ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

亞 洲 衛 星 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

Stock Code: 1135

Announcement of Unaudited Results for the Six Months Ended 30 June 2016

The Board of Directors is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2016 HK$'000	2015 HK$'000
Revenue	4	**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	5	**728**	17,561
Operating profit	5	**262,828**	312,644
Finance expenses	6	**(20,713)**	(13,285)
Profit before income tax		**242,115**	299,359
Income tax credit/(expense)	7	**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	8	**0.64**	0.64
Diluted earnings per share	8	**0.63**	0.64

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		**18,076**	18,368
Property, plant and equipment		**6,837,502**	6,889,238
Unbilled receivables		**30,764**	12,041
Deposit	10	**2,616**	2,616
Total non-current assets		**6,888,958**	6,922,263
Current assets			
Trade and other receivables	10	**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		**39,120**	39,120
Reserves			
- Retained earnings		**2,847,201**	2,597,197
- Other reserves		**33,421**	37,191
		2,919,742	2,673,508
Non-controlling interests		**782**	782
Total equity		**2,920,524**	2,674,290
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	**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
Total non-current liabilities		**3,615,735**	3,760,954
Current liabilities			
Bank borrowings	11	**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
Total current liabilities		**911,606**	1,084,194
Total liabilities		**4,527,341**	4,845,148
Total equity and liabilities		**7,447,865**	7,519,438
Net current liabilities		**(352,699)**	(487,019)
Total assets less current liabilities		**6,536,259**	6,435,244

Notes

1. Independent review

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 June 2016 have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 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.

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.

Notes

3. Accounting policies (Continued)

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

4. Revenue and segment information

a) Revenue

The Group's revenue is analysed as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	HK$'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

4. 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 4(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

5. 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	**261,026**	220,467
Operating leases		
- Premises	**3,987**	4,542
- Leasehold land and land use rights	**292**	292
Net exchange loss	**6,712**	11,797

6. 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 2016 was 3.59% (30 June 2015: 3.52%).

Notes

7. 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

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. 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.

Notes

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

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.

8. Earnings per share

Basic

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

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

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

Diluted

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

Notes

8. Earnings per share (Continued)

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

9. 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 the 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
	-	4,721,729

10. Trade and other receivables

	30 June 2016	31 December 2015
	HK$'000	HK$'000
Trade receivables	**240,949**	238,711
Trade receivables from related parties	**102,743**	116,713
Less: provision for impairment of trade receivables	**(22,862)**	(20,368)
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)
Current portion	**334,277**	359,596

Notes

10. Trade and other receivables (Continued)

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

11. 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
	3,473,926	3,748,119

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 periods 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.

Notes

11. 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 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.

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
	3,473,926	3,748,119

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 costs 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
	3,473,926	3,748,119	**3,518,416**	3,745,736

12. 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, 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 of Hong Kong Limited (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.

13. Corporate governance

The Company is committed to maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report ("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 non-executive directors ("NEDs") and independent non-executive directors ("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.

Regarding the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, the Group has adopted procedures governing directors' securities transactions in compliance with the relevant code provisions. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the period from 1 January 2016 to 30 June 2016.

14. 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.

15. Charges on assets

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

16. Miscellaneous

The Directors are not aware of any material changes from the information published in the annual report for the year ended 31 December 2015, other than disclosed in this announcement.

17. 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.

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.

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 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.

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.

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.

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

As at the date of this announcement, the Board comprises 11 directors. The Executive Director is Mr. William WADE. 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*