

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞洲衛星控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code: 1135

### Announcement

### Final Results for the Financial Year Ended 31 December 2016

The Board of Directors (the “Board”) of Asia Satellite Telecommunications Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with comparative figures for the corresponding year in 2015 as follows:

#### Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2016 HK\$'000	2015 HK\$'000
Revenue	2	1,272,385	1,310,991
Cost of services	4	(627,392)	(578,226)
<b>Gross profit</b>		<b>644,993</b>	732,765
Administrative expenses	4	(138,313)	(143,329)
Other gains – net	3	4,651	19,256
<b>Operating profit</b>		<b>511,331</b>	608,692
Finance expenses	5	(54,353)	(76,695)
<b>Profit before income tax</b>		<b>456,978</b>	531,997
Income tax expense	6	(27,044)	(92,242)
<b>Profit and total comprehensive income attributable to the owners of the Company for the year</b>		<b>429,934</b>	439,755
<b>Earnings per share attributable to the owners of the Company for the year</b> (expressed in HK\$ per share)			
<b>Basic earnings per share</b>	7	<b>1.10</b>	1.12
<b>Diluted earnings per share</b>	7	<b>1.10</b>	1.12

## Consolidated Statement of Financial Position

		As at 31 December	
	Note	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		17,785	18,368
Property, plant and equipment		6,830,436	6,889,238
Unbilled receivables		19,575	12,041
Deposit		2,851	2,616
<b>Total non-current assets</b>		<b>6,870,647</b>	<b>6,922,263</b>
<b>Current assets</b>			
Unbilled receivables		9,215	-
Trade and other receivables	9	317,624	359,596
Cash and bank balances		240,583	237,579
<b>Total current assets</b>		<b>567,422</b>	<b>597,175</b>
<b>Total assets</b>		<b>7,438,069</b>	<b>7,519,438</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		39,120	39,120
Reserves			
- Retained earnings		3,029,950	2,597,197
- Other reserves		35,600	37,191
		<b>3,104,670</b>	<b>2,673,508</b>
Non-controlling interests		904	782
<b>Total equity</b>		<b>3,105,574</b>	<b>2,674,290</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	10	2,913,283	3,252,379
Deferred income tax liabilities		432,271	426,884
Other payables		39,000	-
Deferred revenue		67,215	80,314
Other amounts received in advance		1,377	1,377
<b>Total non-current liabilities</b>		<b>3,453,146</b>	<b>3,760,954</b>
<b>Current liabilities</b>			
Bank borrowings	10	350,040	495,740
Construction payables		30,521	51,397
Other payables and accrued expenses		68,725	103,928
Deferred revenue		173,085	162,343
Current income tax liabilities		256,978	270,786
<b>Total current liabilities</b>		<b>879,349</b>	<b>1,084,194</b>
<b>Total liabilities</b>		<b>4,332,495</b>	<b>4,845,148</b>
<b>Total equity and liabilities</b>		<b>7,438,069</b>	<b>7,519,438</b>

## Notes:

### 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 judgement in the process of applying the Group's accounting policies.

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.

#### ***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.

## 1. Basis of preparation (Continued)

### *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 <sup>1</sup>
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for the Group for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for the Group for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for the Group for annual periods beginning on or after 1 January 2019

<sup>4</sup> 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.

## 2. Revenue and segment information

#### (a) Revenue:

The Group's revenue is analysed as follows:

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

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 6 to this announcement.

## 2. 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 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 2(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.

## 3. Other gains - net

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

#### 4. Operating profit

The Group's operating profit is arrived at after (crediting)/charging the following items:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Salary and other benefits, including directors' remuneration	<b>112,506</b>	123,027
Share-based payment	<b>10,907</b>	11,134
Pension costs – defined contribution plans	<b>8,617</b>	9,748
Total staff costs	<b>132,030</b>	143,909
Auditor's remuneration		
- audit services	<b>1,900</b>	1,675
- non-audit services	<b>1,240</b>	1,536
Provision/(write back) for impairment of		
- trade receivables, net	<b>2,350</b>	(1,317)
- other receivables	<b>-</b>	(4,403)
Depreciation of property, plant and equipment	<b>521,816</b>	469,135
Employee benefit expense	<b>132,030</b>	143,909
Operating leases		
- Office premises	<b>7,973</b>	8,852
- Leasehold land and land use rights	<b>583</b>	583
Net exchange loss	<b>8,785</b>	21,166
Marketing and promotions expense	<b>5,015</b>	5,167
Satellite operations	<b>7,363</b>	7,109

#### 5. Finance expenses

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

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

## 6. 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.

	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))	<u>(55,103)</u>	-
Total current tax	<u>21,657</u>	<u>62,393</u>
Deferred income tax	<u>5,387</u>	29,849
Income tax expense	<u>27,044</u>	<u>92,242</u>

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.

## 6. Income tax expense (Continued)

### Note (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 HK\$’000	2015 HK\$’000
Profit before income tax	<u>456,978</u>	<u>531,997</u>
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	<u>(55,103)</u>	-
Tax charge	<u>27,044</u>	<u>92,242</u>

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.

## 7. 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.

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit attributable to owners of the Company	<b>429,934</b>	439,755
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<b>390,989</b>	390,978
Basic earnings per share (HK\$)	<b>1.10</b>	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 share 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.

#### 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.

## 7. Earnings per share (Continued)

	2016 HK\$'000	2015 HK\$'000
Profit attributable to owners of the Company	<u>429,934</u>	<u>439,755</u>
	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)	<u>987</u>	<u>894</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	<u>391,976</u>	<u>391,872</u>
Diluted earnings per share (HK\$)	<u>1.10</u>	<u>1.12</u>

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

## 8. 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. The Group's consolidated financial statements do not reflect these dividends payable.

	2016 HK\$'000	2015 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	<u>78,239</u>	<u>-</u>
	<u>78,239</u>	<u>4,721,729</u>

## 9. Trade and other receivables

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

## 9. Trade and other receivables (Continued)

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 Hong Kong Dollars, United States Dollars and Renminbi.

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 HK\$'000	2015 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
	<u>315,271</u>	<u>355,424</u>

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 HK\$'000	2015 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
	<u>21,081</u>	<u>20,368</u>

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

	2016 HK\$'000	2015 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)
	<u>21,081</u>	<u>20,368</u>

## 9. Trade and other receivables (Continued)

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.

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
	<u>294,190</u>	<u>335,056</u>

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.

## 10. Bank borrowings

	2016 HK\$'000	2015 HK\$'000
Current	350,040	495,740
Non-current	2,913,283	3,252,379
	<u>3,263,323</u>	<u>3,748,119</u>

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 United States Dollars.

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.

## 10. Bank borrowings (Continued)

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%).

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

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

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 expire in June 2017 and the remaining of HK\$311,000,000 will expire 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.

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

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

## **11. 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 of Hong Kong Limited (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.

## **12. Corporate governance**

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.

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules.

## **13. Audit Committee**

The Audit Committee ("AC") 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 AC is chaired by an INED, who possesses appropriate professional qualifications and experience in financial matters.

The AC has 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 Company's independent auditors.

## **14. Charges on assets**

Save as disclosed in Note 10 above, there was no charge over the Group's assets as at 31 December 2016 and 31 December 2015.

## **15. Publication of detailed results announcement on the Stock Exchange's website**

A detailed results announcement containing all the information required by paragraphs 45 of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.asiasat.com](http://www.asiasat.com)). The 2016 annual report will be despatched to the shareholders and available on the same websites on or before 30 April 2017.

## **16. Dividends**

The Board recommends a final dividend of HK\$0.20 per share in respect of 2016 to shareholders whose names appear on the register of members of the Company on Monday, 26 June 2017. The proposed final dividend will be paid on or about Thursday, 6 July 2017 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company to be held on Wednesday, 14 June 2017.

## **17. Closure of register of members**

The register of members of the Company will be closed from Thursday, 8 June 2017 to Wednesday, 14 June 2017 (both days inclusive), during which period no transfer of shares in the Company will be allowed. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 14 June 2017, all share transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 7 June 2017.

For the purpose of determining the entitlement to proposed final dividend, the register of members of the Company will be closed from Thursday, 22 June 2017 to Monday, 26 June 2017 (both days inclusive), during which period no transfer of shares in the Company. All share transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 21 June 2017.

## **18. Scope of work of PricewaterhouseCoopers**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

---

## **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 streamlining 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.

#### **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 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.

## **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.

## **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.

### **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.

## 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

*As at the date of this announcement, the Board comprises 11 directors. The Executive Director is Mr. Andrew G. JORDAN. The Non-executive Directors are Mr. JU Wei Min (Chairman), Mr. Gregory M. ZELUCK (Deputy Chairman), Mr. LUO Ning, Mr. Peter JACKSON, Mr. Julius M. GENACHOWSKI and Mr. Alex S. YING. The Independent Non-executive Directors are Mr. James WATKINS, Mr. Stephen LEE Hoi Yin, Mr. Kenneth McKELVIE and Ms. Maura WONG Hung Hung. The Alternate Director is Mr. CHONG Chi Yeung (alternate to Mr. LUO Ning).*

*\* For identification purpose only*