limited (incorporated in the British Virgin Islands) with total shareholding of approximately 74%, and 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 Condensed Consolidated Interim Financial Information

19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
CITICSat	<u>147,071</u>	<u>129,445</u>

(b) Marketing expenses

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. For the six months ended 30 June 2015, the Group also reimbursed the expenditure incurred by CITICSat plus the marketing fee. 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 adopted in transactions with third parties.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
CITICSat	<u>594</u>	<u>4,813</u>

Notes to the Condensed Consolidated Interim Financial Information

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	21,521	21,414
Share-based payments	4,353	3,354
	<u>25,874</u>	<u>24,768</u>

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
A subsidiary of CITIC	245	245
A subsidiary of GE	—	168
A subsidiary of Carlyle	218	50
	<u>463</u>	<u>463</u>

Notes to the Condensed Consolidated Interim Financial Information

19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables from related parties (Note 14):		
CITICSat (Note)	<u>102,743</u>	<u>116,713</u>
Payables to related parties:		
CITICSat	<u>—</u>	<u>2,562</u>
Deferred revenue in relation to related parties:		
CITICSat	<u>142,074</u>	<u>134,220</u>

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 period end. At 30 June 2016, a provision for impairment of HK\$650,000 (31 December 2015: HK\$2,043,000) was recorded and included within the provision as disclosed in Note 14.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of
ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 42, which comprises the condensed consolidated statement of financial position of Asia Satellite Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 August 2016

Shareholder Information

2016 FINANCIAL CALENDAR

Interim results announcement
Financial year end

17 August 2016
31 December

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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

The Board has not declared an interim dividend for the six months ended 30 June 2016.

ORDINARY SHARES

Shares outstanding as at 30 June 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

INTERIM REPORT 2016

Copies of interim reports 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 on line.

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

Telephone: (852) 2500 0880
Facsimile: (852) 2500 0895
Email: wpang@asiasat.com

INVESTOR RELATIONS CONTACT

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