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 2018

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 2018, together with comparative figures for the corresponding year in 2017 as follows:

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
	Note	**2018**	2017
		HK$'000	HK$'000
Revenue	2	**1,441,556**	1,353,913
Cost of services	4	**(676,038)**	(639,590)
Gross profit		**765,518**	714,323
Administrative expenses	4	**(155,805)**	(164,988)
Other gains – net	3	**49,183**	92,220
Operating profit		**658,896**	641,555
Finance expenses	5	**(101,026)**	(94,742)
Profit before income tax		**557,870**	546,813
Income tax expense	6	**(128,589)**	(150,213)
Profit and total comprehensive income for the year		**429,281**	396,600
Profit and total comprehensive income for the year attributable to :			
- Owners of the Company		**429,313**	396,669
- Non-controlling interests		**(32)**	(69)
		429,281	396,600
Earnings per share attributable to the owners of the Company for the year (expressed in HK$ per share)			
Basic earnings per share	7	**1.10**	1.01
Diluted earnings per share	7	**1.10**	1.01

Consolidated Statement of Financial Position

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**16,619**	17,202
Property, plant and equipment		**6,369,696**	6,930,280
Unbilled receivables		**24,986**	19,040
Deposit	9	**2,851**	2,851
Total non-current assets		**6,414,152**	6,969,373
Current assets			
Unbilled receivables		**12,576**	8,458
Trade and other receivables	9	**244,673**	208,598
Cash and bank balances		**546,896**	214,465
Total current assets		**804,145**	431,521
Total assets		**7,218,297**	7,400,894
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,120**	39,120
Reserves			
- Retained earnings		**3,568,823**	3,282,940
- Other reserves		**25,402**	29,607
		3,633,345	3,351,667
Non-controlling interests		**803**	835
Total equity		**3,634,148**	3,352,502
LIABILITIES			
Non-current liabilities			
Bank borrowings	10	**2,244,075**	2,593,983
Deferred income tax liabilities		**446,112**	462,515
Contract liabilities		**223,490**	230,825
Total non-current liabilities		**2,913,677**	3,287,323
Current liabilities			
Bank borrowings	10	**359,826**	358,923
Construction payables		**10,782**	67,448
Other payables and accrued expenses		**63,885**	80,874
Contract liabilities		**163,607**	191,761
Current income tax liabilities		**72,372**	62,063
Total current liabilities		**670,472**	761,069
Total liabilities		**3,584,149**	4,048,392
Total equity and liabilities		**7,218,297**	7,400,894

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 consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the financial year beginning on or after 1 January 2018 and the Group has changed its accounting policies accordingly. The impact of adopting the following standards are disclosed below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

(i) HKFRS 9 Financial Instruments

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

Classification and measurement

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

Impairment of trade receivables

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

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. The Group has assessed that the expected loss rate for trade receivables to be reasonable and the loss allowance has been properly provided (Note 9). Trade receivables are written off when there is no reasonable expectation of recovery.

Upon adoption of the new standard, management has performed an evaluation of the expected credit loss position as at 1 January 2018, and concluded that the impact of the new standard on that date to be insignificant, and therefore no restatement of the balance as at that date was required.

1. **Basis of preparation (Continued)**

Changes in accounting policies and disclosures (Continued)

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

(ii) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations on revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

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

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

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

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

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

Management has assessed the effects of HKFRS 15 on the Group’s consolidated financial statements and the details are as follows:

Provision of satellite transponder capacity

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

1. **Basis of preparation (Continued)**

Changes in accounting policies and disclosures (Continued)

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

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

Sales of satellite transponder capacity

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

All of the Group's revenue is recognised over time.

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

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

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation – Amendments[1]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Lease[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)- Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements Project	Annual Improvements 2015 – 2017 cycle[1]

[1] Effective for the Group for annual periods beginning on or after 1 January 2019
[2] Effective for the Group for annual periods beginning on or after 1 January 2021
[3] Effective date to be determined

Management is in the process of assessing the impact of these new standards, amendments to standards and interpretation to existing standards. Below set out their expected impact on the Group's financial performance and position:

(i) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. From lessees' perspective, it will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

1. **Basis of preparation (Continued)**

Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 16 “Leases” (Continued)

The standard will affect primarily the accounting for the Group’s operating leases. As at the date of the consolidated statement of financial position, the Group has non-cancellable operating lease commitments of approximately HK$25,869,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and loss, and classification of cash flows upon adoption of the standard.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is effective for first interim period of the financial year commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2. **Revenue and segment information**

(a) Revenue:

The Group’s revenue is analysed as follows:

	2018	2017
	HK$’000	HK$’000
Income from provision of satellite transponder capacity - recurring (Note)	**1,403,828**	1,308,549
Sales of satellite transponder capacity	**10,097**	13,224
Other revenue	**27,631**	32,140
	1,441,556	1,353,913

Note:

For the year ended 31 December 2018, a total amount of HK$20,412,000 (2017: HK$22,880,000) was recorded as income from provision of satellite transponder capacity, which represented 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 are set out in Note 6 in this announcement.

(b) Segment information:

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

2. Revenue and segment information (Continued)

(b) Segment information: (Continued)

Revenue reported in Note 2(a) above represented transactions with third parties and are reported to the 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 2018 is HK$226,471,000 (2017: HK$155,534,000) and HK$360,122,000 (2017: HK$312,575,000), respectively, and the total revenue from customers in other countries is HK$854,963,000 (2017: HK$885,804,000). 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 2018, one customer (2017: two customers) individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2018	2017
	HK$'000	HK$'000
Customer A	**134,103**	135,449
Customer B	**171,600**	144,532

The amounts provided to the Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that in the 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

	2018	2017
	HK$'000	HK$'000
Interest income	**4,910**	2,151
Net (loss)/gain on disposals of property, plant and equipment	**(35)**	247
Cost recovery (Note)	**44,308**	89,822
	49,183	92,220

Note: This represented income from recovery of expenses incurred arising from the resolution of a long pending tax matter related to the provision of services to a customer.

4. Expenses by nature

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

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration		
- audit services	**1,830**	1,960
- non-audit services	**1,482**	5,211
Loss allowance of trade receivables (Note 9)	**6,572**	6,519
Depreciation of property, plant and equipment	**578,359**	525,789
Employee benefit expense	**143,762**	146,478
Operating leases		
- Office premises	**10,803**	9,611
- Leasehold land and land use rights	**583**	583
Net exchange loss	**7,207**	18,029
Marketing and promotions expense	**4,541**	5,363
Legal and professional fee	**12,805**	17,003
Satellite operations	**8,017**	9,507

5. Finance expenses

	2018 **HK$'000**	2017 HK$'000
Interest expenses and finance charges incurred on bank borrowings	**101,026**	116,174
Unamortised loan origination fees written off upon repayment of bank borrowings	**-**	23,528
Less: interest capitalised on qualifying assets	**-**	(44,960)
Total	**101,026**	94,742

During the year ended 31 December 2018, no interest was capitalised with the commencement of operation of the qualifying assets. During the year ended 31 December 2017, the interest rate applied in determining the amount of interest capitalised was 3.7%.

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% (2017: 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 43.68% (2017: 7% to 43.26%) prevailing in the countries in which the profit is earned.

6. Income tax expense (Continued)

	2018 **HK$'000**	2017 HK$'000
Current income tax		
- Hong Kong profits tax	**56,485**	2,354
- Overseas taxation (Note)	**88,507**	121,187
- Adjustments in respect of prior years	**-**	(3,572)
Total current tax	**144,992**	119,969
Deferred income tax	**(16,403)**	30,244
Income tax expense	**128,589**	150,213

Note:

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

In May 2012, the Finance Act was passed by the Indian Parliament and certain amendments were enacted with retrospective effect. Under the Indian Income Tax Act (as amended by the aforesaid Finance Act), revenue 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 had recognised a provision for income tax in India since the financial year of 2012 reflecting an appropriate conservative view based on the historical information currently available, while defending the Group's position in the tax proceedings in the Indian courts.

In January 2017, the Group filed an application under the Direct Tax Dispute Resolution Scheme, 2016 ("DRS 2016") to the IR for a settlement of the tax disputes in relation to assessment years from 1997/98 to 2012/13. The DRS 2016 was introduced by the Indian government to allow eligible tax payers to settle their tax disputes as a result of the retrospective amendments to the Income Tax Act in 2012, provided all the pending appeals/writs are withdrawn and that any interest 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 final settlement of tax payable for these 16 assessment years to be HK$193,000,000 (Indian Rupee equivalent) and which the Group has subsequently paid. Accordingly, all the Indian income tax liabilities for these 16 assessment years were fully settled in 2017.

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

Based on the latest assessment orders and on the advice from the Group's advisers in India, the Group has made its best estimate to record a provision of approximately HK$64,000,000 for the year ended 31 December 2018 (2017: HK$97,000,000).

6. Income tax expense (Continued)

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:

	2018	2017
	HK$'000	HK$'000
Profit before income tax	**557,870**	546,813
Tax calculated at tax rate of 16.5% (2017: 16.5%)	**92,049**	90,224
Tax effect of income not subject to income tax and other tax credit	**(126,445)**	(124,847)
Tax effect of expenses not deductible for tax purposes	**74,757**	67,221
Income tax in respect of overseas profits	**88,507**	121,187
Other	**(279)**	-
Adjustments in respect of prior years	**-**	(3,572)
Tax charge	**128,589**	150,213

The effective tax rate of the Group was 23.0% (2017: 27.5%).

The lower effective tax rate for the year ended 31 December 2018 was mainly attributable to the change in timing difference arising from the accelerated tax depreciation in respect of certain in-orbit satellites.

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.

	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**429,313**	396,669

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,830**	390,860
Basic earnings per share (HK$)	**1.10**	1.01

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held under the share award scheme.

7. Earnings per share (continued)

Diluted

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

Share award schemes

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

Share options scheme

The Company has share options, issued in October 2016, which would have dilutive effects. A calculation is done to determine the number of shares that could have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares for the year) 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.

	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**429,313**	396,669

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,830**	390,860
Effect of Share Award Schemes (in thousands)	**97**	61
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**390,927**	390,921
Diluted earnings per share (HK$)	**1.10**	1.01

There are no share options outstanding during the year ended 31 December 2018.

The conversion of share options would have an anti-dilutive effect to the basic earnings per share during the year ended 31 December 2017.

8. Dividends

The dividends paid in 2018 were HK$148,513,000 (HK$0.38 per share) (2017: HK$148,491,000). The Board recommends the payment of a final dividend of HK$0.20 per share (2017: HK$0.20 per share). Such dividends are to be approved by the shareholders at the annual general meeting to be held on 14 June 2019. These consolidated financial statements do not reflect these dividends payable.

	2018 HK$'000	2017 HK$'000
Interim dividend paid of HK$0.18 (2017: HK$0.18) per ordinary share	**70,415**	70,415
Proposed final dividend of HK$0.20 (2017: HK$0.20) per ordinary share	**78,239**	78,239
	148,654	148,654

9. Trade and other receivables

	2018 HK$'000	2017 HK$'000
Trade receivables	**106,257**	100,504
Trade receivables from related parties	**142,045**	104,162
Less: loss allowance	**(23,864)**	(19,524)
Trade receivables - net	**224,438**	185,142
Other receivables - net	**1,236**	7,834
Deposits and prepayments	**21,850**	18,473
	247,524	211,449
Less non-current portion: deposit	**(2,851)**	(2,851)
Current portion	**244,673**	208,598

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

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

A majority of the trade and other receivables are denominated in HK$, USD and RMB.

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

9. Trade and other receivables (Continued)

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:

	2018	2017
	HK$'000	HK$'000
Not yet due	**61,551**	46,475
1 to 30 days	**36,606**	41,079
31 to 60 days	**34,443**	38,756
61 to 90 days	**19,756**	14,644
91 to 180 days	**59,823**	42,638
181 days or above	**36,123**	21,074
	248,302	204,666

As at 31 December 2018 and 2017, trade receivables relate to a large number of customers that are internationally dispersed.

Movements on the loss allowance of trade receivables are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**19,524**	21,081
Loss allowance of receivables	**6,572**	6,519
Amounts written off	**(2,232)**	(8,076)
At 31 December	**23,864**	19,524

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:

	2018	2017
	HK$'000	HK$'000
Not yet due	**60,350**	45,884
1 to 30 days	**35,645**	40,112
31 to 60 days	**33,030**	37,522
61 to 90 days	**18,676**	14,157
91 to 180 days	**55,284**	37,776
181 days or above	**21,453**	9,691
	224,438	185,142

10. Bank borrowings

	2018	2017
	HK$'000	HK$'000
Current	**359,826**	358,923
Non-current	**2,244,075**	2,593,983
	2,603,901	2,952,906

The Group utilised banking facilities of approximately HK$2,635,427,000 (2017: HK$2,996,660,000) as at 31 December 2018. The carrying amount of the bank borrowings was approximately HK$2,603,901,000 (2017: HK$2,952,906,000), after netting off transaction costs of approximately HK$31,526,000 (2017: HK$43,754,000).

Bank borrowings are all denominated in USD.

The bank borrowings amounting to HK$1,280,195,000 (2017: HK$1,554,977,000) are secured by a charge on insurance claim proceeds relating to AsiaSat 6 and AsiaSat 8 satellites. They are repayable semi-annually commencing from February 2015 with the final repayment in April 2023 and carry coupons of 2.65% per annum (2017: 2.65% per annum). The effective interest rate on these bank borrowings was 3.52% (2017: 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 5.12% (2017: 4.01%) and are within level 2 of the fair value hierarchy.

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

Under the New Syndicated Facilities, the term loan is repayable annually commencing from July 2018 with the final repayment in July 2022. The revolving credit facilities are available for drawdown for a period from 1 to 6 months until June 2022, and any outstanding balances will be repaid in full by July 2022. These bank borrowings carry floating rates at London Interbank Offered Rate ("LIBOR") plus a margin and the exposure of these bank borrowings to interest rate changes and the contractual repricing dates are six months or less. During the year ended 31 December 2018, the weighted effective interest rate on these bank borrowings under the New Syndicated Facilities was 3.66% (2017: 2.95%).

At 31 December 2018, the Group's bank borrowings were repayable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**359,826**	358,923
Between 1 and 2 years	**358,177**	355,079
Between 2 and 5 years	**1,885,898**	2,094,966
Over 5 years	**-**	143,938
	2,603,901	2,952,906

10. Bank borrowings (Continued)

The interest expense and finance charges on bank borrowings for the year ended 31 December 2018 was HK$101,026,000 (2017: HK$116,174,000), and no interest expenses was capitalised as the costs of property, plant and equipment during the year (2017: HK$44,960,000).

As at 31 December 2018, the Group had available unutilised banking facilities of approximately HK$313,276,000 and will be expired in June 2022.

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

	Carrying amount		**Fair value**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**359,826**	358,923	**242,957**	333,376
Non-current	**2,244,075**	2,593,983	**2,181,501**	2,569,795
	2,603,901	2,952,906	**2,424,458**	2,903,171

11. Purchase, sale or redemption of securities

During the year, the Asia Satellite Share Award Scheme Trust, which was set up to administer the Company's 2007 Share Award Scheme, has purchased a total of 500,000 ordinary shares of HK$0.10 each of the Company at an average price of HK$6.99 per share on the Stock Exchange. The purchase involved a total cash outlay of HK$3,495,000. 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 2018 and the Company has not redeemed any of its shares during the year ended 31 December 2018.

12. Corporate governance

Throughout 2018, 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.

13. Audit Committee

The Audit Committee ("AC") consists of six members, four of whom are Independent Non-executive Directors ("INED") who satisfy independence, financial literacy and experience requirements, whilst the other two members are Non-executive Directors and have only observer status with no voting rights. The 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 2018 in conjunction with the Company's independent auditors.

14. Charges on assets

Save as disclosed in Note 10 above, there was no other charge over the Group's assets as at 31 December 2018 and 31 December 2017.

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) and the Company's website (www.asiasat.com). The 2018 annual report will be despatched to the shareholders and available on the same websites on or before 30 April 2019.

16. Dividends

The Board recommends a final dividend of HK$0.20 per share in respect of 2018 to shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019. The proposed final dividend will be paid on or about Friday, 5 July 2019 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company to be held on Friday, 14 June 2019.

17. Closure of register of members

The register of members of the Company will be closed from Thursday, 6 June 2019 to Friday, 14 June 2019 (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 Friday, 14 June 2019, 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, 5 June 2019.

For the purpose of determining the entitlement to proposed final dividend, the register of members of the Company will be closed from Friday, 21 June 2019 to Monday, 24 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be allowed. 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 Thursday, 20 June 2019.

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 2018 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.

Introduction

In contrast to the grim sentiments in the overall geostationary satellite operators' market, the Group's performance in 2018 proved positive with revenue of HK$1,442 million, up 6% from the previous year, driven by new customers and on-going transponder renewals.

Across the year, the Group achieved overall capacity utilisation of 72% with our primary satellites (AsiaSat 5, AsiaSat 6, AsiaSat 7, AsiaSat 8 and AsiaSat 9), up 3% from 2017, in line with company expectations.

While the economies in the Asia-Pacific region as a whole may be going through a continued, slow decline, growth momentum in demand for broadcast and data services remains robust in several fast-growing countries, hence in the medium to long-term, Asia is still expected to outperform all other regions across our core markets of telecoms, media and entertainment. As Asia's premier satellite operator, AsiaSat continues to be well positioned to leverage the many new and long-term growth opportunities presented by emerging economies in the region.

In the meantime, due to stepped up efforts by regulators around the world to re-purpose a portion of C-band satellite spectrum to facilitate the roll-out of new 5G services, there have been concerns over the tightening supply of C-band transponder capacity available for broadcast distribution. However, the Group has been working diligently during the year to devise a set of measures aimed at alleviating the anticipated impact of 5G implementation, including the development and evaluation of possible technical solutions and the rationalisation of satellite capacity to be allocated to broadcast customers. Meanwhile, our video neighbourhoods and the value of our premier orbital locations continue to benefit from the demand of consumers hungry for live video content, which requires a highly scalable and reliable means of delivery.

Areas of Growth

The overall video revenue in 2018 remained solid, accounting for two-thirds of our C- and Ku-band capacity. Although AsiaSat 9 was originally conceived to be more of a data-driven satellite, it has successfully initiated its transformation into a video "hotbird" attracting high-quality regional and international television broadcasters while data services of all kinds have continued to take up additional bandwidth.

In addition to providing broadcast distribution of international channels, AsiaSat 9 (which replaced AsiaSat 4 at 122 degrees East) has been providing outbound distribution of local-language channels targeting diasporas communities in markets such as Australia. Meanwhile, AsiaSat 4 is being redeployed at a new orbital location and is dedicated to the needs of a single customer under the terms of a four-year utilisation contract signed in November 2017.

New broadcast distribution agreements and renewals have been signed during the year with customers from Europe and Asia, while the Group has also signed ongoing data capacity agreements with customers in Australia, Greater China, Indonesia and Vietnam.

During 2018, the mega markets of China, India and Indonesia have continued to deliver solid revenue while demand for rural connectivity in Australia has generated additional returns. Meanwhile, international video distribution, including premium television channels from our global customers has remained a key revenue driver.

Another area of positive performance in 2018 has come from the enhanced utilisation of AsiaSat 5 and AsiaSat 9 which has reinforced AsiaSat's position as the regional carrier of choice for many top-tier sports, 4K transmission and ad hoc live broadcasts. These live events have included the Winter Olympics in Pyeongchang, the English Premier League, J League and LaLiga football, the Davis Cup and Laver Cup tennis tournaments as well as Indian Premier League cricket. Other special events carried during 2018 included the Boao Forum for Asia, the Trump-Kim Summit in Singapore, the APEC Summit in Papua New Guinea, the Golden Globes and the Grammy Awards.

With more than 100 High Definition (HD) television channels now being distributed by AsiaSat, we believe the migration from Standard Definition (SD) to HD is imminent and accelerating. On the contribution side, the Group is likely to benefit particularly from the increased bandwidth requirements as premium sports and related special events migrate to 4K format.

Against a background of unprecedented growth in the regional aviation market, for much of 2018, the Asia-Pacific demand for In-Flight-Connectivity (IFC) has continued to grow, led by China and India with strong prospects of increased capacity requirements to be seen in 2019 and beyond.

Financial Performance

Revenue

Revenue for the year ended 31 December 2018 was HK$1,442 million (2017: HK$1,354 million) up 6% from the previous year. This revenue growth was bolstered by the full-year earnings from the lease of the full Ku-band payload of AsiaSat 8 and the lease of the full payload of AsiaSat 4.

Operating Expenses

In 2018, operating expenses amounted to HK$253 million (2017: HK$279 million), a decrease of 9% from 2017, largely attributable to currency fluctuations and lower spending on professional fees as well as our approach to controlling expenses.

Other Gains

Other gains for the year were HK$49 million (2017: HK$92 million), a reduction of HK$43 million from 2017, attributable to a lower income arising from the resolution of a long-pending tax matter.

Finance Expenses

Net finance expenses after capitalisation were HK$101 million (2017: HK$95 million), up HK$6 million from the previous year as no interest expenses have been capitalised for the newly operational AsiaSat 9.

Depreciation

Depreciation in 2018 was HK$578 million (2017: HK$526 million). The increase of HK$52 million primarily resulted from the first full-year depreciation of AsiaSat 9.

Income Tax Expense

Income tax expense was HK$129 million (2017: HK$150 million) representing a decrease of HK$21 million from 2017. The decrease was substantially attributable to costs incurred in the previous year relating to the payment of additional tax following the settlement of a tax dispute under the Direct Tax Dispute Resolution Scheme 2016 in India as described in Note 6 in this Announcement.

Profit

The profit attributable to owners for 2018 was HK$429 million (2017: HK$397 million). This was primarily driven by an increase in revenue, but offset by higher depreciation and reduced other gains.

Cash Flow

At the end of 2018, Group cash and bank balances stood at HK$547 million (31 December 2017: HK$215 million).

During the year, the Group generated net cash inflow of HK$334 million (2017: net cash outflow of HK$29 million). Cash inflows mainly comprised net cash generated from operating activities of HK$973 million (2017: inflow of HK$1,088 million).

Cash outflows for the year included capital expenditure of HK$75 million (2017: HK$544 million), the payment of HK$149 million in dividends (2017: HK$148 million) and repayment of bank borrowings of HK$367 million (2017: HK$1,786 million).

Dividend

At the Annual General Meeting to be held on 14 June 2019, the Board will recommend a final dividend of HK$0.20 per share (2017: HK$0.20 per share) for the year ended 31 December 2018. Together with an interim dividend of HK$0.18 per share (2017: HK$0.18 per share), the total dividend for the year 2018 is HK$0.38 per share (2017: HK$0.38 per share).

Overall Business Performance

In summary, during 2018 the Group achieved higher capacity growth with its expanded and upgraded satellite fleet with 131 transponders leased or utilised, as compared to 126 transponders as of 31 December 2017. Overall payload utilisation for the period ended 31 December 2018 was 72% as compared to 69% in the previous year.

With the satellite transponder market in the Asia-Pacific undergoing a restructuring over the last two years, the Group had a contracted backlog of HK$2,976 million (2017: HK$3,684 million). The 19% reduction was primarily driven by subdued demand and customers becoming less willing to commit to longer-term contracts in an uncertain market.

Outlook 2019-2021

The Group is cautiously optimistic about revenue prospects for 2019 and beyond, notwithstanding current oversupply of satellite capacity in key country markets, price erosion and the fierce competition from terrestrial networks.

The overall demand for broadcast distribution services in the Asia-Pacific region is forecast to remain stable with a single digit upward trend in selected markets, benefiting from the on-going transition from SD to HD/Ultra HD. Underpinned by the region's underlying demographic and economic strengths, we are expecting to see a continued, steady increase in transponder uptake.

Our customers' ever-increasing demand for capacity, which is further fueled by the tremendous growth in online and other digital services, continues to be met by the ubiquitous coverage of the capacity provided by our satellite fleet.

With the slowdown in the deployment of new geostationary satellites, coupled with the tightening supply of C-band transponders due to the expected roll-out of 5G services in a number of Asian markets, we believe the demand for satellite transmission capacity will be outstripping net distribution capacity. In particular, regional demand for network connectivity, such as maritime and remote communications, remains positive. Therefore, we believe the market equilibrium will be tipping in favour of Fixed Satellite Service (FSS) operators such as AsiaSat.

To date, the impact of high-throughput satellites (HTS) on traditional FSS providers in the region has not been as significant as expected, due to the slow, incremental roll-out of HTS. Hence, we will continue to evaluate the timely commissioning of an HTS satellite, AsiaSat 10, to support connectivity demands in IFC, maritime and other vertical markets that demand high capacity, high speed and efficiency.

In order to better adapt to a rapidly changing business environment, we are proactively seeking collaboration partners in emerging markets and among companies engaged in related value chains through assessing various initiatives, including mergers and acquisitions, while continuing to strengthen our core revenue base.

Acknowledgements

I would like to take this opportunity to thank past Board member Mr. Julius M. Genachowski for his valuable contribution to the Company over the past three years and to welcome Mr. Fan Jui-Ying as a new Board member.

Finally, I also express my gratitude to our customers and to our management team led by our Chief Executive Officer Dr. Roger Tong and his staff who worked tirelessly in 2018 to strengthen AsiaSat's leadership role within the satellite operators' community. I also thank our shareholders for their support and continued confidence to the Group and the satellite industry.

Gregory M. ZELUCK
Chairman

Hong Kong, 8 March 2019

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

** For identification purpose only*