ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LTD
Form 20-F
June 18, 2007

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 18, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 20-F

|_| REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

|_| SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

COMMISSION FILE NUMBER 1-14396

ASIA SATELLITE
TELECOMMUNICATIONS HOLDINGS LIMITED

(Exact Name of Registrant as Specified in Its Charter)

N/A	Bermuda
(Translation of Registrant's Name Into English)	(Jurisdiction of Incorporation or Organization)

17th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong
852-2500-0888

(Address and Telephone Number of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
American Depositary Shares	The New York Stock Exchange
Common Stock, par value HK$0.10 per share	The New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares. The Common Stock is also listed and traded on The Stock Exchange of Hong Kong Limited.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
(Title of Class)

Securities for which there is a reporting obligation
pursuant to Section 15(d) of the Act: None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

-- As of December 31, 2006, 390,265,000 shares of Common Stock were issued and outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [_] No [X]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_] Accelerated filer [X] Non-accelerated filer [_]

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 [_] Item 18 [X]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [_] No [X]

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All references to the "Company" herein are references to Asia Satellite Telecommunications Holdings Limited, a Bermuda company incorporated on May 10, 1996, and, unless the context otherwise requires, its subsidiaries. All references to "AsiaSat" herein are to Asia Satellite Telecommunications Company Limited, a Hong Kong company and a wholly-owned indirect subsidiary of the Company and, unless the context otherwise requires, its subsidiaries. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

On May 25, 2007, Asiaco Acquisitions Ltd. ("Asiaco"), a company jointly owned indirectly by CITIC Group ("CITIC") and General Electric Capital Corporation ("GECC"), launched mandatory general offers (the "Offers") for our outstanding ordinary shares (the "Shares") not held by Bowenvale Limited, the controlling shareholder of the Company whose indirect shareholders are CITIC and GECC. The Offers are structured as two separate offers in order to comply with differences in U.S. and Hong Kong law in respect of withdrawal rights of shareholders and settlement for tendered shares. The mandatory general offers were triggered by an exchange transaction completed between SES S.A. ("SES") and GECC on March 29, 2007, pursuant to which SES redeemed approximately 19 per cent of the issued share capital of SES held by GECC in exchange for shares of a new company holding a number of assets and cash, including SES's entire shareholding in Bowenvale. The exchange transaction is deemed to have resulted in the formation of a new concert group between CITIC and GECC that has statutory control over Bowenvale and thus AsiaSat.

The Offers followed the termination of a proposal to privatize (the "Privatization") the Company by way of a scheme of arrangement (the "Scheme") under Bermuda law. The Scheme was terminated by Asiaco by invoking the authorization condition to the Scheme after the U.S. Department of State (the "State Department") had in correspondence with GECC indicated that it would not grant the approval necessary to implement the Privatization by way of the Scheme. In the opinion of Asiaco, the consequences of proceeding with the Scheme without obtaining approval from the State Department would be materially adverse to the business of AsiaSat as it would result in AsiaSat being deemed in breach of important approvals previously granted to AsiaSat by the State Department in relation to its satellites.

In the documentation relating to the Privatization, Asiaco cited the heavy financial and administrative burden imposed on the Company by its dual listings on the Hong Kong Stock Exchange and the New York Stock Exchange. If, following completion of the Offers, the Company becomes eligible to delist from the New York Stock Exchange and to terminate its reporting obligations under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company is likely to seek the delisting and deregistration under the Exchange Act.

If, following the Offers the Company's public float is less than 25%, either the Company will issue additional Shares or the Company's principal shareholders will sell Shares so that at least 25% of the Shares are held by unaffiliated shareholders as required by the listing rules of the Hong Kong

Stock Exchange. See Item 4 "Information on the Company - Privatization Scheme and Mandatory General Offers."

EXCHANGE RATES

The Company and AsiaSat prepare their financial statements in Hong Kong Dollars. In this Annual Report references to "US Dollars," "US$" or "$" are to United States Dollars and references to "Hong Kong Dollars," "HK Dollars" or "HK$" are to Hong Kong Dollars. Solely for the convenience of the reader, this Annual Report contains translations of certain Hong Kong Dollar amounts into US

Dollars at specified rates. These translations should not be construed as representations that the Hong Kong Dollar amounts actually represent such US Dollar amounts or could be converted into US Dollars at the rates indicated or at all. Unless otherwise stated, the translations of Hong Kong Dollars into US Dollars have been made at the rate of HK$7.80 to US$1, the approximate rate of exchange on December 31, 2006. The noon buying rate in New York City for cable transfers in Hong Kong Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") was HK$7.7771 to US$1 on December 31, 2006. The Noon Buying Rate on June 14, 2007 was HK$7.8169 to US$1.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains certain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. When used in this Annual Report on Form 20-F, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements and information. The Company identifies the following important factors which could cause its actual results to differ materially from any results which might be projected, forecast, estimated or budgeted by the Company in forward-looking information. All of such factors are difficult to predict and many are beyond the control of the Company. Accordingly, while the Company believes that the assumptions underlying the forward-looking information are reasonable, there can be no assurance that such assumptions will approximate actual experience, and in such event, actual results could differ materially from the predictions contained in this Annual Report on Form 20-F. These important factors include, but are not limited to: (i) the continued operation of the existing in-orbit satellites and success in constructing and launching new satellites as planned, (ii) future economic and competitive conditions in the Asian regional satellite market in which AsiaSat competes, (iii) the Company's success in obtaining necessary regulatory approvals and licenses, and (iv) the continued ability of the Company to meet its debt obligations and fund its capital expenditure programs.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL INFORMATION

The summary income statement data of the Company for the years ended December 31, 2004, 2005 and 2006 and the summary balance sheet data of the Company as of December 31, 2005 and 2006 set forth below are derived from, and are qualified in their entirety by reference to, the audited consolidated financial statements of the Company, including the notes thereto, included elsewhere herein and in "Operating and Financial Review and Prospects." The summary income statement data for the years ended December 31, 2002 and 2003 and the summary balance sheet data as of December 31, 2002, 2003 and 2004 set forth below are derived from audited consolidated financial statements of the Company not included herein. The consolidated financial statements of the Company are

prepared and presented in accordance with Hong Kong Financial Reporting Standards, or HKFRS, which differ in certain material respects from accounting principles generally accepted in the United States, or U.S. GAAP. Note 32 to the Company's consolidated financial statements contains descriptions of the significant differences between HKFRS and U.S. GAAP, a reconciliation of net income from HKFRS to U.S. GAAP for the years ended December 31, 2004, 2005 and 2006, and a reconciliation of shareholders' equity from HKFRS to U.S. GAAP as of December 31, 2005 and 2006. In addition, Note 32 to the Company's consolidated financial statements contains additional disclosures required under U.S. GAAP, which are not disclosed elsewhere in the notes to the Company's consolidated financial statements.

	2002	2003	2004	2005
	HK$	HK$	HK$	HK$
		(in millions, except for percentages and per		
INCOME STATEMENT DATA:				
HKFRS:				
Revenues	950.8	896.2	1,005.0	879.7
Cost of services	(243.1)	(313.3)	(420.5)	(419.0)
Administrative expenses	(76.7)	(56.1)	(102.5)	(83.9)
Operating profit	637.4	532.6	504.0	420.5
Share of results of associates (including goodwill amortization)	(13.7)	(15.6)	(12.4)	(3.9)
Impairment loss recognized in respect of goodwill of associates	-	(1.9)	-	-
Profit before taxation	623.8	512.1	491.6	416.6
Minority Interests	-	-	(0.1)	(0.8)
Taxation	(69.1)	(87.6)	(60.5)	(51.3)
Profit for the year	554.7	424.5	431.1	365.4
Earnings per share				
Basic	1.42	1.09	1.10	0.94
Diluted	1.42	1.09	1.10	0.94
Earnings per ADS				
Basic	14.21	10.88	11.05	9.38
Diluted	14.21	10.88	11.05	9.38
Dividend declared per share:				
Ordinary	0.25	0.32	0.35	0.35
Number of shares outstanding (in thousands)	390,266	390,266	390,266	390,266
U.S. GAAP:				

Profit for the year	538.1	408.3	424.1	358.8

Earnings per share				
Basic	1.38	1.05	1.09	0.92
Diluted	1.38	1.05	1.09	0.92
Earnings per ADS				
Basic	13.79	10.46	10.86	9.19
Diluted	13.79	10.46	10.86	9.19

	2002	2003	2004	2005
	HK$	HK$	HK$	HK$
BALANCE SHEET DATA:				
HKFRS:				
Net current assets	239.0	529.9	1,023.1	1,461.1
Property, plant and equipment (1)	3,206.4	3,140.0	2,894.5	2,620.9
Total assets	3,936.4	4,157.2	4,549.2	4,683.5
Long-term liabilities (2)	326.0	336.5	317.1	280.3
Total liabilities (excluding minority interests)	589.1	588.5	668.3	573.8
Capital stock	39.0	39.0	39.0	39.0
Total shareholders' equity	3,346.7	3,568.3	3,874.6	4,104.2
U.S. GAAP:				
Property, plant and equipment	3,276.6	3,198.5	2,944.9	2,663.3
Total assets	4,011.2	4,215.7	4,599.9	4,726.1
Long-term liabilities (2)	335.4	345.8	325.6	288.1
Total liabilities (excluding minority interests)	598.5	597.7	676.8	581.6
Total shareholders' equity	3,412.2	3,617.5	3,916.7	4,138.9

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(1) Excludes leasehold land and land use rights which are reclassified as prepaid operating lease payments with the adoption of revised Hong Kong Accounting Standard 17.

(2) Excludes current portion of long-term liabilities.

HISTORICAL EXCHANGE RATE INFORMATION

The Hong Kong Dollar is freely convertible into other currencies, including the US Dollar. Since October 17, 1983, the Hong Kong Dollar has been linked to the US Dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements that gives effect to the link is an agreement between the Hong Kong Government and the three Hong Kong banknote-issuing banks, The Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank and, since May 1, 1994, Bank of China. Under this agreement, the Hong Kong Government Exchange Fund issues certificates of its indebtedness to the banknote-issuing banks against payment in US Dollars at the fixed exchange rate of HK$7.80 to US$1.00. The banknote-issuing banks hold the certificates of indebtedness to cover the issuances of banknotes. When the banknotes are withdrawn from circulation, the banknote-issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US Dollars at the fixed exchange rate. Exchange transactions in the Hong Kong Dollar against the US Dollar continue in the foreign exchange market.

The following table sets forth the average, high, low and period end Noon Buying Rate between Hong Kong Dollars and US Dollars (in Hong Kong Dollars per US Dollar) for the periods indicated. No representation is made that the Hong Kong Dollar or US Dollar amounts referred to in this annual report have been, could have been or could be converted into US Dollars or Hong Kong Dollars, as the case may be, at the rates indicated below or at any other rate.

	HONG KONG DOLLAR/US DOLLAR NOON BUYING RATE			
	AVERAGE (1) HK$	HIGH HK$	LOW HK$	PERIOD END HK$
2002	7.7996	7.8095	7.7970	7.7988
2003	7.7864	7.8001	7.7085	7.7640
2004	7.7891	7.8010	7.7632	7.7723
2005	7.7755	7.7999	7.7514	7.7533
2006.....	7.7685	7.7928	7.7506	7.7771
December 2006.....	7.7723	7.7787	7.7665	7.7771
January 2007.....	7.8000	7.8112	7.7797	7.8078
February 2007.....	7.8114	7.8141	7.8041	7.8119
March 2007.....	7.8132	7.8177	7.8093	7.8137
April 2007.....	7.8154	7.8212	7.8095	7.8212
May 2007.....	7.8187	7.8236	7.8044	7.8087

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(1) The average of the Noon Buying Rates on the last day of each month during the period.

RISK FACTORS

RISK OF LAUNCH AND IN-ORBIT FAILURE, LOSS, REDUCED PERFORMANCE AND SATELLITE DEFECTS

Satellites are subject to significant risks, including launch and in-orbit failure, satellite defects, destruction and damage that may result in total or partial loss or incorrect orbital placement or may prevent proper commercial operation. The failure rate varies by launch vehicle, launch services provider

and satellite manufacturer. A total or constructive total loss of any of our satellites would adversely affect the Company. In addition, any defects in AsiaSat 2, AsiaSat 3S or AsiaSat 4 may also adversely affect the Company. See "Information on the Company -- Satellites."

RISKS IN RELATION TO THE CONSTRUCTION AND LAUNCH OF ASIASAT 5

AsiaSat has entered into a construction contract and a launch contract for the commissioning of AsiaSat 5. The Company plans to launch AsiaSat 5 in 2009. AsiaSat 5 will replace AsiaSat 2, which is tentatively scheduled to be retired in 2010. The Company originally planned for the launch of AsiaSat 5 in 2008 so as to allow sufficient time for the construction and launch of another satellite in the event of an unsuccessful launch of AsiaSat 5. However, due to the potential delay in launch until 2009, caused by a production shortage of the Ukrainian supplied Zenit rocket and the formal investigation of the recent Sea Launch failure, the Company will explore other means to address the potential negative impact of an AsiaSat 5 launch failure. The total consideration under the construction and launch contracts, together with insurance costs, is estimated at approximately HK$1,404.0 million (US$180.0 million). There can be no assurance that alternative means to address the risk will be available or feasible.

The construction contractor, Space Systems/Loral, Inc., is a subsidiary of Loral Space & Communications Inc., which emerged from chapter 11 of the federal bankruptcy laws of the United States in November 2005. Any future financial difficulties of Space Systems/Loral, Inc. may adversely affect its performance under the construction contract and may adversely affect the success of, or delay, the launch of AsiaSat 5. In addition, there can be no assurance that a launch vehicle will be available or that the launch of AsiaSat 5 will otherwise occur in 2009 as currently planned or that the subsequent in-orbit testing will be successful. In the event AsiaSat 5 does not meet specifications, there are limited opportunities for the Company to replace AsiaSat 5 (and hence AsiaSat 2) and the failure to timely replace AsiaSat 5 (and hence AsiaSat 2) may result in interruption of services to our customers and adversely affect the operation and financial results of the Company. The Company's legal right to use the orbital location from which AsiaSat 5 was to operate may not be maintained. Furthermore, a significant portion of the total cost of the construction and launch of a satellite is the cost of insurance, which generally will not be obtained until several months prior to a scheduled launch. There can be no assurance that sufficient insurance can be obtained at a reasonable price prior to the launch of AsiaSat 5.

RISK OF NOT SUCCESSFULLY RENEWING EXISTING TRANSPONDER CAPACITY AGREEMENTS OR NOT RENEWING THEM ON TERMS SIMILAR TO THEIR CURRENT TERMS OR CUSTOMERS SWITCHING TO OTHER PROVIDERS OF SATELLITE TRANSPONDER CAPACITY

The Company's existing transponder capacity agreements, also known as transponder utilization agreements, have scheduled termination dates. If the Company is unsuccessful in obtaining their renewal on similar commercial terms, including price levels, and for similar duration, or in identifying alternate users for returned capacity, the Company's revenues will be adversely affected.

In order to discourage the unlawful interruption and interference of

transmission of Chinese television programs, the Chinese government plans to launch and operate satellites with "anti-attack" technology that may help prevent such unlawful interruption or interference. Two such satellites are scheduled for launch in 2007. Should those satellites be launched and tested successfully, Chinese television broadcasters presently transmitting via the Company's satellites may switch to these satellites. If that occurs, it will

have a negative impact to the revenue of the Company. Chinese television broadcasters accounted for approximately 8.8% of the Company's total revenue in 2006. AsiaSat 5, when launched in 2009, will also have "anti-attack" features, but there can be no assurance that Chinese television broadcasters, if they have switched to those satellites, will switch back to AsiaSat 5 after its launch.

LIMITED LIFE OF SATELLITES

A number of factors affect the estimated useful life of a satellite, including the quality of their construction, the durability of their component parts, the amount of fuel on-board, the launch vehicle used and the skill with which the satellite is monitored and operated. There can be no assurance as to the specific longevity of AsiaSat 2, AsiaSat 3S or AsiaSat 4. The Company's results of operations would be adversely affected in the event the useful life of AsiaSat 2, AsiaSat 3S or AsiaSat 4 were significantly shorter than the estimates stated in "Information on the Company -- Satellites."

RISK OF LOSING SATELLITE SERVICE REVENUES IF OTHER SATELLITES OR SIGNALS INTERFERE WITH THE COMPANY'S TRANSMISSIONS

Satellites operating from orbital slots that are adjacent to, and using the same band of frequencies as, the Company's satellites could interfere with the signals transmitted by its satellites. Such interference could lead to the loss of satellite service revenues if customers migrate to competitors who operate satellites without such interference. The Company has entered into frequency coordination agreements with certain other operators to avoid any material interference and pursuant to which the Company has agreed to certain operating constraints. The Company's ability to use its orbital slots could be further constrained in order to avoid material interference with other satellites. Disputes over interference could arise with other operators in the future. In addition, unintentional or intentional signals could interfere with the transmissions of the Company's customers and could severely damage the reputation of the Company. If not remedied, such interference could lead to a loss of satellite service revenues if customers migrate to competitors. See "Information on the Company -- Additional Orbital Slots and Use of Frequencies" and "Information on the Company - Satellites - AsiaSat 3S."

RISK OF LOSS OR DAMAGE TO SATELLITES, GROUND BASED SATELLITE CONTROL EQUIPMENT OR SATELLITE STATIONS FROM ACTS OF WAR, TERRORISM, ELECTROSTATIC STORM, SPACE DEBRIS AND OTHER NATURAL DISASTERS

The loss, damage or destruction of AsiaSat 2, AsiaSat 3S or AsiaSat 4, or damage or destruction to AsiaSat's ground based satellite control equipment and satellite stations, as a result of military actions or acts of war, terrorism, anti-satellite devices, electrostatic storm, collision with space debris, other natural disasters or other causes would have an adverse effect on the Company. AsiaSat's insurance policies include standard commercial satellite insurance provisions and customary exclusions from losses resulting from (i) military or similar actions, (ii) terrorism, (iii) laser, directed energy or nuclear anti-satellite devices, (iv) insurrection and similar acts or governmental action to prevent such acts, (v) governmental confiscation, (vi) nuclear reaction or radiation contamination or (vii) willful or intentional acts of

AsiaSat or its contractors. Uninsured losses are likely to have a material adverse effect on the Company. See "Information on the Company -- Insurance."

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RELIANCE UPON SIGNIFICANT CUSTOMER

The Company's largest customer is STAR Group Limited ("STAR"), which is a Hong Kong-based international satellite television broadcasting company that broadcasts over the greater Asian region and is wholly-owned by News Corporation, a leading international media group. STAR accounted for approximately 22.4%, 25.7% and 24.3% of AsiaSat's revenues in the years ended December 31, 2004, 2005 and 2006, respectively. See "Information on the Company - Services and Customers."

The Company could be adversely affected by the loss of STAR as a customer or if STAR failed to perform its obligations in accordance with the terms of its transponder utilization agreements. There can be no assurance that STAR will enter into additional transponder utilization agreements with the Company upon the expiration of existing transponder utilization agreements.

RISK OF TECHNOLOGICAL CHANGES

Technology in the satellite broadcasting and telecommunications industry is in a rapid and continuing state of change. Technological developments may have an adverse impact on the Company. First, because the Company's satellites have an estimated useful life of approximately 15 years, the technology used in the Company's satellites may not be the most advanced at some future date. As a consequence, customers could migrate to satellite operators offering new generations of competing satellite systems that incorporate more advanced technologies, or more suitable satellite capabilities or configurations, after the expiration of the Company's initial contract term, which would result in a loss of revenues. In addition, the Company might be required to replace satellites earlier than expected to address these developments. Second, increased transponder efficiency resulting from advances in compression technology, if not offset by increased applications for satellite capacity, may cause an overall decrease in demand for such capacity.

RISK OF LIMITED MARKET DEMAND AND INCREASING COMPETITION

The business in which the Company operates is highly competitive. The satellite services provided by the Company are used by its customers for point to multipoint communication (principally television broadcasting, private communication networks, Internet and multimedia services). The Company's principal competitors are regional and domestic satellite companies operating in the Asian region. Many of these competitors are licensed by the local governments and have de facto monopolies in their countries. Many of these competitors also are substantially larger in fleet size, and have financial resources that are substantially greater, than those of the Company. See "Information on the Company - Competition."

TRANSPONDER OVERSUPPLY. The supply of transponders continues to exceed the demand for transponders and, due to persistent oversupply of transponder capacity and the slow introduction of new applications in the region, the Asia-Pacific satellite market remains particularly competitive. The Company believes that this imbalance cannot be corrected until global economic growth and new applications and services increase demand for the existing capacity. See "Information on the Company - Competition - Transponder Oversupply."

COMPETING SYSTEMS AND SATELLITES. AsiaSat competes with a number of regional and domestic satellites and satellite systems such as APSTAR, Chinasat,

Indosat, INSAT, Intelsat, JSAT, Koreasat, MEASAT, New Skies Satellites, Singtel Optus, SINOSAT, Superbird, Thaicom and others. The Company believes that most of

the domestic systems are planning to add at least some regional transponders to their next generation of satellites. The increased competition could adversely affect the Company's business prospects. See "Information on the Company - Competition - Competition Restriction from Domestic Systems."

FIBER OPTIC SYSTEMS. Fiber optic systems have been widely installed within the region for point to point trans-oceanic communications. In addition, point to point fiber optic connections between major cities in Asia are common. As fiber optic coverage increases, the competitiveness of satellites for point to point communication will diminish. In addition, the transmission of television programming via Asymmetric Digital Subscriber Line ("ADSL") and Digital Subscriber Line ("DSL") technologies, commonly known as Internet Protocol Television, is also an alternative for transmission of television programming via direct broadcasting satellite and cable.

RISKS RELATING TO FUTURE SATELLITES

The construction, launch and operation of AsiaSat 5 and any future satellites by the Company would be subject to substantially the same risks as those set forth herein relating to AsiaSat 2, AsiaSat 3S and AsiaSat 4. In addition, AsiaSat's ability to make capital expenditures in connection with the construction and launch of future satellites could be subject to conditions of future financing arrangements. See "Operating and Financial Review and Prospects -- Liquidity and Capital Resources -- Planned Capital Expenditures."

OUR CONTROLLING SHAREHOLDERS HAVE INTERESTS THAT MAY CONFLICT WITH THE INTERESTS OF THE COMPANY OR OTHER SHAREHOLDERS

The Company is controlled by Bowenvale Limited ("Bowenvale"), which owns 68.75% of the outstanding Shares. As a result of the Exchange Transaction, effective March 29, 2007, Bowenvale is jointly owned indirectly by CITIC and GECC. The interests of CITIC and GECC as our controlling shareholders could conflict with our interests or with the interests of our other shareholders. As a result, they may take actions or cause the Company to take actions that may not be in the best interests of other shareholders. In addition, the business of our controlling shareholders may be in competition with ours. For example, as part of the Exchange Transaction, GECC also acquired a new satellite, GE-23, from SES Global. Part of the footprint of GE-23 overlaps with that of the Company's satellites, and as such competes or may compete with our business. We cannot assure you that such conflict of interests and competing business activities will not have a material adverse effect on our business operations, financial condition or results of operations.

THE COMPANY IS SUBJECT TO REGULATION BY A NUMBER OF DIFFERENT BODIES

The business in which the Company operates is highly regulated. Satellite, broadcasting and telecommunications services are subject to international and national law.

HONG KONG. As an operator of privately owned satellites, AsiaSat is subject to the regulatory authority of the Office of the Telecommunications Authority of Hong Kong ("OFTA"), which in turn is subject to the control and supervision of the People's Republic of China ("China"). The business prospects of the Company could be adversely affected by the adoption of new laws, policies or regulations, or changes in the administration, interpretation or application of existing laws, policies and regulations that modify the present regulatory

environment in Hong Kong.

Licenses granted to AsiaSat are subject to conditions specified therein. The conditions may include basic orbital parameters (and requirements to obtain advance approval for any intended deviations and to notify any unintentional deviation), requirements to avoid interference with the activities of other users of outer space and requirements not to cause actions which may give rise to liabilities on the part of China or Hong Kong. Breach of any such conditions can give rise to a right of revocation of the relevant license.

The Company's operation of earth stations is subject to the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the "Telecommunications Ordinance"). The Telecommunications Ordinance contains provisions for the taking of possession by the Hong Kong Government of telecommunications stations if the Chief Executive in Council is of the opinion that an emergency has arisen in which it is expedient for the public service that the Hong Kong Government should have control over telecommunications stations. See "Information on the Company - Regulation - Hong Kong Regulation."

The Company has been advised by OFTA that it is considering reassigning part of the satellite extended C-band (specifically 3400 to 3600 MHz) for Broadband Wireless Access (BWA) applications. Although the Company does not use this part of the band, the Company believes, based on analysis and limited testing, that broad deployment of BWA transmitters in Hong Kong will disrupt or interfere with all conventional (3700 to 4200 MHz) and extended C band (3400 to 3700 MHz) satellite services in Hong Kong. The Company, other satellite operators and users have raised objections to this allocation by OFTA, but there can be no assurance that this objection will be successful. While the initial comment by OFTA on the objection raised towards the frequency reassigning proposal was positive, OFTA has stated that it will re-assess the position following the upcoming meeting of the ITU (as defined below) on frequency assignment in October 2007. This proposal by OFTA is part of a worldwide trend to assign more frequency spectrum to mobile and nomadic communications services users. Should this trend continue, C band satellite services will be disadvantaged, particularly in urban areas within the Company's regional coverage.

OTHER NATIONAL REGULATORY SCHEMES. The customers of the Company are regulated by the regulatory authority in the countries in which they operate. Many of the Company's customers must have authorization from the countries in which such customers are located in order to uplink to and communicate by means of the Company's satellites. Although the Company does not believe these regulatory schemes will prevent the Company from pursuing its business, there can be no assurance that such licenses and approvals are or will remain sufficient in the view of national regulatory authorities and that these authorities will not discourage or prevent potential customers from utilizing transponders on the Company's satellites.

The laws of certain countries require television broadcasters and satellite telecommunication users providing services in such countries generally to use state-owned or locally-owned satellites. Punitive withholding taxes are often applicable to payments made under non-domestic satellite contracts. These legal requirements prevent the Company and other satellite companies from competing freely and fairly to provide transponder capacity to these potential customers. There can be no assurance that other countries in the Asian region, including countries in which the Company already has customers, will not impose similar requirements to use state-owned or locally-owned satellites in the future. The imposition of such requirements could adversely affect the Company's results of operations. See "Information on the Company - Competition."

The Company could be adversely affected by changes in laws and regulations, or in the interpretation and application of existing laws and regulations, relating to taxation or licensing fees in countries that may assert jurisdiction over the Company's activities, including countries where customers of the Company are located or where signals transmitted by the Company's satellites are received. See "Operating and Financial Review and Prospects - Taxation."

INTERNATIONAL TELECOMMUNICATION UNION. AsiaSat's use of orbital slots and radio frequency is subject to the regulations of the International Telecommunication Union ("ITU"). Countries are required by treaty to make a filing of their proposed use of satellite orbital slots for geostationary satellites with the Radiocommunication Bureau of the ITU. When a conflict or potential conflict is noted, nations are obligated to negotiate in an effort to coordinate the proposed uses and resolve any interference concerns. The Radiocommunication Bureau, however, has no formal dispute resolution mechanism, and if countries cannot agree on a resolution, a satellite system will not be entitled to the full interference protection afforded under international law. See "Information on the Company - Regulation - International Telecommunication Union."

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH SECTION 404 OF THE SARBANES-OXLEY ACT OF 2002 COULD RESULT IN THE LOSS OF INVESTOR CONFIDENCE IN THE RELIABILITY OF THE COMPANY FINANCIAL STATEMENTS, WHICH IN TURN COULD HARM THE COMPANY'S BUSINESS AND NEGATIVELY IMPACT THE TRADING PRICE OF THE SHARES AND ADSS

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the Company's internal controls over financial reporting. Based on the amended rules of the SEC, these requirements will not apply to the Company until its annual report on Form 20-F for the fiscal year of 2007. Nevertheless, the management has completed an assessment of the effectiveness of its internal controls over financial reporting and its independent auditor has attested to the management's assessment. If management fails to maintain the adequacy of the Company's internal controls, the Company may not be able to conclude that it has effective internal control over financial reporting on an ongoing basis in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control is necessary to produce reliable financial reports and are important to help prevent fraud. As a result, the failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of the Company's financial statements, which in turn could harm the Company's business and negatively impact the trading price of the Shares and ADSs. Furthermore, management anticipates that it will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

POLITICAL, ECONOMIC AND OTHER REGIONAL RISKS

AsiaSat is a Hong Kong company. Substantially all of AsiaSat's revenues are derived from its operations conducted in the Asian region. In 2004, 2005 and 2006, approximately 51.8%, 61.9% and 57.6%, respectively, of AsiaSat's revenues, were derived from customers from Greater China, which includes mainland China, Hong Kong, Macau and Taiwan. Furthermore, during 2004, 2005 and 2006,

approximately, 22.4%, 25.7% and 24.3%, respectively, of AsiaSat's revenues were attributable to transponder utilization agreements with STAR, a Hong Kong

company. As a result, the Company's financial condition and results of operations may be influenced by the political situation in the Asian region and by the general state of the economies in such region.

CHINA. General economic conditions in China could have a significant impact on the financial prospects of the Company. The economy of China has been changing dramatically with a gradual reduction in the role of state economic plans in the allocation of resources, pricing and management of assets and an increased reliance on market forces. Any slowdown in economic growth or return to non-market policies could adversely affect business in China.

The Company may also be adversely affected by changes in the political and social conditions in China, and by changes in laws, regulations and governmental policies, with respect to broadcast media, telecommunications services, inflationary measures, currency conversion or the rates and methods of taxation, among other things. While the Chinese government is expected to continue its economic reform policies, many of the reforms are new or experimental and may be refined or changed. Also see " - Risk of Not Successfully Renewing Existing Transponder Capacity Agreements or Not Renewing Them on Terms Similar to Their Current Terms or Customers Switching to Other Providers of Satellite Transponder Capacity."

Almost all payments under AsiaSat's transponder utilization agreements are made in US Dollars. Since China has extensive foreign exchange controls, the ability of Chinese companies to convert Renminbi (the currency of China) into foreign currency and to purchase foreign currency is subject to various Chinese laws and regulations. China's current or future foreign exchange controls could adversely affect the ability of the Company's customers in China to make payments to the Company in US Dollars.

HONG KONG. Hong Kong is a Special Administrative Region of China. Although the Basic Law, which governs China's relationship with Hong Kong, provides that Hong Kong will have a high degree of legislative, judicial and economic autonomy, there can be no assurance that the Company's financial condition and results of operations will not be adversely affected as a consequence of the exercise of China's sovereignty over Hong Kong. In addition, political and social developments in China have from time to time adversely affected the Hong Kong economy.

SARS, AVIAN FLU OR SIMILAR OCCURRENCE. The Company's business could be adversely affected by the re-emergence of Severe Acute Respiratory Syndrome (or SARS) or the development of a possible pandemic such as the avian influenza or a similar type of regional occurrence. Restrictions on travel resulting from these possible events could adversely affect the Company's ability to market and service new and existing customers throughout the Asian region. In addition, sick employees or other employees who fear contracting such illness could decide to not report for work. The Company's results of operations could be adversely affected to the extent that SARS, avian influenza or a similar type of regional occurrence harms the economy in, or otherwise negatively affects, China or the Asian region generally.

LIMITATIONS ON WARRANTIES AND INSURANCE

Pursuant to AsiaSat's satellite construction contracts with Boeing Satellite Systems, International, Inc. (formerly known as Hughes Space and Communications International, Inc.) ("Boeing"), Lockheed Martin and Space

Systems/Loral Inc. with respect to AsiaSat 2, AsiaSat 3S, AsiaSat 4 and AsiaSat 5, AsiaSat is the beneficiary of certain limited performance-based, operational

warranties on its satellites. However, the limited contractual warranties do not cover a substantial portion of the risk inherent in satellite launches or satellite operations. Furthermore, there has been a general rise in the cost of insurance following a series of satellite failures. In addition, while the cost of insurance has increased, insurance coverage has decreased as a result of the increase in satellite in-orbit failures and the terrorist events on and after September 11, 2001.

AsiaSat has in-orbit insurance coverage for AsiaSat 3S and AsiaSat 4 and plans to obtain such coverage for AsiaSat 5. AsiaSat's in-orbit insurance must be renewed annually. AsiaSat 2 is no longer insured for in-orbit failures. See "Key Information - Satellites - AsiaSat 2".

There are circumstances in which AsiaSat's insurance will not fully reimburse AsiaSat for its expenditures with respect to launching a replacement satellite (for example, if the cost of replacement exceeds the sum insured), and the insurance will not compensate AsiaSat for business interruption and similar losses (including, among other things, loss of market share, loss of revenue and incidental and consequential damages) which might arise from the failure of a satellite launch and launch of a replacement satellite or a failure of a satellite to perform to specifications. For a description of the amounts and coverage of AsiaSat's launch, in-orbit and liability insurance, see "Information on the Company -- Insurance."

RISKS RELATED TO U.S. EXPORT CONTROLS

The United States tightly restricts the export of commercial communications satellites and satellite-related components and technology. U.S. export control policy toward Hong Kong and the Company is affected by U.S.-PRC relations, which can vary from time to time. AsiaSat has sourced all its satellites in the United States, including the new AsiaSat 5. There can be no assurance that U.S. policy will not change in ways that will have a negative effect on the export of future satellites, including the timing of such export, nor can there be any assurance that future U.S. sourcing by the Company will be unimpeded by U.S. export restrictions. The Company obtained approvals from the State Department in connection with its initial sourcing of satellites. The State Department's approval is required when there is a change in ownership of the satellites. In connection with the Privatization, the State Department indicated to GECC that it viewed the proposed Privatization as causing a significant change of control of a party owning and controlling previously exported satellites that would require its approval and that it was not prepared to grant such approval in the context of the Scheme. Asiaco is proceeding with the Offers on the understanding that the Offers will not require similar approval, provided that if necessary to maintain a public float of 25% either the Company will issue additional Shares or its controlling shareholders will sell Shares so that at least 25% of the Shares are held by public shareholders. The State Department has not stated any restriction on the ability of the Company to delist the Shares and ADSs from the New York Stock Exchange or to deregister the Shares and ADSs with the SEC.

RISK OF LOSS OF RIGHTS TO ORBITAL SLOTS

In addition to the frequency bands currently used in the three primary positions of 100.5 degrees East, 105.5 degrees East, and 122.2 degrees East, in which the Company's satellites currently operate, China has filed requests with the ITU on behalf of AsiaSat for a number of other frequency bands in the same orbit locations and for enhanced operating parameters in the current frequency

bands. These filings are at different stages in the application process. There is no assurance that AsiaSat will maintain its right to operate satellites in its primary positions. There is also no assurance that AsiaSat will obtain

rights to launch and operate satellites with enhanced parameters or additional frequency bands or that if it does obtain such rights, that it will be able to fully use the allocated frequencies because of the limitations imposed by coordination agreements with other satellite systems. See "Information on the Company - Satellites - Orbital Slots and Use of Frequencies" and "Information on the Company - Satellites - AsiaSat 4."

POTENTIAL FUTURE LEVERAGE

AsiaSat may incur borrowings under a loan facility in the future. Such a loan facility may contain covenants, including financial covenants, which could prevent the Company from undertaking certain acquisitions and purchases that may be necessary for its growth. See "Operating and Financial Review and Prospects - Liquidity and Capital Resources."

RISK OF NOT BEING ABLE TO HIRE AND RETAIN TECHNOLOGY SPECIALISTS IN THE SATELLITE INDUSTRY

The Company's continued success depends substantially on its ability to hire, retain and motivate highly skilled technology specialists. Because the number of people with such skills is limited, satellite operators compete vigorously for their services. The potential consequences of the Company's loss of, or its inability to attract, key workers could include delays or inability to launch, monitor or control satellites, with a consequent reduction in sales and profits. Alternatively, the Company may have to offer more attractive remuneration packages than its competitors, which would increase the Company's personnel expenses and could reduce its margins.

ITEM 4. INFORMATION ON THE COMPANY.

HISTORY AND DEVELOPMENT OF THE COMPANY

The Company is an exempted company organized under the Companies Act 1981 of Bermuda (as amended) (the "Companies Act"). The Company was incorporated on May 10, 1996. The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda (phone: 441-295-2244) and its principal place of business is located at 17th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

ORGANIZATIONAL STRUCTURE

The Company is the parent company of AsiaSat. AsiaSat holds a 47.3% interest in SpeedCast Holdings Limited, a 49.0% interest in Beijing Asia Sky Telecommunications Technology Company Limited ("Beijing Asia") and an 80.0% interest in Skywave TV Company Limited as at 31 December 2006. See Notes 9 and 10 to the Company's consolidated financial statements.

ACQUISITIONS, INVESTMENTS AND JOINT VENTURES

- In March 2002, the Company entered into an agreement to acquire an additional 8.8% interest to increase its interest in SpeedCast Holdings Limited from 36.5% to 45.3%, which wholly owns SpeedCast Limited ("SpeedCast") by making an aggregate contribution of HK$31.2 million (US$4.0 million), of which HK$19.5 million (US$2.5 million) was in cash and HK$11.7 million (US$1.5 million) was by means of extending the

usage of one C-band transponder by SpeedCast Holdings Limited for a further period of 219 days from February 4, 2003. In 2003, the Company

extended payment terms to SpeedCast allowing a deferment with interest of up to HK$8.6 million (US$1.1 million) in transponder payments until the end of April 2004. In May 2004, the Company entered into a further agreement to acquire an additional 2% interest in SpeedCast Holdings Limited by making a contribution of HK$11.7 million (US$1.5 million) in cash. See "- Services and Customers - Expanded Services and Other Businesses."

- In March 2001, AsiaSat entered into an agreement with respect to the lease of the Tai Po Site. For details with respect to the lease of the Tai Po Site, see "Additional Information - Material Contracts", "- Business Overview" and "- Property, Plants and Equipment - Land Facilities." In March 2002, AsiaSat entered into a construction agreement with Leighton Contractors Asia Limited with respect to the construction of a satellite control center on the Tai Po Site. In December 2002, AsiaSat entered into an agreement with Globecomm Systems Europe Limited for the procurement of the telemetry, tracking and control ("TT&C") radio frequency system to be installed at the satellite control center at the Tai Po Site. In January 2004, AsiaSat entered into an agreement with Integral Systems for satellite control software. In September 2006, another agreement between AsiaSat and Integral Systems was entered into for the procurement of satellite control software for AsiaSat 5. As at December 31, 2006, HK$223.4 million (US$28.6 million) had been spent on the Tai Po Site. See "Additional Information - Material Contracts."

- In March 2004, the Company entered into a joint venture arrangement and formed Beijing Asia Sky Telecommunications Technology Company Limited ("Beijing Asia") to provide corporate data networks and services in China using very small aperture terminal ("VSAT") technology. In exchange for a 49% interest in Beijing Asia, the Company contributed HK$12.5 million (US$1.6 million) in cash to Beijing Asia and has committed to provide Beijing Asia with transponder capacity in an amount of up to HK$13.0 million (US$1.7 million) payable on a deferred basis over the next three to five years. As at December 31, 2006, 88% of the HK$13.0 million has been utilized. See "-- Services and Customers - Expanded Services and Other Businesses" and "Additional Information - Material Contracts."

- In November 2004, the Company entered into an agreement with two strategic partners pursuant to which the Company agreed to contribute HK$24.0 million (US$3.1 million) in return for an 80% interest in Skywave TV Company Limited ("Skywave") and each of the strategic partners agreed to make an in-kind contribution equal to HK$3.0 million (US$0.4 million) in return for a 10% interest each in Skywave. See "-- Services and Customers - Expanded Services and Other Businesses" and "Additional Information - Material Contracts."

- In April 2006, AsiaSat entered into a construction contract with Space Systems/Loral, Inc. ("Loral") for the design and construction of AsiaSat 5. In May 2006, AsiaSat entered into a launch contract with Sea Launch Limited Partnership ("Sea Launch") which will provide launch services related to the launch of AsiaSat 5 from the Baikonur Space Center in Kazakhstan. The total consideration payable under the two contracts, together with an estimate of insurance costs, is approximately HK$1,404.0 million (US$180.0 million), out of which

HK$298.0 million was paid in 2006. See "-- Business Overview - Satellites - AsiaSat 5."

PRIVATIZATION SCHEME AND MANDATORY GENERAL OFFERS

On February 13, 2007, Asiaco (formerly named Modernday Limited), a company jointly owned by Able Star (a subsidiary of CITIC) and GE Equity Investments Inc. (a subsidiary of GECC) , submitted a proposal to the Company's Board of Directors to privatize the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda. Upon completion of the Scheme, the Company would become wholly owned by Asiaco and Bowenvale Limited and indirectly owned by CITIC and GECC.

On March 19, 2007, the Company dispatched Asiaco's proposal and the terms and conditions of such proposal to its shareholders (including ADS holders) and holders of options. In connection with the Scheme, the Company, among other parties, filed a Schedule 13E-3 with the SEC.

The Company obtained approvals from the State Department in connection with its initial sourcing of satellites. The State Department's approval is required when there is a change in ownership of the satellites. In connection with the Privatization, the State Department indicated to GECC that it viewed the proposed Privatization as causing a significant change of control of a party owning and controlling previously exported satellites that would require its approval and that it was not prepared to grant such approval in the context of the Scheme. The obtaining of relevant authorizations was one of the conditions to the implementation of the Scheme which had to be satisfied or waived. Asiaco did not waive this condition and the Scheme was discontinued.

One of the conditions precedent to the completion of the Scheme was the completion of a transaction pursuant to which SES (a shareholder of Bowenvale) redeemed GECC's entire indirect holding of SES shares in exchange for shares of a new company holding assets and cash, including SES's entire shareholding in Bowenvale (the "Exchange Transaction"). The Exchange Transaction was completed on March 29, 2007 and, upon such completion, Bowenvale became jointly and indirectly owned by CITIC (through Able Star) and GECC through GE Equity.

By reason of a regulatory position taken by the regulators in Hong Kong to the effect that the Exchange Transaction resulted in the formation of a new concert group thereby triggering an obligation to launch an unconditional, mandatory offer, on May 25, 2007 Asiaco launched the Offers for all Shares and ADSs and outstanding options of the Company.

If, following the Offers the Company's public float is less than 25%, either the Company will issue additional Shares or the Company's principal shareholders will sell Shares so that at least 25% of the Shares are held by unaffiliated shareholders, as required by the listing rules of the Hong Kong Stock Exchange.

In addition, the Company understands that if, following the Offers, the number of holders of AsiaSat Shares resident in the United States falls below 300 or the Company otherwise becomes eligible for de-registration under the Exchange Act, the Company intends to file a Form 15 or Form 15F with the SEC to request that the Company's reporting obligations under the Exchange Act be suspended or terminated.

BUSINESS OVERVIEW

The Company, through its wholly-owned subsidiary, AsiaSat, is a leading provider of high quality satellite transponder capacity in Asia. The Company's satellites are positioned over the Asian landmass and offer its customers comprehensive coverage of approximately two-thirds of the world's population. The Company operates three satellites -- AsiaSat 2, AsiaSat 3S and AsiaSat 4.

AsiaSat 2 was launched in 1995 and began commercial service in January 1996. AsiaSat 3S was launched from the Baikonur Cosmodrome in the Republic of Kazakhstan and began commercial service in 1999. AsiaSat 3S has a similar C-band footprint coverage to AsiaSat 2. Together, these two satellites provide coverage to more than 50 countries, with approximately 3.3 billion people, from Siberia to Australia and from Japan to the Middle East.

AsiaSat 4, launched from Cape Canaveral, United States in April 2003, is located at the 122.2 degrees East orbital slot and began commercial service on July 1, 2003. AsiaSat 4 is a high power satellite having C-band coverage and power substantially similar to AsiaSat 2 and AsiaSat 3S. Because AsiaSat 4 has a more easterly location, its C-band coverage favors the Pacific-Rim, Australia and New Zealand to a greater degree than previous AsiaSat satellites. The Ku-band coverage of AsiaSat 4 is designed to meet the requirements of both broadcast satellite services ("BSS") frequencies and fixed satellite services ("FSS") frequencies for maximum flexibility. In June 2000, the Company received a Telecommunication License from OFTA allowing AsiaSat to operate four of the twelve BSS frequencies and the FSS frequencies on AsiaSat 4. In April 2005, the Company obtained the right to make available the remaining eight BSS frequencies on AsiaSat 4. See "-- Services and Customers - Expanded Services and Other Businesses." Because AsiaSat 4 is a newly established satellite without an existing customer base and viewership, AsiaSat can currently offer its customers the option to utilize AsiaSat 4's high powered transponder capacity at a lower cost than the rate demanded for capacity on AsiaSat 2 and AsiaSat 3S. AsiaSat 3S demands a higher rate for its transponder capacity because it has the largest viewership base of any commercial satellite in the Asian region.

The Company has leased a site in Tai Po Industrial Estates, New Territories, Hong Kong (the "Tai Po Site"), to support the growth of the Company's business. The Tai Po Site houses a new satellite control center (the "Tai Po Satellite Earth Station") that allows AsiaSat to offer its customers additional and improved services. These services include uplink, technical support and other value added services. For a general discussion on earth stations, see "--Regulation - Hong Kong Regulation." Construction of the Tai Po Satellite Earth Station was completed, and the final occupation permit was received in January 2004 from the Hong Kong Building Authority. See "Additional Information - Material Contracts."

As of December 31, 2006, the utilization rate for each of AsiaSat 2, AsiaSat 3S and AsiaSat 4 was approximately 46.9%, 74.2% and 48.4%, respectively, with an average of 57.1% under transponder utilization agreements and transponder purchase agreements.

The Company provides transponder capacity primarily to the broadcasting, telecommunications (including private communication networks), Internet and multimedia markets. AsiaSat has entered into separate transponder utilization agreements with over 100 customers from various countries and regions, including Australia, British West Indies, China, Hong Kong, India, Korea, Kuwait, Pakistan, Singapore, Taiwan, the United Kingdom, the United States and Vietnam.

In 2004, 2005 and 2006, approximately 51.8%, 61.9% and 57.7%, respectively,

of the Company's revenues were derived from customers from Greater China, which includes mainland China, Hong Kong, Macau and Taiwan.

The Company believes that both AsiaSat 2 and AsiaSat 3S are the leading satellites for regional television programming distribution in Asia based on the number of viewers watching programming distributed on these satellites. The Company's largest customer, STAR, is a Hong Kong-based international satellite television broadcasting company that broadcasts to the Asian region via these two satellites.

SERVICES AND CUSTOMERS

During the last three years, the Company's revenues were derived from the following markets:

	2004	2005	2006
Broadcasting (video).....	70.6%	65.7%	67.8%
Telecommunications, Internet and Multimedia.....	29.4%	34.3%	32.2%

Total revenue from the Company's five largest customers in each of the years ended December 31, 2004, 2005 and 2006 was HK$462.5 million, HK$345.8 million and HK$391.4 million respectively, which represented 46.0%, 39.3%, and 42.1% respectively, of total revenue. Revenues from the Company's largest customer represented 22.4%, 25.7% and 24.3% of total revenue for the years ended December 31, 2004, 2005 and 2006, respectively.

BROADCASTING

Local, national and international broadcasters use satellite transponder capacity for television programming distribution, contribution operations (i.e., the transmission of video feeds from one location to another) and ad hoc services such as the transmission of special events and live news reports from the scene of the event. The largest market for broadcasting services is the full-time leasing of transponder capacity by programmers to distribute programming to television stations, local cable operators, master antenna systems and directly to homes.

STAR offers a bouquet of digital services, including both subscription and free-to-air television that, according to STAR, reaches more than 300 million viewers across the Asian region.

STAR entered into capacity agreements for transponders on AsiaSat 3S. In February 2004, the Company entered into an agreement with STAR to provide facilities at the Tai Po Site to house STAR's back up play out, broadcast and radio frequency equipment for downlinking and uplinking to AsiaSat 3S, and other related services. STAR also utilizes AsiaSat 2 C-band capacity to provide programming primarily as backup capacity.

The Company's results of operations could be adversely affected by the loss of STAR as a customer or if STAR failed to perform its obligations in accordance with the terms of its transponder utilization agreements. There can be no assurance that STAR will enter into additional transponder utilization agreements with the Company, either for AsiaSat 3S or other satellites, upon the

expiration of existing transponder utilization agreements. See "Key Information - Risk Factors - Reliance Upon Significant Customer."

AsiaSat currently is not subject to any exclusivity arrangement with any of its customers. Other broadcasters on its satellite fleet using its transponders include Pakistan TV, Associated Press Television News, the Ministry of Information of Kuwait, BBC World Service Radio, Voice of America, Deutsche Welle of Germany, TV5, RAI of Italy, RTVE of Spain, RTPi of Portugal, RTR Planeta of Russia, Fashion TV, TVB Satellite Broadcasting of Hong Kong, the European Broadcasting Union, Zee TV, Sahara TV, Turner Broadcasting System, Sun TV, Bloomberg TV, NOW TV, Indus Vision, Muslim TV, MATV, Channel NewsAsia and Reuters TV.

In addition, governmental bodies seek to use satellites to expand their coverage to remote and underdeveloped regions of their countries that would otherwise be under served. The signals are received at rebroadcast centers and retransmitted to viewers. The State Administration of Radio, Film and Television of China uses capacity on AsiaSat 3S to distribute domestic and international television programming. A number of television channels from various provinces and regions in China are broadcasting on AsiaSat's C-band transponders.

TELECOMMUNICATIONS, INTERNET AND MULTIMEDIA

The Company's telecommunications services include the provision of transponder capacity for private communications networks for data and voice communications and for communications service providers in Asia. The Company believes that there will continue to be opportunities in Asia to market transponder capacity to certain end users that, due to poor telecommunications infrastructure or high costs of local public networks, desire to operate their own private network for data and voice transmission. These are often large multinational companies or agencies such as financial news providers, newspapers, banks, paging companies, airlines, oil companies and stock exchanges.

China represents one of the world's largest potential markets for satellite communications. Private communications networks in China are numerous and growing. Organizations in China in such businesses as banking, securities, publishing and oil have established private networks utilizing AsiaSat's satellites to link remote sites with their headquarters.

AsiaSat's Chinese telecommunications customers include the People's Bank of China, the Shanghai Stock Exchange, the People's Daily, CITIC Guoan Information Industry Company Limited and China Petrochemical Corporation. In addition, Chinese ministries and agencies have entered into transponder purchase agreements to use transponders on AsiaSat's satellites.

AsiaSat's telecommunications customers also include Vietnam Telecom International, Reach, Corporate Access, Associated Press, Reuters, the International Air Transport Association, Korea Telecom, Teleport Access Services and Pakistan Telecom.

Customers including Telstra Corporation and SpeedCast use AsiaSat's satellites to offer broadband (which refers to the provision of multiple channels of data over a single communications channel), Internet and multimedia services.

EXPANDED SERVICES AND OTHER BUSINESSES

AsiaSat has launched digital broadcast platforms on AsiaSat 2 that offers one stop shop services including satellite capacity and signal turnaround facilities to broadcast customers from Europe and the Middle East for their

services to Asia and Australia. The turnaround facilities are supplied by teleport partners in Cyprus and Israel that are able to receive signals from European and Middle East satellites and uplink the signals to AsiaSat 2 .

OFTA granted AsiaSat a Fixed Carrier Services ("FC") license in May 2004. A FC license allows license holders to uplink broadcasting programs and to provide public telecommunication services linking Hong Kong and other countries either on their own business initiatives, or for and on behalf of their customers via satellites. AsiaSat's FC license has enabled AsiaSat to provide a one-stop service to its customers, including high-quality satellite transponder capacity, uplinking or downlinking broadcasting programs, and telecommunication services to audiences or operators outside Hong Kong.

SpeedCast has installed a multimedia platform that enables distribution of Internet services and other multimedia content. Customers may use this format when distributing content on the AsiaSat satellite system. AsiaSat now holds a 47.3% interest in SpeedCast Holdings Limited, which was formed in 1999 to principally provide high speed Internet, multimedia content delivery, and corporate broadcast services such as data packages delivery and Internet streaming. SpeedCast, in addition to providing the principal services, also launched on-line music distribution, on-line multimedia services and streaming encryption system. In 2003, SpeedCast also launched a new service for two-way operation, which provides more efficient connection for content delivery.

On June 27, 2000, the Company was granted a telecommunication license (the "Telecommunication License") from OFTA allowing certain BSS frequencies to be incorporated into the payload of AsiaSat 4 at the 122.2 degrees East orbital position. It was subsequently granted the right to make available four BSS frequencies on AsiaSat 4 by OFTA. These BSS frequencies were assigned to Hong Kong by the 1997 World Radiocommunication Conference ("WRC '97") of the ITU. The 2000 World Radiocommunication Conference ("WRC-2000") later revised these assignments and further assigned eight more frequencies to Hong Kong. OFTA granted AsiaSat the right in April 2005 to make available the additional eight frequencies on AsiaSat 4. These frequencies are designated for satellite broadcasting uses and are receivable in Hong Kong and surrounding areas with very small antennas. They can be used to provide Direct-to-Home ("DTH") satellite broadcasting services, which refers to a satellite service that delivers television programming directly to consumer homes using a small antenna and related equipment. Adding the BSS frequencies onto AsiaSat 4 enables AsiaSat to offer high power and wide coverage for broadcasting services in Hong Kong and the surrounding areas. The main difference between the BSS and the FSS in AsiaSat's case is that BSS gives access to additional spectrum for the Company. Moreover, while the FSS frequency bands are used for a multitude of services, the BSS frequency bands are normally used only for television applications and with much more standardized parameters.

In April 2004, the Company's subsidiary Skywave applied for a non-domestic television program service license, which was granted for 12 years by the Broadcasting Authority of Hong Kong in May 2004, in order to use the BSS frequencies on AsiaSat 4 to provide DTH satellite broadcasting services.

In November 2004, the Company entered into an agreement with two strategic partners pursuant to which each of these strategic partners made an in-kind contribution equal to HK$3.0 million in return for a 10% interest in Skywave. See "-- Acquisitions, Investments and Joint Ventures" and "Additional Information - Material Contracts." Skywave has set up a low cost regional DTH service, providing selected programming to the markets of Macau, Hong Kong, Taiwan and to subscribers in Southern China licensed to receive foreign television services. This DTH service commenced trial services in December 2004

and uses the four BSS transponders on AsiaSat 4. By installing a very small dish, viewers can enjoy a wide range of programming.

In March 2004, the Company formed joint venture Beijing Asia to provide corporate data networks and services in China using VSAT technology. Beijing Asia commenced operation in October 2004 and is providing technical services and equipment installation for the construction and operation of a trial network to connect remote sites in rural China using VSAT technology. See "--Acquisitions, Investments and Joint Ventures" and "Additional Information - Material Contracts."

On March 18, 2005, Auspicious Colour Limited, a wholly owned subsidiary of the Company, was established and was granted a non-domestic television program service license on September 17, 2005 from the Television and Entertainment Licensing Authority of Hong Kong. Auspicious Colour Limited was set up to provide a one-stop service that combines the provision of satellite capacity and uplink service to broadcasters.

SATELLITES

The global communications market has historically been shared among three major transmission technologies - fiber optic and coaxial cable, microwave systems and satellites. Satellites have been, and continue to be, used for global communications applications. Each of these transmission technologies has advantages over the other two in specific market segments.

Although satellites initially were used for point to point long distance telephone and television transmissions and continue to be used for these applications, fiber optic cables have proven to be a more cost effective transmission method for high volume point to point applications. Today, most trans-oceanic transmissions are delivered via submarine fiber optic and coaxial cables, which are ideally suited to carry large amounts of traffic between two points. In developing countries, satellites carry a significant portion of point to point traffic due to the lack of terrestrial fiber optic and coaxial network. However, as more fiber optic and coaxial networks are established, less of this traffic will be delivered via satellite. In many countries, satellites are also used to supplement terrestrial transmission networks for the distribution of television and radio programming.

Geostationary satellites are located in-orbit approximately 22,300 miles above the Equator. When positioned in geostationary or geosynchronous orbit, a satellite appears to hover over the same spot on the earth because it is moving at a rate that matches the speed of the earth's rotation on its axis. These high powered satellites have the ability to cover up to approximately 42% of the earth's surface at one time. With broad coverage capabilities, these satellites are well suited for point-to-multi-point applications (principally television broadcasting, private communication network, Internet and multimedia services). Satellites are commonly used for distribution of video and audio signals to

cable operators and local television and radio stations for redistribution. In DTH applications, a high powered geostationary satellite allows video transmissions to be received directly from the satellite to homes using very small dishes.

A satellite can be accessed by an uplink for the transmission of a satellite circuit extending from the earth to the satellite from virtually anywhere within its coverage area. This flexibility makes satellites ideal for private communications networks. Due to the high cost of local telecommunications services or the lack of an adequate local telecommunications

infrastructure, an organization may wish to operate its own network. A VSAT network, connecting a large number of widely dispersed locations via satellite, is an efficient and cost effective method for many organizations to maintain communications with a network of offices that spread over a large geographic area.

Satellite transponders receive signals from the uplink earth stations and then change the frequency of, amplify and transmit the signals to the downlink earth stations. Transponder subsystems include low-noise receivers, frequency converters, channel amplifiers, high power amplifiers, input/output multipliers, various switches and other electronic components. Frequency represents the measure of how frequently a periodic (repetitious) electromagnetic wave form or signal regenerates itself at a given amplitude.

Communications satellites are of varying quality and usefulness depending on (i) footprint, or coverage area, (ii) orbital location, (iii) transponder power (EIRP), (iv) interference from adjacent satellites, (v) transponder bandwidth, (vi) frequency band and (vii) other features, such as beam switching and linearizers.

A beam represents one of the coverage patterns offered by a satellite. A steerable beam allows the area of coverage to be changed based on market demand. The footprint of a satellite refers to the geographic area covered by a satellite, the outer edge of which defines area beyond where the quality of communication degrades below an acceptable commercial level due to the spacecraft antenna pattern, power of the signal and curvature of the earth. The primary transponder characteristic is downlink power, which is expressed in terms of EIRP. EIRP means equivalent isotropic radiated power and is a measure of radio frequency power of each transponder. Transponder bandwidth, expressed in terms of megahertz or MHz, a unit of frequency equal to one million cycles per second, is a range of frequencies that can pass over a given transmission channel. The greater the bandwidth, the more information that can be sent through the circuit in a given amount of time.

C-band and Ku-band in the context of satellite communications are portions of the radio frequency spectrum assigned for satellite transmission, and are approximately in the three to seven and 11 to 15 gigahertz (or GHz) ranges, respectively. Gigahertz is a measure of frequency equal to one billion cycles per second. While Ku-band frequencies suffer from fading caused by rain, they are more suitable for small antenna applications than C-band frequencies. Ku-band is generally used for the same purposes as C-band. To compensate for fading caused by rain, Ku-band transmitters generally have higher power margins than C-band transmitters. Higher power, which permits the use of small antennas, makes Ku-band transmission more suitable for DTH television.

The following table sets forth certain satellite specifications in relation to AsiaSat 2, AsiaSat 3S, AsiaSat 4 and AsiaSat 5, which is planned to be launched in 2009. For a discussion on certain risks related to satellites, see "Key Information -- Risk Factors -- Risk of Launch and In-orbit Failure, Loss, Reduced Performance and Satellite Defects", "Key Information -- Risk Factors --

Limited Life of Satellites" and "Key Information -- Risk Factors -- Risk of Loss or Damage to Satellites, Ground Based Satellite Control Equipment or Satellite Stations from Acts of War, Terrorism, Electrostatic Storm, Space Debris and Other Natural Disasters."

SUMMARY SATELLITE DATA

	ASIASAT 2	ASIASAT 3S	ASIASAT 4
Region Covered:			
C-band	Asia, Middle East, CIS and Australia	Asia, Middle East, CIS, Australia and New Zealand	Asia, Middle East, CIS Australia and New Zealand
Ku-band	China, Japan, Hong Kong, Taiwan and Korea	East Asia Beam (from Japan to Kazakhstan), South Asia Beam (from Bangladesh to the Middle East), Steerable Beam(1)	China Beam, Australia (Australia and New Zea (steerable)), Hong Kon Beam (steerable)
Launch date	November 28, 1995	March 21, 1999	April 11, 2003
Manufacturer	Lockheed Martin	Boeing	Boeing
Model	Series 7000	BSS601HP	BSS601HP
Stabilization	Three Axis Stabilized	Three Axis Stabilized	Three Axis Stabilized
Number of Transponders	33	44	48
C-band	20 @ 36 MHz 4 @ 72 MHz	28 @ 36 MHZ	28 @ 36 MHZ
Ku-band	9 @ 54 MHZ	16 @ 54 MHZ	10 @ 54 MHz (FSS) 6 @ 33 MHz (FSS) 4 @ 33 MHz (BSS)
Maximum EIRP	40 dBW (C-band) 53 dBW (Ku-band) ((2))	41 dBW (C-band) 53 dBW (Ku-band)	41 dBW (C-band) 53 dBW (Ku-band) 56 dBW (BSS Ku-band)
Payload	FSS	FSS	BSS / FSS
Power output	55 W_TWTAs (C-band)	55 W_TWTAs (C-band)	55 W_TWTAs (C-band)
	115 W_ TWTAs (Ku-band)	140 W_TWTAs (Ku-band)	140 W_TWTAs (Ku-band)
Estimated Useful Life	13 years	16 years	15 years
Estimated end of useful life	2010	2015	2018

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(1) AsiaSat 3S has 16 Ku-band transponders divided into two fixed beams and a steerable beam.

(2) AsiaSat 2 has experienced power reductions in its Ku-band transponders in relation to their design specifications. See "-- AsiaSat 2."

ASIASAT 2

AsiaSat 2 is located in the geostationary orbit at 100.5 degrees East. It was designed and produced by Lockheed Martin and is a series 7000 model satellite. It was launched on November 28, 1995 by a Long March 2E launch

vehicle under a contract with China Great Wall Industry Corporation. AsiaSat 2 commenced commercial service in January 1996.

AsiaSat 2 is equipped with twenty 36 MHz C-band and four 72 MHz C-band transponders with a maximum signal power of 40 dBW. It is also equipped with nine 54 MHz Ku-band transponders with a maximum signal power of 53 dBW. However, at the time of the launch, AsiaSat 2 experienced a Ku-band power reduction at certain points of its coverage area. Since 2002, the back-up command receiver on AsiaSat 2 (a component used to communicate with and control the satellite) has experienced intermittent outages. AsiaSat 2 can operate normally on its primary command receiver. The satellite uses linear polarized beams, with the C-band and Ku-band having distinct coverage areas. For the C-band transponders, there are four spare amplifiers for each polarization of 12 C-band transponders in two separate 12 for 16 (12 working/16 total) redundancy ring configurations. For the Ku-band transponders, there are three spare amplifiers connected in a 9 for 12 (9 working/12 total) single redundancy ring configuration. In December 2003, AsiaSat 2 experienced two related short duration service outages. These outages caused no permanent damage to AsiaSat 2 and AsiaSat's engineers took the appropriate action to restore AsiaSat 2's service. As a result of these outages, some customers moved to other AsiaSat satellites, while three customers utilizing capacity representing in the aggregate less than one C-band transponder moved to a competitor's satellite. These outages were the first break in service of an AsiaSat satellite in the history of the Company. In February 2005, one of the two bus power transformers on AsiaSat 2 (which provides low voltage to the satellite) changed to "off" status. While this change of status does not necessarily indicate a failure of the transformer, it is impossible for the Company to verify the integrity of this transformer. AsiaSat 2 can operate normally with only one bus power transformer. See "Key Information -- Risk Factors -- Risk of Launch and In-orbit Failure, Loss, Reduced Performance and Satellite Defects."

AsiaSat 2 has C-band coverage over virtually the entire Asian region, with a footprint stretching from Russia to Australia and from Japan to the Middle East and parts of Africa. The footprint of AsiaSat 2 covers approximately two-thirds of the world's population. AsiaSat 2's C-band footprint provides coverage over a large area with a single beam. The nine Ku-band transponders provide coverage over China, the Korean peninsula and Japan.

AsiaSat 2 has an estimated useful life of 13 years, indicating that the estimated end of its useful life will be in 2010.

In June 2000, Lockheed Martin obtained a Technical Assistance Agreement from the U.S. Department of State to provide technical data and services for in-orbit anomaly support for AsiaSat 2 until December 31, 2009. See " -- Regulation -- Export Regulations."

As a result of a number of reported mechanical failures of Lockheed Martin series 7000 satellites, the same model as AsiaSat 2, the in-orbit insurance rate for AsiaSat 2, without exclusions of coverage, increased significantly. The Company has decided not to procure in-orbit insurance for AsiaSat 2 given the low book value of AsiaSat 2 and the Company's cash position. In the event of a failure resulting in a total loss of AsiaSat 2, the Company would incur a loss that is equal to the net book value of AsiaSat 2 at the time of the total loss as well as disruption of services carried out on AsiaSat 2.

ASIASAT 3S

In 1997, AsiaSat launched AsiaSat 3 from the Baikonur Cosmodrome in the Republic of Kazakhstan. AsiaSat 3 failed as it did not reach its orbital slot

and was replaced, following the successful launch in March 1999, by AsiaSat 3S.

AsiaSat 3S is located in the geostationary orbit at 105.5 degrees East. AsiaSat 3S was constructed by Boeing and is a BSS-601HP model satellite. AsiaSat 3S was launched from the Baikonur Cosmodrome in the Republic of Kazakhstan and commenced commercial service in 1999.

AsiaSat 3S has multiple beam coverage and is equipped with twenty-eight 36 MHz C-band transponders with a maximum signal power of 41 dBW. It is also equipped with sixteen 54 MHz Ku-band transponders with a maximum signal power of 53 dBW. AsiaSat 3S has transponder power output of 55 Watts for C-band and 140 Watts for Ku-band. It has an estimated useful life of 16 years, indicating that the estimated end of its useful life will be in 2015.

The footprint for AsiaSat 3S is similar to the footprint of AsiaSat 2 with two additional Ku-band beams designed to meet market demands. The C-band footprint stretches from Japan to the Middle East and from Russia to Australia. The footprint provides high powered service to the growing market areas in the Greater China region, Japan and Korea and Southeast Asia. It covers about two-thirds of the world's population.

The 16 Ku-band transponders can be allocated to two fixed beams and a steerable beam. The first beam is an East Asia beam that includes coverage from Japan to Kazakhstan. The second beam is a South Asia beam that has coverage from Bangladesh to the Middle East. In order to compensate for rain fade, which may occur in certain countries in this region, AsiaSat has designed the coverage to direct higher power in heavy rain areas. The steerable Ku-band beam allows a smaller, highly concentrated beam to be moved to any market region in the coverage area. This beam could, for example, be placed over Australia or over a specific region in Asia. Of the 16 Ku-band transponders on AsiaSat 3S, eight transponders are fixed on East Asia and eight are switchable among the three beams so that up to 16 transponders may be used for the East Asia beam, up to eight transponders may be used for the South Asia beam and up to four transponders may be used for the steerable beam.

In February 2001, Boeing obtained a Technical Assistance Agreement from the U.S. Department of State to provide technical data and services for in-orbit anomaly support and off-site support services for AsiaSat 3S until December 31, 2009. See "--Regulation - Export Regulation."

In both November 2004 and March 2005, a transponder on AsiaSat 3S was deliberately interrupted by signals carrying Falun Gong-related content. As a result, the Company was forced to shut down the respective transponder's transmission for a short period of time on November 26, 2004 and March 14, 2005. These breaks in service affected normal programming of certain customers' satellite television channels. The Company views these deliberate interruptions as "harmful interference" as such term is defined in the constitution of the ITU, and accordingly, the Company has requested that OFTA report these incidents to the Radiocommunications Sector of the ITU through the relevant authority in China. Since then, there have been a few other occasions of harmful interference detected. For a general discussion on the ITU, see " -- Regulation -- International Telecommunication Union." Also, see "Risk Factors -- Risk of Losing Satellite Service Revenues if Other Satellites or Signals Interfere with the Company's Transmissions."

ASIASAT 4

AsiaSat 4 was launched on an Atlas IIIB launch vehicle on April 11, 2003 in Cape Canaveral, Florida. AsiaSat 4 commenced commercial service on July 1, 2003 and is operational at 122.2 degrees East.

AsiaSat 4 was constructed by Boeing and is a BSS-601HP model satellite. AsiaSat 4 is the most powerful member of AsiaSat's satellite fleet carrying 28 C-band and 20-Ku-band transponders. Its footprint covers approximately two-thirds of the world's population. AsiaSat 4's pan-Asian C-band footprint covers more than 40 countries and regions spanning from New Zealand to the Middle East. Its Ku-band coverage consists of two high-power focused beams for East Asia and Australasia, as well as a new BSS beam for DTH services in Hong Kong and the adjacent South China region. AsiaSat 4 is designed to provide advanced satellite services including DTH television, broadband and IP solutions, and telecommunications services such as private networks for business and rural telephony (which refers to the construction and operation of telephones and telephonic systems). It has an estimated useful life of 15 years, indicating that the estimated end of its useful life will be in 2018.

AsiaSat 4 is equipped with four (4) on-board Xenon Ion Thrusters (XITs); two (2) on the north side and two (2) on the south side. In October 2006, one XIT on the north side failed. There is no impact to the estimated useful life of AsiaSat 4 with this anomaly. However, if the remaining XIT on the north side also failed in the future, there will be a reduction of the useful life of AsiaSat 4 by several years. The exact magnitude of reduction depends on if and when the north side XIT failed.

Under the AsiaSat 4 construction contract with Boeing, Boeing agreed to provide off-site support services for the life of the satellite. On July 5, 2000, Boeing obtained a Technical Assistance Agreement from the U.S. Department of State to provide technical data for AsiaSat 4 until December 31, 2010. On July 20, 2000, Boeing obtained another Technical Assistance Agreement from the U.S. Department of State to provide in-orbit anomaly support for AsiaSat 4 until December 31, 2010. See "-- Business Overview" and "--Regulation - Export Regulation."

AsiaSat previously had a dispute with Shin Satellite in relation to Shin Satellite's right to operate a satellite from 120 degrees East. As part of a comprehensive agreement to limit potential mutual interference between AsiaSat 4 and the IPStar satellite operated by Shin Satellite, the responsible administrations of China, OFTA and the Administration of the Kingdom of Thailand (regulator and ITU notifying administration for Shin Satellite) agreed to increase the orbital separation of IPStar and AsiaSat 4. Both satellites are required to change orbital locations, with AsiaSat 4 shifting from 122 degrees East to 122.2 degrees East. For a general discussion on regulations, see "--Regulation - Hong Kong Regulation" and "--Regulation - International Telecommunication Union."

ASIASAT 5

On April 28, 2006 and May 8, 2006, AsiaSat entered into a construction contract and a launch contract, respectively, for the commissioning of AsiaSat 5. Under the terms of the construction contract, Loral, the construction contractor, shall complete the construction of AsiaSat 5 within 25 months after April 28, 2006. The launch contractor, Sea Launch, shall provide services associated with the launch of AsiaSat 5 from the Baikonur Space Centre in Kazakhstan. Under the terms of the launch contract, the launch services shall be completed upon the launch of AsiaSat 5, which was originally scheduled to take

place between July 1, 2008 and December 31, 2008. The launch date has been extended to 2009 because of the limited availability of a launch vehicle.

AsiaSat 5 is a new satellite based on the well proven Space Systems/Loral 1300 satellite bus. It will carry 26 C-band and 16 Ku-band transponders and is intended to replace AsiaSat 2 at the orbital location of 100.5 degrees East. (AsiaSat 5 has the capability of operation across all of the available frequency band, equivalent to 16 Ku-band transponders and 26 C-band transponders. However, the power and thermal design of AsiaSat 5 may be just sufficient for 14 Ku-band transponders and 26 C-band transponders at the end of the satellite's useful life.) It will replace all current functions of AsiaSat 2 in both C and Ku-bands and will provide additional coverage at Ku-band. This additional coverage consists of a dedicated antenna for South Asia plus a steerable antenna that can be pointed to other parts of Asia or Australia. AsiaSat 5 is expected to have an estimated useful life of 15 years after launch.

The C-band payload of AsiaSat 5 will be similar to that of AsiaSat 2 other than certain performance upgrades. The Ku-band coverage for China will be significantly improved, and additional coverage will also be provided for South Asia, including India, Pakistan, Bangladesh and parts of the Middle East. The steerable antenna will allow Ku-band capacity to be deployed in a manner consistent with the market demand anywhere in Asia.

ADDITIONAL ORBITAL SLOTS AND USE OF FREQUENCIES

China has filed on behalf of AsiaSat applications with the ITU for additional spectrum capacity and enhanced characteristics in the current frequency bands for all three orbital slots where AsiaSat's satellites are currently operating. See "- Regulation." The current capacity has significant frequency and geographic coverage constraints resulting from the coordination process. No assurance can be given that the additional capacity will be obtained by AsiaSat.

AsiaSat has the option to co-locate additional satellites in the orbital slots located at 100.5 degrees East, 105.5 degrees East and 122.2 degrees East in order to provide additional capacity or enhanced performance in these locations and to support the existing satellites with redundant capacity. See "Key Information - Risk Factors - Risk of Loss of Orbital Slot" and "Satellites - AsiaSat 4."

TRANSPONDER CAPACITY OR UTILIZATION AGREEMENTS

A typical transponder capacity agreement, also known as transponder utilization agreement, for AsiaSat 2, AsiaSat 3S and AsiaSat 4 has a term of three years or more, requires utilization fees to be paid quarterly or semi-annually in advance and provides for renewal options. Generally, AsiaSat's transponder utilization agreements require payment in US Dollars. Typically, the customer may terminate the transponder utilization agreement at any time during the term of the agreement without further obligation if AsiaSat fails to provide a fully operational transponder or by giving advance notice to AsiaSat. Upon termination (other than for cause), the customer is obligated to pay AsiaSat termination fees based on the remaining contract period and the specific contractual terms. In addition, the transponder utilization agreements generally provide for a specified reduction in the utilization fees if transponder service is interrupted for reasons not caused by the customer or by outages due to the effects of the sun or other reasons beyond the control of AsiaSat. If such service interruptions continue without correction and AsiaSat is unable to provide suitable alternative capacity, the customer is entitled to terminate the

transponder utilization agreement without further obligation to AsiaSat. Under the terms of the transponder utilization agreements, AsiaSat generally is not liable for the lost profits or other indirect or consequential damages of any customers.

AsiaSat entered into transponder purchase agreements with ministries or agencies of China under which the customer obtains the right to use Ku-band capacity on AsiaSat 2, AsiaSat 3S and AsiaSat 4 for the life of the transponder. The terms of these transponder purchase agreements are substantially the same as those found in transponder utilization agreements, except for certain differences such as the term of a transponder purchase agreement is for the entire useful life of a satellite and payment for the entire period of use is typically completed by the commencement of the second year of the term of the agreement.

CUSTOMER TECHNICAL QUALIFICATIONS AND SUPPORT

Before uplink communication with its satellite is permitted, AsiaSat's customers are required to meet AsiaSat's strict engineering performance and operations specifications. The purpose of these requirements is to confirm that the customer's equipment operates within AsiaSat's specifications in order to minimize interference with other customers on the same satellite or users on neighboring satellites. AsiaSat's engineers advise the customer with respect to the adjustments required to be made to the customer's equipment in order to minimize interference.

AsiaSat provides technical support to its customers. AsiaSat helps customers determine and evaluate their equipment configuration, carrier modulation, bandwidth and power requirements, design their networks and calculate link budgets.

AsiaSat's Carrier Monitoring System ("CMS") was designed and implemented by AsiaSat to monitor and measure communications parameters from AsiaSat's Tai Po Satellite Earth Station. The CMS is also used to assist in customer earth station qualification and analysis of anomalies. The CMS measures power, frequency, bandwidth, carrier-to-noise ratio and other communications performance characteristics.

INSURANCE

AsiaSat has satellite in-orbit insurance for AsiaSat 3S and AsiaSat 4 and plans to obtain such coverage for AsiaSat 5. AsiaSat 2 is no longer insured for in-orbit failures. See "Key Information-Satellites-AsiaSat 2". AsiaSat also has obtained third-party liability insurance for AsiaSat 2, AsiaSat 3S and AsiaSat 4. There can be no assurance that AsiaSat will be able to obtain insurance in the future on terms satisfactory to AsiaSat. See "Key Information -- Risk Factors -- Limitations on Warranties and Insurance."

There are circumstances in which AsiaSat's insurance will not fully reimburse AsiaSat for its expenditures with respect to launching a replacement satellite, such as when the cost of the construction and launch of a replacement satellite exceeds the aggregate amount of coverage provided by AsiaSat's insurance policy. The amount of AsiaSat's insurance also will not compensate it for business interruption and similar losses (including, among other things, loss of market share, loss of revenue and incidental and consequential damages) which might arise from a full or partial launch failure or a failure of a satellite to perform to specifications. In addition, AsiaSat's insurance policies include standard commercial satellite insurance provisions and customary exclusions including, among other things, exclusions from losses resulting from (i) military or similar actions, (ii) terrorism, (iii) laser,

directed energy, or nuclear anti-satellite devices, (iv) insurrection and

similar acts or governmental action to prevent such acts, (v) governmental confiscation, (vi) nuclear reaction or radiation contamination or (vii) willful or intentional acts of AsiaSat or its contractors.

Satellite in-orbit insurance covering a specified period after launch of a satellite is typically purchased together with launch insurance. Subsequent satellite in-orbit insurance is typically purchased on an annual basis. Satellite in-orbit insurance, which has historically cost less than three percent of the insured value of a satellite on an annual basis, provides protection against partial or total loss of a satellite's communications capability, including loss of transponders, power or ability to control the positioning of the satellite and reduction in the useful life of the satellite.

AsiaSat renewed in-orbit insurance for AsiaSat 3S and AsiaSat 4 in the amount of HK$6.87 million (US$0.88 million) and HK$1,255.8 million (US$161.0 million), respectively, at a combined cost of approximately HK$25.0 million (US$3.2 million) for the twelve month period beginning from March 21, 2007. The policy for AsiaSat 3S and AsiaSat 4 contained standard commercial satellite insurance provisions and customary exclusions. In the case of AsiaSat 4, it also contains an exclusion of losses in the event of a failure of XIPS (Xeon Ion Propulsion System) on the satellite. A failure of the XIPS system could result in a reduction of the satellite's life to less than 15 years. During the time when insurance for XIPS is unavailable, AsiaSat has an alternative arrangement in place to cover the risk of an XIPS failure. Such arrangement will allow AsiaSat to purchase a replacement satellite for AsiaSat 4 at a pre-agreed price scaled based on the time of XIPS failure. The replacement satellite would be delivered in-orbit before the end of life of AsiaSat 4. See "Key Information - Risk Factors - Limited Life of Satellites."

SALES AND MARKETING

The Company's sales and marketing department, which had 24 employees (including two general managers) as of December 31, 2006, is divided into two groups, one of which serves China and the other serves the remainder of the world. The senior executive officers of the Company, including the Chief Executive Officer and Deputy Chief Executive Officer, are directly involved in marketing to key broadcasting and telecommunications customers. Marketing activities include customer visits, selected trade events and presentations at industry conferences.

EMPLOYEES

As of December 31, 2006, the Company had 102 permanent employees, of which 9 employees were in management, 41 employees were in engineering and operations and 24 employees were in sales and marketing. The remaining 28 employees were engaged in administrative, accounting, legal, regulatory and clerical activities. The Company has 85 employees in Hong Kong (including 1 employee for Skywave) and 17 employees in Beijing. The Company believes its relations with its employees are good. See "Directors, Senior Management and Employees - Employees."

COMPETITION

AsiaSat was founded in the late 1980s to serve the Asian regional satellite communications market. While global satellite communications demand was satisfied by Intelsat, Ltd. (the company formed in connection with the

privatization of the former International Telecommunications Satellite Organization, an intergovernmental cooperative of more than 140 member nations that owned and operated a global communications satellite system) and several

Asian countries that had developed domestic satellite communications, there was no supplier of Asian region-wide satellite communications. Since the launch of AsiaSat's first satellite in 1990, a number of international, regional and domestic satellite operators have entered the Asian regional market. The Company's primary market is Asian intra-regional broadcasting and telecommunications.

INTERNATIONAL, REGIONAL AND DOMESTIC SYSTEMS

The business in which the Company operates is highly competitive. The satellite services provided by the Company are used by its customers primarily for point to multipoint communication (principally television broadcasting, private communication network, Internet and multimedia). The Company competes with several international, regional and domestic satellite companies operating in the Asian region. Many of these competitors have long-standing customer relationships and are substantially larger in fleet size, and have financial resources that are substantially greater, than those of the Company. The Company believes that its ability to compete with these organizations depends on its existing customer relationships and the quality of its customer service, its reputation as a reliable operator of commercial satellites and the technical advantages of its satellites.

COMPETITION RESTRICTION FROM DOMESTIC SYSTEMS

In many cases customers are required by the laws of their countries to use a state-owned or locally-owned satellite system for domestic communications. These legal requirements prevent the Company and other satellite companies from competing freely and fairly to provide transponder capacity to these potential customers. In addition, AsiaSat currently has entered into transponder utilization agreements for full transponders or partial transponders with various purely domestic users in several countries. These customers could be lost if monopolies were granted to state-owned or locally-owned satellite systems. All, or almost all, of the domestic systems are planning to add at least some regional transponders to their next generation of satellites. See "Key Information - Risk Factors - Risk of Limited Market Demand and Increasing Competition - Competing Systems and Satellites."

OTHER SATELLITE SYSTEMS

Other existing and proposed organizations are competing or might consider competing in the Asian regional market. Some existing competitors offer low-cost, high performance transponders which compete directly with AsiaSat's satellites, while other potential competitors offer low-cost, low-performance transponders which do not compete directly with AsiaSat's high-performance transponders. New organizations face significant entry barriers including scarcity of orbital slots and high cost of entry.

FIBER OPTIC SYSTEMS

Fiber optic systems have been widely installed within the region for point to point trans-oceanic communications. In addition, point to point fiber optic connections between major cities in Asia are common. As fiber optic coverage increases, the competitiveness of satellites for point to point communications will diminish.

TRANSPONDER OVERSUPPLY

The supply of transponders in the region continues to exceed the demand for transponders. The Company believes that this imbalance cannot be corrected until global economic growth and new applications and services increase demand for the existing capacity. See "Key Information - Risk Factors - Risk of Limited Market Demand and Increasing Competition."

REGULATION

The international telecommunications industry is highly regulated. Satellite services are subject to international space law while broadcasting and telecommunications services are subject to international and national law. The principal international law relating to the use of outer space is the Outer Space Treaty. Countries that are party to the Outer Space Treaty or to other treaties or conventions regulating outer space activities are responsible for fulfilling their own obligations under these treaties or conventions. This often results in the adoption by member countries of domestic laws to regulate the activities of their own subjects in order to enable the country concerned to comply with its international obligations.

HONG KONG REGULATION

As an operator of privately owned satellites, AsiaSat is subject to the regulatory authority of Hong Kong through AsiaSat's principal regulator, OFTA.

AsiaSat's satellite operations are principally regulated by the Outer Space Ordinance (Chapter 523 of the Laws of Hong Kong) (the "Outer Space Ordinance"). The Outer Space Ordinance applies to all Hong Kong nationals and entities incorporated under the laws of Hong Kong, including AsiaSat. This prohibits any such person from, among other things, launching or procuring the launch of a satellite, or operating a satellite, without obtaining an appropriate license. The Outer Space Ordinance stipulates that any such license shall describe the activities authorized by it and also provides that licenses may be granted subject to conditions specified therein. The conditions may include, among other things, basic orbital parameters (which include requirements to obtain advance approval for any intended deviations and to notify any unintentional deviation), requirements to avoid interference with the activities of other users of outer space and requirements not to cause actions which may give rise to liabilities on the part of China and Hong Kong. Breach of any such conditions can give rise to a right of revocation of the relevant license.

In Hong Kong, the ultimate authority to grant licenses and otherwise to administer the Outer Space Ordinance is vested in the Chief Executive of Hong Kong, acting in coordination with the Executive Council of Hong Kong. In practice, all relevant matters are dealt with on a day-to-day basis by and through OFTA. AsiaSat has the benefit of existing licenses covering current and future operation of each of AsiaSat 2, AsiaSat 3S and AsiaSat 4, subject to the conditions of the respective licenses. Each of these licenses was formally granted shortly before or after launch of the satellite concerned following a period of consultation between AsiaSat and OFTA.

In addition to the regulatory regime to which the Company's outer space operations are subject, the Company's earth station operations involve the operation and use of telecommunication apparatus at and from its earth stations at Stanley and Tai Po, Hong Kong. An earth station includes the antennas, receivers, transmitters and other equipment needed on the ground to transmit and receive satellite communications signals. Establishment, possession and use of such telecommunication apparatus from the Company's earth stations in Hong Kong

are regulated by the Telecommunications Ordinance. AsiaSat has the benefit of licenses granted under the Telecommunications Ordinance covering all its TT&C operations (which refers to a land based facility that monitors and controls the position of the satellite in-orbit), as well as monitoring and testing functions, for each of AsiaSat 2, AsiaSat 3S and AsiaSat 4, subject to the terms and conditions of the respective licenses. The licenses require AsiaSat, among other things, to avoid harmful interference to other telecommunication apparatus operating within or outside Hong Kong and to ensure compliance with all relevant requirements of the International Telecommunication Convention (and any other international telecommunication agreements which may from time to time be acceded to by or on behalf of, or applied to, Hong Kong). Such licenses for AsiaSat 2 and AsiaSat 3S were formally granted contemporaneously with the grant of the licenses under the Outer Space Ordinance. In contrast, because the Company successfully won a bid for a Telecommunication License from OFTA allowing BSS frequencies to be incorporated into the payload of AsiaSat 4, the license for AsiaSat 4 under the Telecommunications Ordinance was granted prior to the completion of AsiaSat 4. See "--AsiaSat 4." For a further discussion on the Telecommunication License, the FC license and the non-domestic television program service license, see "--Services and Customers - Expanded Services and Other Businesses."

The Telecommunications Ordinance also contains provisions for the taking of possession by the Hong Kong Government of telecommunications stations if the Chief Executive in Council is of the opinion that an emergency has arisen in which it is expedient for the public service that the Hong Kong Government should have control over telecommunications stations. In addition, the Telecommunications Ordinance contains provisions for the payment of compensation should such taking of possession occur.

OVERSEAS NATIONAL TELECOMMUNICATIONS AUTHORITIES

The Company's customers in many of the countries covered by the Company's satellites must have authorization from the countries in which they or their uplink facilities are located in order to use the Company's satellites. The laws and regulatory requirements regulating access to satellite systems vary from country to country. Some countries have substantially deregulated satellite communications, making customer access to the Company's satellites a relatively simple procedure, while other countries have maintained strict monopolistic regimes. The application procedure for access to satellite systems can be time-consuming and costly and the terms of the licenses vary among different countries. Although AsiaSat believes its customers presently hold the requisite licenses and approvals in all relevant countries, there may be instances of non-compliance of which AsiaSat is not aware. Although AsiaSat does not believe these regulatory schemes will prevent it from pursuing its business, there can be no assurance that such licenses and approvals are or will remain sufficient in the view of foreign regulatory authorities and that these authorities will not discourage or prevent potential customers from utilizing transponders on AsiaSat's satellites.

The laws of certain countries require television broadcasters and satellite telecommunication users providing services in such countries generally to use state-owned or locally-owned satellites. For example, in Japan, domestic broadcast using a foreign satellite is not permitted. In India, if suitable capacity is available from a local satellite operator, operations using a foreign satellite will not be permitted. The use of a foreign satellite is subject to the authorization of the Department of Justice of India.

There are no specific restrictions on satellite operators providing services in Australia. A radio communications license may be issued to a satellite operator specifically to authorize transmissions (a Space License) or one may be issued specifically to authorize reception of transmissions (a Space Receive License). The satellite itself must be either an Australian or foreign space object as determined by the Australian Communications Authority. AsiaSat's satellites are determined as foreign space objects by the Australian Communications Authority. When the space stations are licensed via the space segment, the operation of ubiquitous earth stations that are communicating with them may be authorized by another class license. AsiaSat has appointed an authorized nominated carrier for its Ku-band Australian transponders in Australia.

In Thailand, Shin Satellite's 8-year monopoly (which is part of a 30 year concession from the government) ended in 1999. There are no specific laws to regulate the activities and operations of satellites in Thailand. At present, satellite activities in Thailand are authorized and controlled by the National Telecom Commission of Thailand.

China requires that all foreign satellite television broadcasters that have been licensed to be downlinked in China be uplinked to a state-owned satellite and multiplexed and downlinked to designated recipients and cable headends from that state-owned satellite. No such requirement applies to Chinese domestic satellite television broadcasters. Foreign satellite operators are required to provide transponder capacity to domestic companies that have been licensed to operate transponder capacity provision businesses or users approved by the Ministry of Information Industry. Foreign satellite operators are not allowed to provide transponder capacity to domestic users directly without the approval of the Ministry of Information Industry.

With respect to telecommunications, Chinese regulations stipulate that all matters relating to the lease or the procurement of the use of foreign satellite transponders are under the Ministry of Information Industry's jurisdiction. Domestic users must apply to the Ministry of Information Industry to lease or procure the use of such transponders.

These legal requirements may prevent the Company and other satellite companies from competing to provide transponder capacity to these potential customers. There can be no assurance that other countries in the Asian region, including countries in which the Company already has customers, will not impose similar requirements to use state or locally-owned satellites in the future. The imposition of such requirements could adversely affect the Company's results of operations. See Item 3 "Risk Factors - Risk of Not Successfully Renewing Existing Transponder Capacity Agreements or Not Renewing Them on Terms Similar to Their Current Terms or Customers Switching to Other Providers of Satellite Transponder Capacity."

INTERNATIONAL TELECOMMUNICATION UNION

The ITU was established in 1865 and became a specialized agency of the United Nations in 1947. The ITU is an organization of sovereign member states that aims at maintaining and extending international cooperation among all its member states for the improvement and rational use of telecommunications of all kinds. For this purpose, the ITU has developed and maintains international procedures and requirements for use of telecommunications as well as technical standards and recommendations. As of today, practically all countries in the world are members of the ITU.

The ITU is organized in three sectors: the Telecommunication Standardization Sector, the Radiocommunication Sector and the Telecommunication Development Sector. For satellite communications, most of the activities and regulations of relevance take place within the Radiocommunication Sector.

The objectives of the Radiocommunication Sector are to ensure rational, equitable, efficient and economical use of, and access to, the radio-frequency spectrum by all radio communication services and all countries. The main instrument of the Radiocommunication Sector is the Radio Regulations, which establishes procedures for member states. The Radio Regulations are updated regularly by World Radio Conferences. In between the sessions of the World Radio Conferences, the Radio Regulations Board, a group of elected members, develop Rules of Procedure on the application of the Radio Regulations and also consider other matters that cannot be resolved through a Rule of Procedure. The Radiocommunication Sector also carries out technical studies and develops recommendations on radio communication matters to assist member states and users of the radio-frequency spectrum. The Radiocommunication Bureau was established to facilitate the work of the Radiocommunication Sector, in particular, to facilitate the technical studies, meetings and conferences and the application of the procedures contained in the Radio Regulations. The Radiocommunication Bureau has a group of permanent staff with its headquarters in Geneva, Switzerland.

The Radio Regulations allocates certain frequency bands for various kinds of satellite communication. It also contains procedures to be followed by its member states to ensure that in bringing into use radio communication systems, other users operating in accordance with these procedures are given the required protection.

Details of the ITU, its instruments and working methods can be found in the Constitution and Convention of the ITU, while radio communication matters are dealt with in the Radio Regulations.

Nations are required by treaty to make a filing of their proposed use of satellite orbital slots for geostationary satellites with the Radiocommunication Bureau. After filing an orbital slot request with the Radiocommunication Bureau, other nations are afforded the opportunity to inform the Radiocommunication Bureau of any potential conflicts with their present or planned use of orbital slots. When a conflict or potential conflict is noted, nations are obligated to negotiate in an effort to coordinate the proposed uses and resolve any interference concerns. The Radiocommunication Bureau, however, has no formal enforcement mechanism, and if nations cannot agree on a resolution, a satellite system may not be entitled to the full interference protection afforded under international law.

The Hong Kong Special Administrative Region is mandated by China to file and coordinate applications made by Hong Kong companies for orbital slots with the Radiocommunication Bureau and to resolve interference concerns. The Chief Executive of Hong Kong has delegated these responsibilities to OFTA. Use of the orbital slots remains subject to the continuing oversight of OFTA and to a variety of regulations generally applicable to all satellite and radio licensees. OFTA has fulfilled its obligation to notify the Radiocommunication Bureau of the proposed use of the orbital slots for all of AsiaSat's filings, which include filings for AsiaSat 2, AsiaSat 3S and AsiaSat 4. After AsiaSat 2, AsiaSat 3S and AsiaSat 4 reached their orbital positions and commenced operations, AsiaSat notified OFTA, and OFTA in turn notified the ITU, that AsiaSat 2, AsiaSat 3S and AsiaSat 4, as applicable, were on station and operating as filed with the Radiocommunication Bureau, as coordinated and as

authorized by OFTA. The orbital locations of all of AsiaSat's satellites have been entered into or are waiting to be entered into the Master Register of the ITU. This concludes the process for the coordination of the orbital slots for AsiaSat 2, AsiaSat 3S and AsiaSat 4. Moreover, to add more flexibility for the utilization of the payloads of the current and future AsiaSat satellites in positions at 100.5 degrees East, 105.5 degrees East and 122.2 degrees East, additional filings have been submitted to, and are currently being coordinated with, the ITU.

EXPORT REGULATION

In June 2000, Lockheed Martin obtained a Technical Assistance Agreement from the U.S. Department of State to provide technical data and services for in-orbit anomaly support for AsiaSat 2 until December 31, 2009. In February 2001, Boeing obtained a Technical Assistance Agreement to provide technical data and services for in-orbit anomaly support and off-site support services for AsiaSat 3S until 31 December 2009. On July 5, 2000, Boeing obtained a Technical Assistance Agreement to provide necessary technical data to AsiaSat 4 until 31 December 2010. On July 20, 2000, Boeing obtained another Technical Assistance Agreement from the U.S. Department of State to provide in-orbit anomaly support for AsiaSat 4. See "-- Satellites -AsiaSat 4."

PROPERTY, PLANTS AND EQUIPMENT

LAND FACILITIES

The Company's executive offices are located in Causeway Bay, Hong Kong. The lease covering the Company's executive office space commenced in March 2005 for a term of three years. The rental amount (excluding rates, air-conditioning and management charges) under this lease is approximately HK$2.7 million per year. The Company finances this cost from internal resources. See "Additional Information - Material Contracts."

In March 2000, the Company opened a representative office in Beijing, China. The Company's Beijing office entered into a new lease for a period of four years beginning in June 2004. The lease amount is approximately HK$0.7 million per year.

The Company has entered into an agreement with respect to the lease of the Tai Po Site in Hong Kong to support the growth of the Company's business. The Tai Po Site houses the Tai Po Satellite Earth Station, which is the center for coordination of all technical customer-related communication on the Company's satellite, including station testing, outage and trouble shooting and real time scheduling of ad hoc broadcasting services traffic. These services also include uplink, technical support and other value added services. The Tai Po Satellite Earth Station became fully operational in December 2003, and the complex received its final occupation permit from the Hong Kong Building Authority in January 2004. The five full performance antennas required for TT&C operations have been installed and are operational. See "Additional Information - Material Contracts."

The Company is not currently the subject of any actions or proceedings for environmental liabilities. As AsiaSat's satellites reach their "end of life" and are de-orbited, it is conceivable that the Company could be subject in the future to actions for environmental or other liabilities resulting from damages caused by these satellites.

SATELLITE CONTROL FACILITIES

The Tai Po Satellite Earth Station has been fully operational for more than three years and is now the Company's primary TT&C facility. The Tai Po Satellite Earth Station is connected by dual, diversely routed leased lines to the TT&C facility at the Reach Network (Hong Kong) Limited's ("Reach") teleport located at Stanley on the south side of Hong Kong Island (the "Stanley TT&C Facility"). The integrity of the delivery of the Company's services is achieved through duplicating at the Tai Po Earth Station, the Company's circuits and facilities provided at the Stanley TT&C Facility. A new satellite control and monitor software program has been installed and is undergoing system testing.

AsiaSat's technical personnel staff the Tai Po Satellite Earth Station 24 hours a day. There are no full-time employees of AsiaSat located at the Stanley TT&C Facility. Reach teleport technicians are responsible for the routine maintenance of the antennas and other equipment located at this facility.

Once a satellite is placed at its orbital location, it is controlled by the Tai Po Satellite Earth Station until the end of its in-orbit life. The TT&C subsystem for each satellite makes it possible for ground control to monitor the position of the satellite in-orbit. AsiaSat's engineers at the Tai Po Satellite Earth Station periodically correct a satellite's attitude and conduct east-west and north-south station keeping maneuvers, thus ensuring that AsiaSat's satellites maintain their proper orientation and orbital position. In addition, commands from the Tai Po Satellite Earth Station can switch transponders in and out of service, position a steerable beam, control the charging and discharging of the batteries, activate back-up equipment and engage other control functions.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company and related notes thereto included elsewhere herein.

OVERVIEW

The Company, through its wholly-owned subsidiary, AsiaSat, is a leading provider of high quality satellite transponder capacity in the Asian region. As of December 31, 2006, the Company had three satellites in operation:

	POSITION	UTILIZATION RATES(1)			% CH
		2004	2005	2006	
AsiaSat 2	100.5(degree) East	36.4%	40.1%	46.9%	17
AsiaSat 3S	105.5(degree) East	73.3%	72.7%	74.2%	2
AsiaSat 4	122.2(degree) East	26.8%	46.5%	48.4%	4
System Utilization		45.7%	54.0%	57.1%	5

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(1) There were 57 and 67 transponders respectively utilized on all AsiaSat satellites at each of the year-end 2004 and 2005, and there were 71 transponders utilized on all AsiaSat satellites at year-end 2006. See "--- Results of Operations - Utilization Rates."

Our revenue by industry "segments" consist of video broadcasting and telecommunications. The factors that drive demand for AsiaSat's satellite services across the Asian region include video distribution and the provision of telecommunications networks to users who need last mile connectivity over wide geographic coverage at a fixed cost. Satellites can provide this coverage where cable cannot, particularly across the widespread and disparate Asian region.

MARKET REVIEW

The effects of the growing strength of some of the Asian economies have not yet improved the short-term outlook of the Asia-Pacific satellite market. New demand is being absorbed by existing oversupply that, concurrently, is being increased by new satellite launches. Additionally, the satellite sector typically lags behind other sectors in responding to overall shifts in the economy.

In 2006, nine new satellites that cover portions of Asia were launched, but two suffered a total loss at launch. After the retirement or relocation of five other satellites, the seven additional satellites brought the total number of satellites covering the region to 77, a net increase of two. The net effect was a decrease of 13 C-band transponders and an increase of 34 Ku-band transponders that are in competition with AsiaSat.

The Company is competing for contracts with new strategic customers and for renewing existing customer contracts. In 2006, there was intense competition but the Company was able to maintain its premium pricing over its competitors because of outstanding service quality. However, the Company entered into certain shorter and more competitive contracts in order to secure or retain strategic relationships. This strategy did not enhance the Company's revenue or significantly increase its backlog, but the Company was successful in retaining customers and raising overall utilization in the current difficult market.

Emerging trends for the medium to long term are more positive. Much of the new capacity that has been or is scheduled to be launched in the near term is replacing existing satellites or is dedicated to specific domestic initiatives. New applications and deregulation are expected to increase demand.

Short-term

Due to the persistent oversupply of transponder overcapacity and the slow introduction of new applications in the Asia-Pacific satellite market, the Company does not see material signs of improvement in the short to medium term and does not see new developments in the market that would enable the Company to deliver stronger results in 2007. Therefore, the Company does not expect to achieve significant improvement in financial results in the near term. In addition, the slow demand and the downward pressure on pricing continue to hold back growth while only a few new video channels are entering the market. Few operators of existing TV channels have made any commitment to expand, although some are looking to do so.

Demand in telecommunications is growing steadily but the strong competition and competitive pricing present enormous challenges to the Company. See "Key Information -- Risk Factors - Political, Economic and Other Regional Risks" and "Key Information -- Risk Factors - Risk of Limited Market Demand and Increasing Competition." In addition to this slower growth in new demand, continuing price pressure on new transponder utilization agreements have limited the Company's

growth. See "Information on the Company - Business Overview." The year of 2007

is another challenging year requiring intense customer focus to maintain and expand existing businesses where possible and to concentrate on identifying new opportunities for growth.

Medium to Long-term

However, the Company's business is long-term in nature, and the positive factors that drive demand remain in place. These factors include television distribution (and increasingly in more developed markets, high-definition television), and telecommunications networks that need connectivity over wide geographic coverage, at a fixed cost. Furthermore, the Company has an outstanding technical and customer service team as well as a premium client base.

There are signs of positive domestic regulatory activities in certain markets, and these bode well for the future. New DTH services are also planned for a number of important markets over the next few years, but existing regulations that limit foreign ownership and prevent new DTH services from using non-domestic satellites are discouraging foreign investment and creating barriers for foreign satellite operators. Nevertheless, these developments are positive as the overall surplus capacity in the region reduces as a result of domestic capacity being absorbed. In addition, as markets over time slowly open up to DTH, the eventual entry of foreign operators and investment is expected to promote competition with the local operators. The forecast for DTH systems in the Asia-Pacific region indicates that domestic satellite operators will not be able to meet the demand for DTH capacity. This is expected to have a positive impact on the business of the Company.

The Asia-Pacific region's competing television platforms also have a growing appetite for high quality programming, which will drive the demand for greater satellite capacity regardless of the delivery methods, which may be cable, DTH or Internet Protocol Television (IPTV) delivered over broadband services offered by the telephone operator. Competition is also forcing television platform operators to differentiate themselves through new applications and technology. In addition, economic development in countries that lack traditional communications infrastructure, is forcing governments to examine the latest technology, including satellite capacity. There are early positive signs of increased activity, include many associated with the 2008 Beijing Olympics. There is some progress in the area of new technology, including HDTV, video to mobile, and service bundling, all of which will drive demand for satellite capacity. Developments in China's DTH market were negatively affected by the launch failure of SinoSat 2, which was designed exclusively for China's DTH. This failure and subsequent delay in the launch of DTH in China is expected to delay the lifting of the ban on private satellite dish ownership in China.

The extended period of little growth in the satellite industry in the Asia-Pacific region is presenting challenges as well as opportunities for the Company. The Company will continue to investigate strategic opportunities that would support and enhance the Company's core satellite business in order to position itself to capitalize upon the longer term recovery of the commercial satellite industry in the Asia-Pacific region.

REVENUE

SOURCES. Substantially all of the Company's revenues during the years under review were derived from payments made in respect of transponder utilization

agreements and transponder purchase agreements for AsiaSat 2, AsiaSat 3S and

AsiaSat 4 and were almost entirely payable in US Dollars.

AsiaSat's transponder utilization agreements and transponder purchase agreements in effect as of May 31, 2007 provided for total committed revenue (including a portion of the deposits received by the Company in prior periods and that will be recognized as revenue in the applicable future period) of HK$2,510.8 million (US$321.9 million). The Company expects that most of such committed revenue will be recognized over the remaining terms of the relevant agreements up to 2014, assuming that the agreements are not terminated earlier. See "Information on the Company - Transponder Utilization Agreements." In 2006, approximately 2.6% of the Company's revenue from the provision of transponder capacity was derived from transponder purchase agreements, and the remaining portion was derived from transponder utilization agreements.

Payments under transponder utilization agreements are negotiated with each individual customer and generally are influenced by various factors, including market conditions that drive demand, satellite performance capabilities and the reputation of AsiaSat as a reliable service provider. See "Information on the Company - Business Overview." Generally, in the satellite transponder market, transponders with greater coverage, wider bandwidth, more viewers and higher power have commanded a premium price. These factors will impact our ability to increase charges for transponder capacity in future periods with respect to new and existing agreements.

SEGMENTS. The Company's primary industry "segments" consist of video broadcasting and telecommunications. The majority of the Company's revenue is attributable to video broadcasting. Due to the contracted nature of the Company's revenue stream, year-to-year fluctuations are driven by customer contract renewals and customer movements. See "Information on the Company - Business Overview," "Information on the Company -Services and Customers - Broadcasting," "Information on the Company - Services and Customers - Telecommunications," "Information on the Company - Services and Customers - Multimedia and Internet" and "Information on the Company - Services and Customers - Expanded Services and Other Businesses." The following table shows a breakdown of revenue by segment:

	YEAR ENDED DECEMBER 31,				
	2004 (HK$)		2005 (HK$)		
	(in millions, except for percentages)				
	AMOUNT	% OF TOTAL REVENUE	AMOUNT	% OF TOTAL REVENUE	AM
Broadcasting (video)	709.4	70.6%	578.4	65.7%	6
Telecommunications, Internet and Multimedia	295.6	29.4%	301.3	34.3%	2
Total Revenue	1,005.0(1)	100.0%	879.7	100.0%	9

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(1) See "-- Results of Operations - Revenues."

The following table shows the place of incorporation of the Company's

customers. However, due to the nature of the Company's business, the place of incorporation of its customers are not reflective of their market activities as broadcasting and telecommunication consumers may be located outside the coverage area of AsiaSat's satellites.

	YEAR ENDED DECEMBER 31,			
	2004 (HK$)		2005 (HK$)	
	(in millions, except for percentages			
	AMOUNT	% OF TOTAL REVENUE	AMOUNT	% OF TOTAL REVENUE
Hong Kong	323.1	32.1%	341.7	38.8%
Greater China, including Macau and Taiwan	197.9	19.7%	202.7	23.0%
United States of America	183.8(1)	18.3%	78.2	8.9%
British Virgin Islands	40.9	4.1%	9.7	1.1%
United Kingdom	46.1	4.6%	49.4	5.6%
Others	213.2	21.2%	198.0	22.6%
Total Revenue	1,005.0(1)	100.0%	879.7	100.0%

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(1) See "-- Results of Operations - Revenues."

REVENUE RECOGNITION. The Company recognizes revenues from all transponder utilization agreements on a straight line basis over the term of the agreements. As a result of the utilization fee escalation clauses in the transponder utilization agreements, in the early years of the term of any such agreement revenues are recognized in respect of payments that are not yet due, and in the latter portion of the term of such agreement revenues recognized will be less than payments due under the contract terms. In the aggregate in 2004, there was recognition of revenues under the transponder utilization agreements in excess of payments due under those agreements in the amounts of HK$9.3 million. In 2005 and 2006, the total amount of payments due under the transponder utilization agreements was in excess of revenues recognized under those agreements in the amount of HK$0.7 million HK$3.5 million (US$0.5 million).

The Company recognizes revenue on the sale of transponder capacity under transponder purchase agreements on a straight-line basis from the date of delivery of the capacity until the end of the design life of the satellite.

RELIANCE UPON A SIGNIFICANT CUSTOMER. In the years ended December 31, 2004, 2005 and 2006, approximately 22.4%, 25.7% and 24.3%, respectively, of the Company's revenues were attributable to transponder utilization agreements with STAR. See "Information on the Company - Services and Customers" and "Key Information -- Risk Factors --Reliance upon Significant Customer."

EXPENSES

The components of operating expenses are cost of services, selling, general and administrative expenses and depreciation. Significant components of cost of services include in-orbit insurance, staff costs, satellite operations and turnaround service charges. Significant components of selling, general and administrative expenses include staff costs, office rental expenses, provision for doubtful debts, marketing and promotion expenses, business travel expenses, dual listing expenses, professional fees and amortization of goodwill arising from an acquisition of affiliates.

Staff costs (and associated travel expenses) and office rental expenses are allocated by the Company between cost of services and selling, general and administrative expenses depending on the function of such staff and use of the office space. The cost of services category of operating expenses includes all operating expenses incurred for engineering and the operation of the Company's satellites, including the proportionate amount of office rental expense for the office space used by the Company's engineers and the operations department. All staff, travel and office space expenses not included in cost of services are allocated to selling, general and administrative expenses.

Operating expenses decreased to HK$207 million, which is similar to the operating expense in 2005.

INTEREST IN ASSOCIATES

The Company has accounted for its share of profit or loss arising from associates on an equity accounting basis. In the case of a loss, the Company will reflect its share in its income statement with a corresponding write down of its investment in an affiliate. Once the investment has been written down to zero the Company will not account for any further loss beyond its investment. In 2004, 2005 and 2006, the Company recorded a HK$12.4 million, HK$3.9 million and HK$8.4 million (US$1.1 million) loss, respectively, with respect to its investment in associates, which includes amortization of goodwill and impairment loss. In the case of a profit, the Company will reflect its share of the profit in its income statement. In 2004, 2005 and 2006, the Company recorded a net positive contribution to the Company's income statement in the amount of, HK$6.4 million, HK$28.3 million and HK$37.9 (US$4.9 million), respectively.

TAXATION

The Company is subject to Hong Kong Profits Tax on its operations deemed to be located in Hong Kong. It is also subject to overseas tax on its operations in certain of the overseas jurisdictions. The Hong Kong profits tax rate was increased to 17.5% per annum with effect from April 2003. Hong Kong profits tax was previously charged at the rate of 16% per annum.

Under Indian tax regulations, the Company may be subject to Indian income tax on revenues received by the Company in respect of income from the provision of satellite transponder capacity to the Company's customers for purposes of those customers carrying on business in India or earning income from any source in India.

The Indian tax authorities have assessed the Company for income tax as follows:

	ASSESSMENTS (HK$ IN MILLIONS) (APPROXIMATELY)						
Assessment Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2
	20.0	23.0	22.0	14.0	29.0	38.0	

The Company has filed appeals for each of the assessment years 1997-98 to 2004-05. No assessment has yet been made for the 2005-06 or 2006-07 assessment years.

The Income Tax Appellate Tribunal (the "Tribunal") in an earlier appeal filed against the original assessment for the assessment year 1997-98 held that the Company is liable for Indian income tax under certain circumstances. The Company does not believe that it is liable for the Indian income tax as held by the Tribunal and has filed an appeal against the Tribunal's decision. The tax authorities have also filed an appeal against the Tribunal's decision. Both appeals have been admitted by the High Court.

In order to obtain a stay of recovery proceedings, the Company has made payments as follows and has recorded these payments as an asset as they believe that the amounts are recoverable:

	PAYMENT TO STAY RECOVERY PROCEEDINGS (HK$ IN MILLIONS) (APPROXIMATEL						
Assessment Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2
	13.0	14.0	11.0	9.0	20.0	27.0	

In addition, based on the general principles set forth by the Tribunal, the amount of income taxable in India depends on the payments made by the Company's customers to the Company for the purpose of those customers carrying on business in India or earning income from any source in India. As such information is proprietary in nature and has not been provided by the Company's customers, the Company cannot reasonably estimate the taxable income and therefore also cannot estimate the amount of Indian income tax for which the Company may become liable. Accordingly, no provision has been recognized for Indian income tax in the Company's financial statements. Furthermore, as stated above, the Company has filed an appeal against the Tribunal's decision. The appeal has been admitted by the High Court and is pending before the High Court.

RESULTS OF OPERATIONS

The Company's revenues for 2006 amounted to HK$929.9 million , an increase of HK$50.2 million compared to that of 2005.

Operating profit decreased from HK$504.0 million in 2004 to HK$420.5 million in 2005. Operating profit in 2006 increased to HK$517.5 million from HK$420.5 million in 2005. Operating profit as a percentage of revenues increased in 2006 to 55.6% from 47.8% in 2005, which in turn decreased from 50.1% in 2004.

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain income and expense items in the Company's Consolidated Statement of Operations.

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	YEAR ENDED DECEMBER 31,		
	2004	2005	
Revenues	100%	100%	
Cost of services	(41.9)	(47.6)	(
	58.1	52.4	
Other gains - net	2.2	4.9	
Administrative expenses	(10.2)	(9.5)	(
Operating profit	50.1	47.8	
Finance costs	-	-	
Share of results of associates (including goodwill amortization)	(1.2)	(0.5)	
Impairment loss recognized in respect of goodwill of associates	-	-	
Profit before taxation	48.9	47.3	
Taxation	(6.0)	(5.8)	
Profit for the year	42.9	41.5	

REVENUES

Revenues in 2006 increased 5.7% to HK$929.9 million from HK$879.7 million in 2005, which in turn decreased from HK$1,005.0 million in 2004. During 2005, the Company entered into transponder utilization agreements totaling approximately twenty transponders at lower rates for some new customers and lost approximately fifteen transponders on non-renewal of some contracts upon expiration or early termination. The higher revenue in 2004 was primarily due to a one-time contribution to revenues resulting from the early termination of a transponder utilization agreement. In 2005, excluding the one-time contribution of HK$107.6 million to the revenues of 2004 upon the early termination of a transponder utilization agreement, revenues were down by HK$17.7 million. The increase in revenue in 2006 was due to one-time receipts of HK$50 million for early termination of contracts. Excluding the receipts, recurring revenue were almost the same as 2005.

UTILIZATION RATE. As of December 31, 2006, the overall total utilization rate of AsiaSat 2, AsiaSat 3S and AsiaSat 4 increased 5.7% over the prior year from 54.0% to 57.1%, which in turn increased from the overall total utilization rate of 45.7% as of December 31, 2004. See "--Overview." There were 57, 67 and 71 transponders utilized on all AsiaSat's satellites at the year-end 2004, 2005

and 2006, respectively. This utilization rate did not include the transponder capacity used for occasional service on an ad-hoc basis and it was difficult for the Company to quantify this usage and translate it into equivalent transponders. The revenue generated from occasional service was US$37 million, representing approximately 4% of the recurring revenue. The increase in 2005 and 2006 from the previous year was the result of the leasing of additional transponders to new and existing customers. See "Key Information - Risk Factors - Risk of Technological Changes" and "Key Information - Risk Factors - Risk of Limited Market Demand and Increasing Competition."

Utilization rates and the fees derived from its satellites are determined by the terms of the Company's transponder agreements rather than the transponder capacity actually used by the Company's customers at any given time. The fees

derived from the Company's satellites with respect to video broadcasting services varies depending, in part, on whether the satellite has an established viewer base. See "Information on the Company - Business Overview."

COST OF SERVICES. Cost of services in 2006 decreased 2.0% to HK$410.6 million (US$52.6 million) from HK$419.0 million which in turn decreased 0.4% from HK$420.5 million in 2004. HK$7.3 million of the decrease in 2005 was primarily due to the decrease in insurance costs resulting from the Company's decision not to procure the in-orbit insurance for AsiaSat 2. This decrease was largely offset by increase in depreciation expenses in 2005. The decrease in 2006 was due mainly to savings in the premium on self-insuring AsiaSat 2 following the imposition of unacceptable exclusions upon renewal of the in-orbit insurance. See "Key Information - Risk Factors - Risk of Loss or Damage to Satellites, Ground Based Satellite Control Equipment or Satellite Stations from Acts of War, Terrorism, Electrostatic Storm, Space Debris and Other Natural Disasters and Limitations on Warranties and Insurance." Depreciation expenses, which are included in cost of services, increased in 2006 to HK$297.6 million from HK$295.1 million in 2005 which in turn increased from HK$287.4 million in 2004, which was mainly due to the increase in the depreciation of miscellaneous assets. The increase in depreciation expenses in 2005 represented expenses associated with the additional facilities. HK$55.6 million of the increase in depreciation expenses in 2004 was attributable to the full year depreciation of AsiaSat 4 and HK$55.6 million of the increase was attributable to the Tai Po Earth Station.

ADMINISTRATIVE EXPENSES. Administrative expenses in 2006 increased 12.8% to HK$94.6 million (US$12.1 million) from HK$83.9 million in 2005, which in turn decreased 18.1% from HK$102.5 million in 2004. The decrease in administrative expenses in 2005 was largely attributable to the decrease in the provision for impairment of receivables and the total amount of performance bonuses compared to 2004. The decrease in the provision for impairment of receivables was due to improvement in payment by trade customers, while the total amount of performance bonuses varies from year to year depending on whether performance targets are achieved. The increase in 2006 was due mainly to an increase of headcount and salary revisions, and provisions for performance bonus, leave compensation and long-term incentives.

OTHER GAINS - NET. Other gains primarily consists of interest income. Interest income in 2006 increased 112.6% to HK$92.7 million from HK$43.6 million in 2005 which in turn increased 100% from HK$21.8 million in 2004. The increase in interest income in 2006, 2005 and 2004 was primarily due to larger cash balances and higher interest rates on term deposits.

PROFIT BEFORE INCOME TAX

Profit before income tax in 2006 increased 22.2% to HK$508.9 million (US$65.2 million) from HK$416.6 million in 2005, which in turn decreased 15.3% from HK$491.6 million in 2004. The increase in profit before income tax in 2006 resulted from higher revenues and higher interest income in 2006.

INCOME TAX EXPENSE

Income tax expense in 2006 increased 8.2% to HK$55.5 million (US$7.1 million) from HK$51.3 million in 2005, which in turn decreased 15.2% from HK$60.5 million in 2004. The increase in income tax expense in 2006 resulted primarily from higher assessable profit. For the years 2004, 2005 and 2006, the effective tax rates were 12.3%, 12.3% and 10.9%, respectively.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit for the year in 2006 increased 24.0% to HK$454.0 million (US$58.2 million) from HK$366.2 million in 2005, which decreased 15.1% from HK$431.2 million in 2004. This increase was mainly attributable to one-time receipts with the balance coming from interest income.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES OF FINANCING

The Company's principal use of capital in 2006 was capital expenditures associated with the construction of AsiaSat 5. Cash applied for the acquisition of property, plant and equipment was HK$47.7 million in 2004, which in turn decreased to HK$23.7 million in 2005 and increased to HK$306.7 million (US$39.3 million) in 2006. Cash applied for the acquisition of property, plant and equipment has been financed through cash flows generated from operations.

As of December 31, 2006, the Company had no outstanding debt and HK$4,421.6 million of shareholders' equity.

The satellite business is highly capital intensive. The Company's ability to meet its future debt obligations, if any, will be dependent on a number of factors, including its cash flow from operations, its ability to secure future financing, if needed, and the useful lives of the Company's satellites. See "-- Planned Capital Expenditures."

PLANNED CAPITAL EXPENDITURES

The Company anticipates the need for additional capital to fund the construction and launch of AsiaSat 5 . The following table sets forth the Company's planned major capital expenditures for the periods indicated. Actual capital expenditures may differ from the amounts indicated below.

	PLANNED CAPITAL EXPENDITURES (IN MILLIONS)				
	2007 HK$	2008 HK$	2009 HK$	2010 HK$	2011 HK$
AsiaSat 5	501.7	269.4	264.3	-	-
Others	11.2	12.3	8.8	9.9	10.4

Skywave TV	-	1.0	-	1.0	-
Total	512.9	282.7	273.1	0.9	0.4

AsiaSat 5 is currently under construction for launch in 2009 to replace AsiaSat 2 at the end of its useful life. The total costs for the construction and launch of AsiaSat 5 is estimated to be approximately HK$1,404.0 million (US$180.0 million). The planned capital expenditures indicated as "Others" in the table above consist of those planned for furniture and fixture, office equipment, equipment and building upgrade at the Tai Po site, motor vehicles, new business and test equipment and tools.

CONTRACTUAL OBLIGATIONS

As of December 31, 2006, the Company had various contractual obligations which are more fully disclosed in Note 30 to the consolidated financial statements of the Company. The following table aggregates the contractual obligations of the Company as of December 31, 2006:

	PAYMENTS (OR OTHER OBLIGATIONS WHICH MAY BY PERIOD (HK$ IN MILLIONS)			
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEAR
Repairs and Maintenance and Capital Expenditure	1,106.7	820.4	286.3	
Operating Lease Obligations	4.8	4.1	0.7	
Total Contractual Obligations	1,111.5	824.5	287.0	
Deferred Revenue	295.7	153.1	55.8	30
Asset Retirement Obligation	1.8	-	1.8	

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(1) Only reflects deferred revenue associated with the sale of transponder capacity requiring the provision of on-going transponder capacity through the relevant period of the transponder purchase agreement.

AsiaSat leases its premises under non-cancelable operating leases. At December 31, 2006, commitments for future minimum lease payments which fall due in 2007, 2008 and subsequent years are HK$4.1 million and HK$0.7 million, respectively.

In the ordinary course of its business, AsiaSat enters into commercial commitments for various aspects of operations, such as repair and maintenance. However, the Company believes that those commitments will not have a material

effect on the Company's financial condition, results of operations or cash flows.

CASH FLOWS

The Company has generally financed its short-term working capital requirements from cash provided by operations. The Company has not borrowed any amounts for the last three years. The Company had cash and cash equivalents of HK$1,234.4 million, HK$1,635.5 million and HK$1,979.5 million (US$253.8 million) as of December 31, 2004, 2005 and 2006 respectively.

Net cash generated from operating activities was HK$750.8 million, HK$514.4 million and HK$698.5 million (US$89.6 million) in 2004, 2005 and 2006, respectively. In 2004, the level of net cash provided by operating activities resulted primarily from lower capital expenditures and lower amounts of dividends paid. In 2005, the decreased level of net cash provided by operating activities resulted from a lower level of cash generated from operations and a larger payment of Hong Kong profits tax. In 2006, the increased level of net cash provided by operating activities resulted primarily from a higher level of cash generated from operations.

Net cash used in investing activities was HK$50.9 million, HK$23.4 million and HK$218.0 million (US$28.0 million) in 2004, 2005 and 2006 respectively. Expenditures on AsiaSat 5 was HK$297.4 million in 2006. Expenditures on other property and equipment were HK$47.7 million, HK$23.7 million and HK$9.3 million in 2004, 2005 and 2006, respectively.

Net cash used in financing activities was HK$124.9 million, HK$136.6 million and HK$ 136.6 million (US$17.5 million) in 2004, 2005 and 2006, respectively. In 2004, 2005 and 2006, net cash used in financing activities primarily consisted of dividend payments.

The Company has sufficient working capital to cover its planned capital expenditures and other operating needs. See "-- Planned Capital Expenditures." The Company had a working capital of HK$1,023.1 million at December 31, 2004, a working capital of HK$1,461.1 million at December 31, 2005 and a working capital of HK$1,770.9 million (US$227.0 million) at December 31, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or resources that are material to investors.

EXCHANGE RATES

During the past three years almost all of the Company's revenues, premiums for satellite insurance coverage and substantially all capital expenditures were denominated in US Dollars. The Company's remaining expenses were primarily denominated in HK Dollars during these periods. As of December 31, 2006, almost all of AsiaSat's transponder utilization agreements, transponder purchase agreements and obligations to construct and launch satellites and to purchase TT&C equipment were denominated in US Dollars.

INFLATION

Inflation has not materially affected the Company's operations during the

past three years.

U.S. GAAP RECONCILIATION

The Company's financial statements are prepared in accordance with HKFRS, which differs in certain material respects from U.S. GAAP. The following table sets forth a comparison of the Company's net income and shareholders' equity in accordance with HKFRS and U.S. GAAP.

	2004 HK$	2005 HK$	2006 HK$
		(IN MILLIONS)	
Net income in accordance with:			
HKFRS	431.2	366.2	454.0
U.S. GAAP	424.1	358.8	446.3
Shareholders' equity in accordance with:			
HKFRS	3,874.6	4,104.2	4,421.6
U.S. GAAP	3,916.7	4,138.9	4,448.7

Note 32 to the Company's consolidated financial statements provides a description of the principal differences between HKFRS and U.S. GAAP as they relate to the Company and a reconciliation to U.S. GAAP of certain items, including net income and shareholders' equity. Differences between HKFRS and U.S. GAAP that have a material effect on the Company's net income and shareholders' equity as reported under HKFRS relate to capitalization of interest, borrowing costs and deferred taxation.

RECENT U.S. ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an Interpretation of SFAS 109, Accounting for Income Taxes. FIN 48 was issued to clarify the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. Under FIN 48, the tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. The Group plans to adopt FIN 48 for annual periods beginning January 1, 2007. The Group is currently evaluating the potential impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued FAS 157, Fair Value Measurements. FAS 157 provides guidance on the measurement of fair value in US GAAP and expands fair value measurement disclosures. FAS 157 is applicable whenever other accounting pronouncements require or permit fair value measurements and does not expand the use of fair value in any new circumstances. The Group will apply this standard for annual periods beginning January 1, 2007. The Group is currently evaluating the potential impact that the adoption of FAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 (FAS 159). FAS 159 permits entities to measure many financial instruments and certain other assets and liabilities at fair value on an

instrument-by-instrument basis. The Group will apply this standard for annual periods beginning January 1, 2008. The Group is currently evaluating the potential impact that the adoption of FAS 159 will have on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with HKFRS. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. The Company continually evaluates these estimates and judgments, including those related to estimated useful lives of satellites, impairment losses on satellites, allowance for doubtful accounts, and contingent liabilities related to tax assessments from Indian tax authorities. The Company bases these estimates and judgments on its historical experience and other factors that it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company has identified below the accounting policies that are the most critical to its consolidated financial statements.

USEFUL LIVES OF IN-ORBIT SATELLITES. The Company has significant investments in satellites. The carrying value of the Company's in-orbit satellites represented 59%, 52% and 43.6% of its total assets as of December 31, 2004, 2005 and 2006 respectively. The Company estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reported period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other

satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual lives of satellites are longer than what the Company has estimated, the Company would have a smaller depreciation expense. As a result, if the Company's estimates of the useful lives of its satellites are not accurate or are required to be changed in the future, the Company's net income in future periods would be affected.

REALIZABILITY OF THE CARRYING AMOUNTS OF LONG-LIVED ASSETS. The Company is required to evaluate at each balance sheet date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. The recoverable amount is the amount recoverable over the remaining lives of the assets through undiscounted future expected cash flows. If any such indication exists, the Company should estimate the recoverable amount of the long-lived assets. An impairment loss is recognized based on the excess of the carrying amount of such long-lived assets over their recoverable amounts. The impairment charge is calculated using the discounted present value of the cash flows expected to arise from the continuing use of long-lived assets and cash arising from its disposal at the end of its useful life. The estimates of the cash flows are based on the terms and period of existing transponder utilization agreements ("Existing Agreements"). Likewise, changes in estimated discount rates that result in lower recoverable amounts would result in an impairment loss being recognized.

Modifications to the terms of the Existing Agreements that results in shorter utilization period than previously agreed and/or those that result in the reduction in agreed rates will result in a lower recoverable amounts (if the

discount rate used is not changed); which may, in turn, result in the carrying amounts exceeding the recoverable amounts, which in turn would result in an impairment loss being recognized.

INSURANCE. For each of its satellites, the Company obtains insurance covering launch and first-year in-orbit loss at a blended rate. The launch insurance is a one time charge and the in-orbit insurance is recurring in-nature. The Company capitalizes a large portion of the insurance premium relating to the launch as a cost of satellite and amortizes the cost over the life of the satellite on a straight-line basis. The small portion of the insurance premium relating to the first-year in-orbit is determined by reference to an indicative rate obtained through an insurance broker in an open market for satellites of similar type and configuration, and is recorded as part of cost of services after commissioning of the satellite. The in-orbit insurance cost usually represents 2% to 3% of the total amount insured for such satellite.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. The Company maintains allowance for doubtful accounts for estimated losses that result from the inability of its customers to make the required payments. The Company bases its allowances on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. The Company's evaluation also includes the length of time the receivables are past due and the general business environment.

If changes in these factors occur, or the historical data the Company uses to calculate the allowance for doubtful accounts as of December 31, 2006 does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the Company's future results of operations could be adversely affected.

CONTINGENCY RELATED TO INDIAN TAX ASSESSMENTS. As of December 31, 2006 the Indian tax authorities have assessed the Company for income tax of approximately HK$254.0 million (US$32.6 million). See "-- Taxation." The Company did not recognize liabilities in connection with the foregoing assessments as the Company believes that the criteria for recognition of a loss contingency under the US SFAS 5, "Accounting for Contingencies" and Hong Kong Statement of Standard Accounting Practice No. 28 "Provisions, Contingent Liabilities and Contingent Assets" ("SSAP 28") were not met. SFAS 5 requires that "an estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met: (a) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements; and (b) the amount of loss can be reasonably estimated. SSAP 28 states that a contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation: or (ii) the amount of the obligation cannot be measured with sufficient reliability.

The Company cannot reasonably estimate the loss that will arise from the assessment since the information needed to calculate such loss (if any) is proprietary to the Company's customers and was not provided to the Company. Further, the Company believes it has a reasonable likelihood of success with respect to its appeals against the Tribunal's decision. Therefore, the Company believes that the criteria for recognition of a loss contingency under SSAP 28 or SFAS 5 were not met. If the Company is finally held liable for such Indian

tax, the Company's future results of operations could be adversely affected.

NEW ACCOUNTING STANDARDS

For a discussion on the newly adopted accounting standards, see Note 2 to the Company's consolidated financial statements.

RESEARCH AND DEVELOPMENT

The Company does not incur any significant research and development expenditures.

TREND INFORMATION AND PROSPECTS

Due to the nature of the Company's business with long-term commitments being made for the purchase of satellites and long-term contracts entered into by AsiaSat's customers, there are no immediate changes from one period to the next which impact AsiaSat's business. See "Information on the Company - Business Overview." For a further discussion on trends and prospects, see " -- Overview."

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

DIRECTORS AND SENIOR MANAGEMENT

The directors of the Company ("Directors") as of May 31, 2007 are set forth below.

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED DIRECTOR OF ASIASAT (OR THE COMPANY)
Zeng Xin Mi (1)	56	Chairman and Director (2006-2008) Deputy Chairman and Director (2005-2006)	February 28, 2001
Professor Edward Chen, G.B.S., C.B.E., J.P. (3)	62	Director	May 10, 1996
Mark Chen (2)	32	Director	March 29, 2007
John Connelly (2)	63	Director	March 29, 2007
Yu Cheng Ding (1)	41	Director	January 15, 1999
Ronald Herman (2)	44	Director	March 29, 2007
Peter Jackson	58	Director	May 10, 1996
Wei Min Ju (1)	44	Director	October 12, 1998
Fai Wong Ko (1)	58	Director	March 11, 2004
Nancy Ku (2)	50	Director	March 29, 2007
Robert Sze (3)	66	Director	May 10, 1996

William Wade	50	Director	May 10, 1996
James Watkins (3)	61	Director	June 30, 2006

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(1) Appointed by CITIC.
(2) Appointed by GECC.
(3) Independent.

The executive officers of the Company as of May 31, 2007 are set forth below.

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED DIRECTOR OF ASIASAT (OR THE COMPANY)
Peter Jackson	58	Chief Executive Officer	July 1, 1993
William Wade	50	Deputy Chief Executive Officer	April 15, 1994
Catherine Chang	39	Legal Counsel	January 1, 2003
Liqun Chen	56	General Manager, China	April 14, 1989

NAME	AGE	POSITION	DATE FIRST ELECTED OR APPOINTED DIRECTOR OF ASIASAT (OR THE COMPANY)
Ya Hui Chiu	57	General Manager, Operation	February 13, 1989
Sabrina Cubbon	45	General Manager, Marketing	December 1, 1993
Barry Turner	60	General Manager, Engineering	May 1, 1998
Sue Yeung	43	General Manager Finance and Administration and Company Secretary	January 1, 2007

The Board of Directors of the Company currently consists of 13 members. Action can be taken by a majority of Directors present at a meeting at which a quorum is present. Attendance by six Directors, or such other number as determined by the Directors from time to time, constitutes a quorum. The By-laws of the Company provide that any Director may call a board meeting. The Directors all hold office until the next annual meeting of shareholders and until their successors are elected and have qualified.

In the annual general meeting held on May 18, 2007, some directors of the

Company including Ronald Herman, John Connelly, Mark Chen, Yu Cheng Ding, Wei Min Ju, Fai Wong Ko, Nancy Ku, Zeng Xin Mi and James Wakins retired by rotation in accordance with the Company's Bye-laws. In the same meeting, the resolution for their re-election was approved.

ZENG XIN MI was appointed a Non-executive Director of the Company on February 28, 2001. Since then, he acted as Deputy Chairman (2001-2002), Chairman (2003-2004) and Deputy Chairman (2005-2006) of the Board on a rotational basis biennially. For the current term (2007-2008), he acts as Chairman. He is an Executive Director and Vice President of CITIC Group ("CITIC"). He is an Executive Director of CITIC Resources Holdings Limited, Chairman of CITIC USA Holdings Limited, CITIC Australia Pty Ltd, CITIC Resources Australia Pty Limited and Karazhanbaemunai JSC (KBM), and a Director of CITIC United Asia Investments Limited. He also holds executive management positions in several other subsidiaries of CITIC He has over 23 years' experience in multi-national business, corporate management and various other industries.

PROFESSOR EDWARD CHEN, G.B.S., C.B.E., J.P., has been an Independent Non-executive Director of the Company since May 1996. He was educated at Hong Kong University (Bachelor of Arts, Master of Social Science) and Oxford University (Doctor of Philosophy) and is currently President of Lingnan University in Hong Kong. He was a member of the Executive Council of Hong Kong from 1992 to 1997 and Chairman of the Consumer Council from 1991 to 1997. He is a Director of the First Pacific Company Limited and a Director of The Wharf (Holdings) Limited.

MARK CHEN was appointed as the Non-executive Director of the Company on March 29, 2007. He is the Managing Director of GE Commercial Finance - Equity, Asia Pacific. Since June 2006, Mr. Mark Chen has been the business leader and subsequently Managing Director, Asia Pacific of GE Commercial Finance - Equity. Prior to this role, Mr. Mark Chen held positions as an associate, assistant vice president, vice president and senior vice president in GE Commercial Finance - Equity. Mr. Mark Chen has worked for GE for seven years.

JOHN CONNELLY was appointed as the Non-executive Director of the Company on March 29, 2007. He served with GE for over 37 years in a variety of positions. From 1992 to 2001 he served as Chairman and CEO of GE Americom, Inc., which was subsequently sold to SES. In 2001 he was named Vice Chairman of SES, a position he held until March 2007.

YU CHENG DING was appointed a Non-executive Director of the Company on January 15, 1999. He was the Assistant President of CITIC Securities Company Limited and was with the company from April 1998 to September 2004. CITIC Securities Company Limited is a subsidiary of CITIC engaging in securities and investment banking business. He has been an Independent Non-executive Director of SEEC Media Group Limited since June 2005. He holds a Master of Business Administration degree from the University of Pittsburg and a Doctor of Philosophy degree in Economics from Tsinghua University.

RONALD HERMAN was appointed a Non-executive Director of the Company on 29 March 2007. Since May 2003, Mr. Ronald J. Herman, Jr. has been the President and CEO of GE Commercial Finance - Equity and Vice President of GECC. Prior to this role, Mr. Ronald J. Herman spent 10 years, starting in January 1993, in GE's headquarters as the general manager of Mergers and Acquisitions. Mr. Ronald J. Herman has worked for GE for 23 years, his entire business career.

WEI MIN JU was appointed a Non-executive Director of the Company on October 12, 1998. He is a Director and the Chief Financial Officer of CITIC and also a Non-executive Director of China CITIC Bank, CITIC International Financial

Holdings Limited, CITIC Ka Wah Bank and as Chairman of CITIC Trust and investment Co. Ltd. He served in various management positions in CITIC including Deputy Head and Head of the Finance Department. He has over 20 years of experience in finance and corporate management.

MS. NANCY KU appointed a Non-executive Director of the Company on 29 March 2007. She is the President and CEO, Asia Pacific of Corporate Financial Services, GE Commercial Finance and has held this position since March 2006. Prior to this role, Ms. Nancy Ku was the Managing Director, Asia Pacific of GE Equity. Ms. Ku has worked for GE for eight years.

ROBERT SZE has been an Independent Non-executive Director of the Company since May 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a partner in an international firm of accountants with which he practiced for over 20 years and is a non-executive director of a number of Hong Kong listed companies. He is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

FAI WONG KO was appointed a Non-executive Director of the Company on March 11, 2004. He is the Deputy General Manager of CITIC United Asia Investment Limited, a wholly owned subsidiary of CITIC in Hong Kong and has over 20 years' experience in banking and finance before joining CITIC.

JAMES WATKINS was appointed as an Independent Non-executive Director of the Company on June 30, 2006. He qualified as a solicitor in 1969 and was for 20 years a Partner in Linklaters, a leading international English law firm. From 1997-2003, he was a Director and General Counsel of the Jardine Matheson Group in Hong Kong. He is a non-executive director of a number of Hong Kong and overseas listed companies. He holds a degree in Law from the University of Leeds, United Kingdom.

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The board of directors (the "Board") of Asia Satellite Telecommunications Holdings Limited (the "Company", together with its subsidiaries, the "Group") announces that Mr. Watkins has been appointed as an Independent Non-executive Director ("INED"), the Chairman of Remuneration Committee and a member of the Audit Committee with effect from 30 June 2006. Mr. Watkins does not hold any other positions with the Company or any member of the Group.

PETER JACKSON has been an Executive Director and the Chief Executive Officer of the Company since May 1996, having served in that position with AsiaSat since July 1993 prior to the listing of the Company. He has over 30 years' experience in the telecommunications field. Prior to his appointment as the Chief Executive Officer in 1993, he was employed by Cable & Wireless plc where he held engineering, marketing and management positions and was responsible for several satellite telecommunications ventures. He is a Non-executive Director of Daum Communications Group, a company that is listed in Korea. He has also served on Board of the Cable & Satellite Broadcasting Association of Asia (CASBAA) in various positions since 1997 and is currently the Treasurer.

WILLIAM WADE has been an Executive Director and the Deputy Chief Executive Officer of the Company since May 1996, having served in that position with AsiaSat since April 1994 prior to the listing of the Company. He has over 22 years' experience in the satellite and cable television industry. He speaks Mandarin Chinese and holds a Bachelor of Arts (Honors) degree in Communications from the University of Utah and a Master of International Management degree from Thunderbird - School of Global Management.

CATHERINE CHANG is Legal Counsel and Assistant Company Secretary of the Company. She joined AsiaSat in 1994 and established the legal department to manage the legal affairs of the Company. Prior to joining the Company, she was a solicitor at Ebsworth & Ebsworth, an Australian law firm. She graduated from the University of New South Wales, Australia with a Bachelor's degree in Law and a Bachelor's degree in Commerce, majoring in Accountancy.

LIQUN CHEN is General Manager, China, of AsiaSat, in which capacity he is responsible for marketing transponder capacity and managing customer relations in the China market. He was on secondment to AsiaSat from his employer, CITIC, since 1989 and became a permanent employee of AsiaSat in January 1997. He graduated with a Master degree in Business Administration from the University of Leuven in Belgium and a Bachelor of Science degree in Electronics and Industrial Automation from Tsinghua University, China.

DR. YA HUI CHIU is General Manager, Operations, of AsiaSat, in which capacity he is responsible for maintaining and operating the Company's satellites. He has 23 years experience in telecommunications engineering and operations, with the last 20 years being in the satellite communications area. He received his Bachelor of Science degree from the National Taiwan University and his M. Phil and Ph.D. degrees from Yale University, all in Physics.

SABRINA CUBBON is General Manager, Marketing, of AsiaSat, in which capacity she is responsible for sales and marketing, business development, corporate affairs and market research. She has over 22 years of marketing experience in the telecommunications industry. Prior to joining AsiaSat in August 1992, she was employed by Case Communications, a Hong Kong company, between 1987 and 1992 as Regional Manager Asia-Pacific responsible for the sales and marketing activities to multinational clients. She graduated from the University of Manchester, United Kingdom with a Master degree in Electronic and Electrical Engineering, specializing in cryptography. She is also a Non-executive Director of our subsidiary, Skywave TV Company Limited.

BARRY TURNER is General Manager, Engineering of AsiaSat. He joined AsiaSat in 1997 as Deputy General Manager of Engineering and was appointed to his present position in May 1998. He has 33 years of experience in the satellite communications industry and has held senior and executive management positions in Engineering and in sales and marketing at Telesat Canada and in strategic planning at TMI Communications Inc. He holds a Bachelor's degree in Electrical Engineering from the Technical University of Nova Scotia, Canada, and a Master degree in Business Administration from the University of Ottawa, Canada.

SUE YEUNG is General Manager Finance and Administration and the Company Secretary of AsiaSat on January 1, 2007. She is a member of the Institute of Chartered Accountants in England and Wales. In 1993, she joined British Telecommunications (HK) Limited ("BT") and held various senior positions including Chief Financial Officer of Smartone in 1999, when BT acquired an equity interest in Smartone. Subsequently, she joined Wavecome Asia Pacific Limited, a company listed in Paris and NASDAQ, as the Regional Finance Director for the Asia Pacific region. Prior to joining AsiaSat, she was the Regional Chief Financial Officer of Pearson Education Asia Limited with the overall responsibilities of its Asia Operations. She holds a Bachelor of Science Degree in Chemical Engineering from London University and is a fellow member of Hong Kong Institute of Certified Public Accountants.

There is no family relationship between any director or executive officer and any other director or executive officer of the Company.

COMPENSATION

The aggregate compensation paid by AsiaSat to all directors and officers of the Company for 2005 and 2006 was approximately HK$27.5 million and HK$40.2 million, respectively. This compensation included payments of HK$0.5 million (2005: HK$0.5 million) and HK$0.5 million (2006: HK$0.5 million) to SES S.A. and a subsidiary of CITIC, the major shareholders of the Company, respectively, for certain Non-Executive Directors representing SES S.A. and CITIC.

CERTAIN SERVICE AGREEMENTS

PETER JACKSON. Mr. Jackson was seconded to the Company by Cable & Wireless plc prior to June 1996, when he entered into a service agreement (the "Jackson Service Agreement") with the Company pursuant to which he became its Chief Executive Officer.

The Jackson Service Agreement was for an initial fixed term of three years. Following the initial fixed term, the Jackson Service Agreement may be terminated by either party giving not less than 12 months' notice. Mr. Jackson currently is entitled to a gross annual salary of HK$2.7 million per annum, together with a housing allowance including utilities of up to HK$1.5 million per annum, which up to December 31, 2005 was paid directly by the Company to the landlord. Mr. Jackson is also entitled to an additional annual bonus based upon the Company's performance. Mr. Jackson is eligible to participate in the Share Option Scheme (as defined herein). He is also entitled to participate in the Company's medical scheme and in the Company's provident fund or any other AsiaSat pension scheme.

Under the terms of the Jackson Service Agreement, Mr. Jackson is restricted for a period of 12 months after the termination of his employment with the Company from competing with the Company, attempting to deal with or solicit any of the Company's customers with whom he had dealings during the last 12 months

of his employment or employing or attempting to entice away any senior employees of the Company. Mr. Jackson will not act in any capacity for Cable & Wireless plc under the terms of the Jackson Service Agreement.

WILLIAM WADE. Mr. Wade was seconded to the Company by Hutchison Whampoa prior to June 1996, when he entered into a service agreement (the "Wade Service Agreement") with the Company pursuant to which he became its Deputy Chief Executive Officer of the Company.

The Wade Service Agreement was for an initial fixed term of two years. Following the initial fixed term, the Wade Service Agreement may be terminated by either party giving not less than six months' notice. Mr. Wade is entitled to a gross annual salary of HK$2.1 million per annum, together with a housing allowance including utilities of up to HK$1.1 million per annum, which is paid directly by the Company to the landlord. Mr. Wade is also entitled to an additional annual bonus based upon the Company's performance. Mr. Wade is eligible to participate in the Share Option Scheme. He is also entitled to participate in the Company's medical scheme and the Company's provident fund or any other AsiaSat pension scheme.

Under the terms of Mr. Wade's service agreement, he is restricted for a period of six months after the termination of his employment with the Company from competing with the Company, attempting to deal with or solicit any of the Company's customers with whom he had dealings during the last six months of his employment or employing or attempting to entice away any senior employees of the Company. Mr. Wade will not act in any capacity for Hutchison Whampoa under the terms of the Wade Service Agreement.

BOARD PRACTICES

The Board of Directors of the Company (the "Board") is vested with the broadest powers to perform all acts in the interest of the Company. The Board has adopted certain corporate governance guidelines (the "Guidelines") relating to Board membership, Board conduct and Board committee issues. A summary of the significant differences between the Company's corporate governance practices and those required by the NYSE Corporate Governance Standards for Domestic Companies available at http://www.asiasat.com/eng/04_investor/governance/Comparison.pdf.

The Company has established an audit committee. The committee's primarily objective is to assist the Board in fulfilling its oversight responsibility with respect to (a) the accounting and financial reporting processes of the Company, including the integrity of the financial statements and other financial information provided by the Company to its stockholders, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditors' qualifications and independence, (d) the audit of the Company's financial statements, and (e) the performance of the Company's internal audit function and independent auditors. The audit committee shall (x) have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors for stockholder approval), (y) approve all audit engagement fees and terms and all non-audit engagements with the independent auditors, and (z) perform such other duties and responsibilities set forth under the Securities Exchange Act of 1934 and any other applicable independence and regulatory requirements. The audit committee shall also have the sole authority to review in advance, and grant any appropriate pre-approvals, of (i) all auditing services to be provided by the independent auditors and (ii) all non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and, in connection therewith, to approve all fees and other terms of

engagement. The audit committee shall also review and approve disclosures required to be included in Securities and Exchange Commission periodic reports filed under Section 13(a) of the Securities Exchange Act of 1934 with respect to audit and non-audit services.

The audit committee shall have three or more members who shall be independent non-executive directors unless an applicable exemption is available under the rules promulgated by the U.S. Securities and Exchange Commission. The quorum for the committee shall be two voting members. The chairman of the committee shall be appointed by the Board or, if it does not do so, the members of the audit committee shall elect a chairman by a vote of the majority of the voting members of the audit committee. The committee comprises Messrs. Robert Sze (Chairman), Edward Chen, James Watkins, Wei Min Ju and Mark Chen. Messrs. Wei Min Ju and Mark Chen have only observer status on the audit committee and are non-voting members nominated by CITIC and GE Equity under an exemption to the independence requirement.

The Company has also established a remuneration committee. The committee is responsible for, among other things, considering and reviewing the remuneration packages of the executive directors and the emoluments of the non-executive directors prior to approval of award by the Board. The committee also reviews the remuneration packages of the employees of the Company. The committee shall have three members and the quorum for the committee shall be two. The chairman of the committee shall be an independent non-executive director and appointed by the Board. The committee comprises Messrs. James Watkins (Chairman), Wei Min Ju, and Nancy Ku.

The Company has also established a nomination committee. The committee is responsible for, among other things, identifying individuals qualified to become Board members, overseeing the evaluation of the Board and management, and developing and recommending to the Board a set of corporate governance guidelines applicable to the Company. The committee also develops a Chief Executive Officer succession plan. The committee shall have three members and the quorum shall be two. The chairman of the committee shall be an independent non-executive director and appointed by the Board. The committee currently comprises of Messrs. Edward Chen (Chairman), Ronald Herman and Zeng Xin Mi.

The Company has also established a business development committee. The committee is responsible for reviewing all corporate plans, budgets and any new and ongoing projects or ventures and make recommendations to the Board for consideration and approval. The committee shall have no executive powers. The committee shall have three members who shall be non-executive directors. The committee currently comprises of Messrs. John Connelly (Chairman), Yu Cheng Ding and Fai Wong Ko.

The execution of the policies and decisions of the Board and the daily management of the Company are vested with the management that comprises of the Chief Executive Officer, the Deputy Chief Executive Officer and the General Managers in the functional areas of Engineering, Finance, Marketing and Operations, respectively. Furthermore, the Board mandates the management with the preparation and planning of overall policies and strategies of the Company as well as decisions reaching beyond the daily management, for discussion and decision by the Board. The management meets on a regular basis on daily business and reports to the Board at every board meeting.

EMPLOYEES

As of December 31, 2006, the Company had 102 permanent employees, of which 9 employees were in management, 41 employees were in engineering and operations and 24 employees were in sales and marketing. The remaining 28 employees were engaged in administrative, accounting, legal and regulatory activities. The Company has 85 employees in Hong Kong and 17 employees in Beijing.

The Company does not employ a significant number of temporary employees. The Company is not party to any collective bargaining agreement. The Company believes its relations with its employees are good.

SHARE OWNERSHIP

Pursuant to the Company's new share option scheme adopted on January 25, 2002 (the "Share Option Scheme"), the Board of Directors of the Company may grant options to any employees (including officers and directors) of the Company or any of its subsidiaries to subscribe for shares in the Company. The subscription price shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant but the subscription price shall not be less than whichever is higher of (i) the closing price of the shares as stated in The Hong Kong Stock Exchange Limited's (the "Hong Kong Stock Exchange") daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share.

At December 31, 2006, outstanding options granted under the Share Option Scheme (including those previously granted under the old scheme) were as follows:

EXERCISE PERIOD	OPTION PRICE HK$	NUMBER OF SHARES
Oct 1, 2002 to Sept 30, 2009	17.48	1,630,000
Feb 4, 2004 to Feb 3, 2012	14.35	3,211,500
		4,841,500

As of March 31, 2007, Romain Bausch, the then Chairman and Non-Executive Director of the Company, has been granted 100,000 options, exercisable from February 4, 2004 to February 3, 2012. Such options lapsed in accordance with the terms of the Share Option Scheme, upon Mr. Bausch's resignation from the Board on March 29, 2007.

Zeng Xin Mi, the Deputy Chairman and a Non-Executive Director of the Company, has been granted 100,000 options, exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Mi has not exercised any of his options or accepted the Offers with respect to his options. Options that are not exercised or accepted will lapse after June 26, 2007.

Edward Chen, an Independent Non-Executive Director of the Company, has been granted 50,000 options, exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Chen has not exercised any of his options or accepted the Offers with respect to his options. Options that are not exercised or accepted will lapse after June 26, 2007.

Yu Cheng Ding, a Non-Executive Director of the Company, has been granted 50,000 options, exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Ding has not exercised any of his options or accepted the Offers with respect to his options. Options that are not exercised or accepted will lapse after June 26, 2007.

Wei Min Ju, a Non-Executive Director of the Company, has been granted 50,000 options, exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Ju has not exercised any of his options or accepted the Offers with respect to his options. Options that are not exercised or accepted will lapse after June 26, 2007.

Robert Sze, an Independent Non-Executive Director of the Company, has been granted 75,000 options, exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Sze has not exercised any of his options or accepted the Offers with respect to his options. Options that are not exercised or accepted will lapse after June 26, 2007.

Peter Jackson, an Executive Director and the Chief Executive Officer of the Company, has been granted 150,000 B options, exercisable from October 1, 2002 to September 30, 2009 and 430,000 C options exercisable from February 4, 2004 to February 3, 2012. As of May 31, 2007, Mr. Jackson has exercised 50,000 C options and made an acceptance on all the remaining options (150,000 B options and 380,000 C options).

William Wade, an Executive Director and the Deputy Chief Executive Officer of the Company, has been granted114,000 B options, exercisable from October 1, 2002 to September 30, 2009 and 330,000 C options exercisable from February 4, 2004 to February 3, 2011. As of May 31, 2007, Mr. Wade has not exercised any of his options but has made an acceptance of all his options.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

MAJOR SHAREHOLDERS

The following table sets forth certain information regarding ownership of the Company's voting securities as of May 31, 2007 by (i) all persons who are known by the Company to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities and (ii) the total number of any class of the Company's voting securities owned by the officers and directors of the Company as a group.

TITLE OF CLASS	IDENTITY OF PERSON OR GROUP	SHARES OWNED	PERCENT OF CLASS
Common Stock	Bowenvale Limited	268,905,000	68.75%
Common Stock	Directors and Officers	704,500	0.18%

The Company is controlled by Bowenvale Limited, a limited liability company incorporated in the British Virgin Islands ("Bowenvale Limited"), which owns 68.75% of the outstanding Shares. As a result of the Exchange Transactions, effective March 29, 2007, Bowenvale is jointly owned indirectly by CITIC and GECC.

On May 25, 2007, Asiaco, which is owned indirectly by the same shareholders that control Bowenvale, launched the Offers. As a result of the Offers, CITIC and GECC could indirectly hold 100% of the Shares (including the Shares underlying the ADSs). However, due to the position of the State Department, in the event that less than 25% of the Shares would be held by shareholders unaffiliated with CITIC or GECC, it is expected that either the Company would

issue additional Shares, or that the controlling shareholders would sell Shares, such that at least 25% of the Shares would be held by shareholders unaffiliated with CITIC or GECC.

RELATED PARTY TRANSACTION

The Company is controlled by Bowenvale Limited, which owns 68.75% of the outstanding shares of the Company. As at May 31, 2007, the ultimate controlling shareholder of Bowenvale Limited and the Company are CITIC Group and GECC.

Certain members of the Board of Directors of the Company also serve as directors and executive officers of the controlling shareholders of the Company. These individuals include Zeng Xin Mi, Wei Min Ju, and Fai Wong Ko in relation to CITIC Group and Ronald J. Herman, Nancy Ku and Mark Chen in relation to GECC. See "Directors, Senior Management and Employees."

AsiaSat has entered into transactions from time to time with its current and former shareholders, their affiliates and other connected persons (as defined in the Listing Rules of the Hong Kong Stock Exchange). It is the Company's policy that such transactions be effected on terms which the Company believes to be comparable to those available with unaffiliated parties.

(i) Since 1996, CITIC Guoan Information Industry Company Limited ("Guoan"), a subsidiary of CITIC, has entered into capacity agreements to utilize transponder capacity on the Company's satellites from time to time on normal commercial terms. Two agreements have a term of one year until

May 31, 2006 and June 30, 2006 respectively. One agreement has a term of half year from July 1, 2006 to December 31, 2006. The transponder capacity utilized under both agreements is used to provide domestic private network services within China. The total amount of revenue recognized by the Company during 2005 and 2006, respectively, under these agreements was approximately HK$2.5 million (US$0.3 million) and HK$1.4 million (US$0.2 million).

(ii) In 2005 and 2006, respectively, the Company paid an agency fee of HK$0.7 million and HK$0.6 million to CITIC Technology Company Limited, a subsidiary of CITIC, for collecting money from China customers on behalf of the Company.

(iii) The Company has granted or agreed to grant each of the Shareholders demand and piggyback registration rights, exercisable under certain circumstances and subject to certain conditions that require the Company to register under the Securities Act Common Stock held by Bowenvale Limited, the Shareholders and their affiliates. Under the registration rights agreement, the Company will pay all expenses in connection with registrations made at the request of the Shareholders and the Company will pay all expenses in connection with any registration by the Shareholders incidental to a registration by the Company. The exercise by the Shareholders of their registration rights could adversely affect the market price of the Shares and the ADSs and could impair the Company's future ability to raise capital through an offering of its equity securities.

(iv) In 2005 and 2006, the Company recognized rental income from leasing satellite transponder capacity amounting to approximately HK$32.2 million and HK$46.3 million (US$5.9 million), respectively, and no maintenance and other services income from SpeedCast Holdings Limited.

(v) In 2006, the Company made payments to SES and a subsidiary of CITIC amounting to HK$0.5 million (2005: HK$0.5 million; 2004: HK$0.5 million) and HK$0.5 million (2005: HK$0.5 million; 2004: HK$0.5 million) respectively, for certain Non-Executive Directors representing SES and CITIC. During 2006, SES was still a shareholder of Bowenvale).

(vi) In 2004, AsiaSat entered into an agreement with Beijing Asia pursuant to which AsiaSat agreed to provide Beijing Asia with up to HK$12.0 million (US$1.5 million) in transponder capacity payable on a deferred basis.

The transactions mentioned above have been entered into in the ordinary course of business and on normal commercial terms and have not exceeded the caps allowed by the Hong Kong Stock Exchange and such transactions, which are of a continuing nature, are expected to be continued in the future.

The Companies Act subjects officers and directors of the Company to certain fiduciary standards in the exercise of their duties on behalf of the Company. Under the Companies Act, an officer of the Company (which term includes directors of the Company) is subject to a duty of care requiring him to act honestly and in good faith in the discharge of his duties and to, among other things, give notice to the Board of Directors at the first opportunity of any interest he has in any material contract or proposed material contract with the Company or any of its subsidiaries. The Companies Act also prohibits the Company from making loans to any Directors without obtaining the consent of shareholders holding in the aggregate not less than nine-tenths of the total voting rights of all the shareholders having the right to vote at any shareholders meeting.

ITEM 8. FINANCIAL INFORMATION.

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION.

Information responsive to this Item is included in response to Item 18.

DIVIDENDS AND DIVIDEND POLICY

The Company has distributed annual cash dividends to shareholders for each fiscal year since it commenced operations in 1996 and anticipates continuing to do so in the future. The Board has adopted a dividend policy to distribute approximately 30-40% of net income as dividends. However, any future dividend payments are dependent on future earnings, financial position, cash flow and levels of investments in the satellite network and ground station equipment.

The following table details the total amount of annual dividends and the gross dividends paid, together with certain additional information, for 2004, 2005 and 2006.

	FOR THE YEAR ENDED DECEMBER 31		
	2004	2005	200
Net income (in HK Dollars in millions).....	431	366	45
Ordinary dividend paid (in HK Dollars in millions).....	137	137	13
Ordinary dividend paid per Share (in HK cents).....	35	35	3
Ordinary dividend proposed (in HK Dollars in millions).....	105	105	10
Ordinary dividend proposed per Share (in HK cents).....	27	27	2
Special dividend paid (in HK Dollars in millions).....	-	-	
Special dividend paid per share (in HK cents).....	-	-	

LEGAL AND REGULATORY PROCEEDINGS

Other than as described below, the Company is not involved in any significant legal or regulatory proceedings.

TAX DISPUTES

The Indian tax authority has made assessments against the Company in respect of certain capacity agreement payments for transponders used by the Company. See "Operating and Financial Review and Prospects - Taxation."

OTHER DISPUTES

In addition, the Company is subject to various claims and proceedings in the ordinary course of business. None of these claims and proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

SIGNIFICANT CHANGES

None

ITEM 9. STOCK PRICE HISTORY.

SHARE PRICE HISTORY AND MARKETS

The Company's American Depositary Shares ("ADS") representing its shares (each ADS representing ten shares of the Company) are listed and traded on the New York Stock Exchange (symbol: SAT) and the Company's shares are listed and traded on the Hong Kong Stock Exchange (symbol: 1135.HK) since June 18, 1996 and June 19, 1996, respectively. The table below details, for the periods indicated, the high and low closing market prices for its depositary receipts on each of the New York Stock Exchange and the Hong Kong Stock Exchange, as reported by the New York Stock Exchange and the Hong Kong Stock Exchange for the last five fiscal years and the most recent six months. See "Key Information - Historical Exchange Rate Information" with respect to rates of exchange between the US Dollar and the HK Dollar applicable during the periods set forth below.

	NEW YORK STOCK EXCHANGE (IN US$)	
	HIGH	LOW
2002	18.90	10.95
2003	19.43	11.66
2004	22.11	15.20
2005	20.55	16.50
Quarter Ending March 31, 2005	19.09	18.20
Quarter Ending June 30, 2005	19.38	17.11
Quarter Ending September 30, 2005	20.55	17.60
Quarter Ending December 31, 2005	19.02	16.50
2006	19.40	16.15
Quarter Ending March 31 2006	19.40	16.15
Quarter Ending June 30, 2006	18.35	16.65
Quarter Ending September 30, 2006	17.19	16.05
Quarter Ending December 31, 2006	18.85	16.21
January 2007	18.41	17.50
February 2007(a)	23.00	17.60
March 2007	23.55	22.33
Quarter Ending March 31, 2007	23.55	17.50
April 2007(b)	23.19	20.69
May 2007(c)	21.75	20.89

(a) On February 9, 2007, the Privatization was announced at a share offer price of HK$18.30 per Share.

(b) On April 23, 2007, the Company announced the receipt of the State Department position and on April 24, 2007, the Scheme was terminated.

(c) On May 25, 2007, the Offers were launched at an offer price of HK$16.00 per Share less the final dividend of $0.27 per share paid for the fiscal year of 2006.

SIGNIFICANT TRADING SUSPENSION

On 9 February 2007 (both Hong Kong and New York time), the Company suspended its trading in its Shares on the Hong Kong Stock Exchange and the trading in ADSs on the New York Stock Exchange, pending the release of an announcement in relation to the proposed privatization of the Company and the possible mandatory general offers which were described earlier under the heading "Privatization Scheme and Mandatory General Offers" in Item 4. Trading was

resumed on both stock exchanges on the same day on 14 February 2007 (Hong Kong and New York Time) after the publication of this announcement.

On 23 April 2007 (both Hong Kong and New York time), the Company suspended its trading in its Shares on the Hong Kong Stock Exchange and trading in ADSs on the New York Stock Exchange, pending the release of an announcement in relation to the indefinite adjournment of the court meeting and special general meeting conducting for the approving of the Privatization Scheme. Trading was resumed on both exchanges on the same day on 25 April 2007 (Hong Kong and New York Time) after the publication of this announcement.

ITEM 10. ADDITIONAL INFORMATION.

CHARTER DOCUMENTS.

Information relating to the Company's charter documents is incorporated herein by reference to the Company's Annual Report on Form 20-F for fiscal year 2000, File No.3334856.

MATERIAL CONTRACTS.

The following is a summary of the material contracts concluded outside of the ordinary course of business to which the Company and other members of its group were a party. Copies of these contracts are filed as exhibits to this Form 20-F. Directions on how to obtain copies of these contracts are provided under "Item 10. -- Documents on Display."

- Lease Agreement, dated March 12, 2001, between AsiaSat and the Hong Kong Industrial Estates Corporation (the "Tai Po Lease Agreement"). Pursuant to the Tai Po Lease Agreement, the Hong Kong Industrial Estates Corporation agreed to grant to AsiaSat rights to the Tai Po Site, for a period of sixty (60) months, for the purpose of constructing a satellite earth station and other structures, and thereafter to lease to AsiaSat the Tai Po Site up to 2047. AsiaSat paid a lump sum of HK$25.9 million (US$3.3 million) for the lease of the Tai Po Site and agreed to pay an annual rent of 3% of the ratable value of the Tai Po Site as well as an annual sum of HK$36,824 for management and maintenance charges.

- Construction Contract Agreement (the "Construction Contract"), dated March 4, 2002, between AsiaSat and Leighton Contractors (Asia) Limited (the "Contractor"). Pursuant to the Construction Contract, the Contractor agreed to design and construct a new satellite earth station on the Tai Po Site. Costs related to the construction of the Tai Po Site (including consultancy fees but excluding amounts paid under the Lease Agreement) are estimated to be approximately HK$119.7 million (US$15.3 million).

- Lease Agreement, dated January 26, 2005, between AsiaSat and Perfect Win Properties Limited (the "Office Lease Agreement"). Pursuant to the Office Lease Agreement, Perfect Win Properties Limited agreed to lease to AsiaSat the office premises in Causeway Bay, Hong Kong for a period of 36 months commencing March 1, 2005 for an annual rent of approximately HK$2.7 million (US$0.3 million).

- Joint Venture Agreement, dated March 29, 2004, between AsiaSat and Sky Networks Communications Group Company Limited (the "Beijing Asia Joint Venture Agreement"). Pursuant to the Beijing Asia Joint Venture

Agreement, the two parties agreed to participate in the joint venture Beijing Asia, and AsiaSat agreed to contribute HK$12.5 million (US$1.6 million) in cash to Beijing Asia and to provide transponder capacity payable on a deferred basis.

- Subscription Agreement, dated November 30, 2004, among AsiaSat, Macau Cable TV, Limited, Pacific Satellite International Limited and Skywave (the "Skywave Subscription Agreement"). Pursuant to the Skywave Subscription Agreement, AsiaSat agreed to make a HK$24.0 million (US$3.1 million) contribution in return for an 80% interest in Skywave.

- Shareholders Agreement, dated November 30, 2004, among AsiaSat, Macau Cable TV, Limited and Pacific Satellite International Limited (the "Skywave Shareholders Agreement"). The Skywave Shareholders Agreement regulates the rights and obligations of each of the parties in relation to their ownership in Skywave, including the transfer of shares in Skywave and the management and operation of Skywave.

- AsiaSat 5 Contract for One Spacecraft Delivered On-Ground and Associated Equipment and Services (the "Construction Agreement"), dated April 28, 2006, between AsiaSat and Space Systems/Loral, Inc. (the "Construction Contractor"). Pursuant to the Construction Agreement, the Construction Contractor will design, assemble and construct AsiaSat 5. The estimated total consideration for the project and the launch is HK$1,404.0 million (US$180.0 million).

- Contract for Land Launch Services (the "Launch Contract"), dated May 8, 2006, between AsiaSat and Sea Launch Limited Partnership the ("Launch Contractor"). Pursuant to the Launch Contract, the Launch Contractor will provide services associated with the launch of AsiaSat 5 in the Baikonur Space Centre in Kazakhstan.

EXCHANGE CONTROLS.

There are, except in limited embargo circumstances, no legal restrictions in Bermuda on international capital movements and foreign exchange transactions. There can be no assurance that the government of Bermuda will maintain the current foreign exchange policies.

TAXATION.

The Company is not required to make any tax withholding with respect to its shareholders.

For an additional discussion on taxation, see "Operating and Financial Review and Prospects - Taxation."

DOCUMENTS ON DISPLAY

The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934 and will file reports and other information with the Securities and Exchange Commission ("SEC"). You may examine the reports and other information that the Company files, without charge, at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C., 20549. You may also receive copies of these materials by mail from the SEC's Public Reference Branch at 450 Fifth Street, N.W., Washington, D.C., 20549. For more information on the public reference rooms, call the SEC at 1-800-SEC-0330.

SUBSIDIARY INFORMATION.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In the normal course of the Company's business, the Company's financial position is routinely exposed to a variety of risks, including market risks associated with interest rate movements on its outstanding debt, if any. The Company does not have significant exposure to commodity price risks or other market rate or price risks.

CURRENCY FLUCTUATIONS

A substantial portion of the Company's capital expenditure is denominated in US Dollars and HK Dollars. Revenues are denominated principally in US Dollars. A substantial portion of the cost of services and administrative expenses of the Company is incurred in Hong Kong dollars and a significant portion is incurred in Renminbi, the legal currency of the People's Republic of China. There has been wide-spread speculation about the potential appreciation of the Renminbi against the US Dollar in the near future and, given the close tie between Hong Kong's economy and the People's Republic of China, the potential impact of such appreciation on the link between the HK Dollar and US Dollar that has been in place since 1983. See "Key Information - Historical Exchange Rates Information." In the event of an appreciation of the Renminbi and, in particular, the HK Dollar, against the US Dollar, the profits of the Company will likely be adversely affected as the Company's revenues are principally denominated in US Dollars.

INTEREST RATE FLUCTUATIONS

As of December 31, 2006, no borrowings consisted of floating rate borrowings.

The Company will be exposed to interest rate fluctuations in the event of any borrowings under a future loan arrangement and any change in interest rate could affect its results of operations and cash flows. As of December 31, 2006 the Company had no outstanding borrowings.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

The Company has not had any material default in the payment of principal, interest, or sinking purchase fund installments. The Company has not had any material default not cured within 30 days relating to indebtedness of AsiaSat or any of its significant subsidiaries that exceeds 5% of the Company's total assets on a consolidated basis.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have reviewed the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 20-F. Based upon this review, these officers believe that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to them by others within the Company.

REPORT OF THE COMPANY'S MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the United States Exchange Act Rules 13a-15(e) and 15d(e)) as of the end of the period covered by this Annual Report on Form 20-F, have concluded that, as of such date, the Company's disclosure controls and procedures were effective to ensure that material information required to be disclosed in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and regulations..

REPORT OF THE COMPANY'S MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control system is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation in accordance with generally accepted accounting principles of its published consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria established in INTERNAL CONTROL--INTEGRATED FRAMEWORK issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of the assessment, the Company's management has concluded that, as of December 31, 2006, the Company's internal control over financial reporting is effective based on those criteria.

The management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report which is included under "Item 18. Financial Statements" on page F-2.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes to the Company's internal control over financial reporting that occurred during the period covered by this Annual Report on Form

20-F that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16. OTHER INFORMATION.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Mr. Robert Sze, a member of the Company's audit committee, is a "financial expert" (as such term is used in Item 16 of Form 20-F) and is an "independent" director (as such term is defined under the listing rules of the NYSE).

CODE OF ETHICS

The Company has adopted a code of ethics that requires all of its employees, particularly senior officers and general managers, including the principal financial officer, to maintain, at all times, the highest standards of integrity and honesty in conducting the Company's affairs. This code of ethics is posted on the Company's website, which is located at www.asiasat.com. The Company intends to satisfy the disclosure requirement under Item 16 of Form 20-F regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on its website, at the address specified above. Information contained in the Company's website, whether currently posted or posted in the future, is not part of this document or the documents incorporated herein by reference in this document.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers served as the principal accountant of the Company (the "Principal Accountant"). The fees incurred and described below for the Principal Accountant.

AUDIT FEES

The aggregate fees incurred by the Company in each of 2005 and 2006 were HK$0.8 million and HK$1.8 million respectively, for professional services rendered by the Principal Accountant, for the audit or review of the Company's financial statements, which includes the audit of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act 2002.

AUDIT-RELATED FEES

The aggregate fees incurred by the Company in each of 2005 and 2006 were HK$142,000 and HK$12,000 respectively, for assurance and related services by the Principal Accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and were not otherwise reported under the paragraph entitled "Audit Fees" above.

TAX FEES

The aggregate fees incurred by the Company in each of 2005 and 2006 were HK$89,000 and HK$85,000 respectively, for professional services rendered by the Principal Accountant for tax compliance, tax advice and tax planning.

ALL OTHER FEES

The aggregate fees incurred by the Company in each of 2005 and 2006 were HK$0.8 million and HK$0.1 million, respectively, for products and services

provided by the Principal Accountant, other than for services described in the paragraphs above. Services comprising the fees disclosed involve principally the consultation services rendered in connection with Section 404 of the Sarbanes-Oxley Act of 2002 in 2005 and the performance of services relating to our circular for the acquisition of AsiaSat 5 filed with the Hong Kong Stock Exchange in 2006.

None of the services described above were provided under the de minimus exception set forth in Rule 2-01(c)(7)(i)(c) under Regulation S-X.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

The audit committee has adopted terms of reference which address, among other matters, pre-approval of audit and non-audit services provided by the independent auditor. The terms of reference requires that all services to be provided by the independent auditors must be approved by the audit committee. To facilitate smaller projects that may arise between scheduled meetings of the audit committee, the audit committee may pre-approve the provision of audit and non-audit services by the independent auditors. For both types of pre-approvals, the audit committee considers whether such services are consistent with the rules of the U.S. Securities and Exchange Commission on auditor independence.

EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

The audit committee of the Company currently comprises of Messrs. Robert Sze (Chairman), Edward Chen, James Watkins, Mark Chen and Wei Min Ju. Messrs. Mark Chen and Wei Min Ju have only observer status on the audit committee and are non-voting members nominated by GE Equity and CITIC , controlling shareholders of the Company. Their appointment to the audit committee is in reliance on an exemption from the audit committee independence requirements that is available to foreign private issuers under Rule 10A-3(b)(1)((iv)(D) promulgated under the Securities Exchange Act of 1934, as amended. Messrs. Mark Chen and Wei Min Ju are not executive officers of the Company and satisfy the "no compensation" requirement under Rule 10A-3(b)(1(ii)(A). The Company believes that their appointment to the audit committee does not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of Rule 10A-3.

PART III

ITEM 17. FINANCIAL STATEMENTS.

The Company has elected to provide the information required under Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS.

See Index to Financial Statements for a list of all financial statements filed as part of this Annual Report.

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Index to Financial Statements:

Independent Auditors' Report (PwC).....F-2
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Consolidated Statement of Changes in Shareholders' Equity.....F-5

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(b) Exhibits to this Annual Report:

NUMBER	EXHIBIT
1.1.	Memorandum of Association and By-laws (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form F-1, File No.3334856).
4.1.	Service Agreement, dated June 5, 1996, between the Company and Peter Jackson (incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form F-1, File No.3334856).
4.2.	Service Agreement, dated June 3, 1996, between the Company and William D. Wade (incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form F-1, File No.3334856).
4.3.	Amendment 9 to Contract No. AsiaSat-3-001/95, dated March 6, 1998, between Hughes Space and Communications International, Inc. Asia Satellite Telecommunications Company Limited (incorporated by reference to Exhibit 1 on Form 20-F for fiscal year 1997, File No.3334856).
4.4.	Contract for Launch Services, dated March 17, 1998, between Lockheed-Khrunichev-Energia International, Inc. and Asia Satellite Telecommunications Company Limited (incorporated by reference to Exhibit 2 on Form 20-F for fiscal year 1997, File No.3334856).
4.5.	Subscription Agreement made on March 21, 2000, between Tech System Limited, Asia Satellite Telecommunications Company Limited and PhoenixNet Holdings Limited (incorporated by reference to Exhibit 2 on Form 20-F for fiscal year 1999, File No.3334856).
4.6.	Shareholders' Agreement dated as of April 6, 2000, among Asia Satellite Telecommunications Company Limited, Tech System Limited, TVG Asia Communications Fund II and PhoenixNet Holdings Limited (incorporated by reference to Exhibit 3 on Form 20-F for fiscal year 1999, File No.3334856).
4.9.	Amendment 5 to Contract No. AsiaSat-3B/4 dated September 7, 2000, between Asia Satellite Telecommunications Company Limited and Hughes Space and Communications International, Inc. (incorporated by reference to Exhibit 4.9 on Form 20-F for fiscal year 2000, File No.3334856).*
4.10.	Contract for Launch Services LKEB-0009-0807 dated September 19, 2000, between AsiaSat and Lockheed Martin Commercial Launch Services, Inc. (incorporated by reference to Exhibit 4.10 on Form 20-F for fiscal year 2000, File No.3334856).*
4.11.	Amended and Restated Deposit Agreement (incorporated by reference to Exhibit A to the Registration Statement on Form F-6, File No.333-13900, relating to the Company's American Depositary Shares).
4.12.	Share Option Scheme, dated January 25, 2002, of the Company (incorporated by reference to Exhibit 4.11 on Form 20-F for fiscal year 2001).
4.13.	Lease Agreement, dated March 12, 2001, between AsiaSat and the Hong Kong Industrial Estates Corporation (incorporated by reference to Exhibit 4.12 on Form 20-F for fiscal year 2002).
4.14.	Construction Contract Agreement, dated March 4, 2002, between AsiaSat and Leighton Contractors (Asia) Limited (incorporated by reference to Exhibit 4.13 on Form 20-F for fiscal year 2002).
4.15.	Lease Agreement, dated January 26, 2005, between Asia Satellite Telecommunications Company Limited and Perfect Win Properties Limited (incorporated by reference to Exhibit 4.15 on Form 20-F for fiscal year 2004).

4.16.	Equity Joint Venture Contract, dated March 29, 2004, between Asia Satellite Telecommunications Company Limited and Sky Networks Communications Group Company Limited (incorporated by reference to Exhibit 4.16 on Form 20-F for fiscal year 2004).

NUMBER	EXHIBIT
4.17.	Subscription Agreement, dated November 30, 2004, among Asia Satellite Telecommunications Company Limited, Macau Cable TV, Limited, Pacific Satellite International Limited and Skywave TV Company Limited (incorporated by reference to Exhibit 4.17 on Form 20-F for fiscal year 2004).
4.18.	Shareholders Agreement, dated November 30, 2004, among Asia Satellite Telecommunications Company Limited, Macau Cable TV, Limited and Pacific Satellite International Limited (incorporated by reference to Exhibit 4.18 on Form 20-F for fiscal year 2004).
4.19	AsiaSat 5 Contract for One Spacecraft Delivered On-Ground and Associated Equipment and Services, dated April 28, 2006 between AsiaSat and Space Systems/Loral, Inc (incorporated by reference to Exhibit 4.19 on Form 20-F for fiscal year 2005).*
4.20	Contract for Land Launch Services, dated May 8, 2006 between AsiaSat and Sea Launch Limited Partnership (incorporated by reference to Exhibit 4.20 on Form 20-F for fiscal year 2005)*
8.1.	Subsidiaries of the Registrant (included on page 14 of this Annual Report).
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment pursuant to Rule 24b-2.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASIA SATELLITE TELECOMMUNICATIONS

HOLDINGS LIMITED

By: /s/ Peter Jackson

Peter Jackson
Director and Chief Executive Officer

Date: June 15, 2007

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004, 2005 AND 2006 AND
REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

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ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Asia Satellite Telecommunications Holdings Limited:

We have completed an integrated audit of Asia Satellite Telecommunications Holdings Limited's 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operation, changes in equity and cash flows present fairly, in all material respects, the financial position of Asia Satellite Telecommunications Holdings Limited and its subsidiaries at December 31, 2006 and December 31, 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in Hong Kong .

These financial statements are the responsibility of Asia Satellite Telecommunications Holdings Limited's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Accounting principles generally accepted in Hong Kong vary in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Information relating to the nature and effect of such differences is presented in Note 32 to the consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Also, in our opinion, management's assessment, included in the accompanying "Report of the Company's Management on Internal Control Over Financial Reporting" appearing under item 15, that Asia Satellite Telecommunications Holdings Limited maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, Asia Satellite Telecommunications Holdings Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO.

Asia Satellite Telecommunications Holdings Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Asia Satellite Telecommunications Holdings Limited's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding

prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of

compliance with the policies or procedures may deteriorate.

/S/ PRICEWATERHOUSECOOPERS
HONG KONG
JUNE 15, 2007

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
(ALL AMOUNTS IN HONG KONG DOLLAR THOUSANDS UNLESS OTHERWISE STATED)

CONSOLIDATED BALANCE SHEET

		AS AT DECEMBER 31	
	NOTE	2006	2006
			US$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	337,288	2,630,847
Leasehold land and land use rights	6	3,028	23,616
Intangible assets	8	164	1,276
Unbilled receivable		21,929	171,047
Interests in associates	10	1,289	10,057
Amount paid to tax authority	11	19,860	154,911
TOTAL NON-CURRENT ASSETS		383,558	2,991,754
CURRENT ASSETS			
Inventories	13	45	354
Trade and other receivables	12	15,339	119,647
Cash and cash equivalents	14	253,777	1,979,457
TOTAL CURRENT ASSETS		269,161	2,099,458
TOTAL ASSETS		652,719	5,091,212
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	15	5,003	39,027
Share premium	15	592	4,614
Retained earnings			
- Proposed final dividend	26	13,509	105,372
- Others		547,768	4,272,591
		566,872	4,421,604
Minority interests		632	4,933
TOTAL EQUITY		567,504	4,426,537
LIABILITIES			

NON-CURRENT LIABILITIES			
Deferred income tax liabilities	17	24,582	191,739
Deferred revenue	16	18,285	142,624
Other payables		227	1,770
TOTAL NON-CURRENT LIABILITIES		43,094	336,133
CURRENT LIABILITIES			
Construction payables		223	1,736
Amount received from customer		7,500	58,500
Payroll related accruals		2,405	18,759
Other payables and accrued expenses		2,466	19,236
Deferred revenue	16	19,628	153,101
Current income tax liabilities		9,883	77,089
Dividend payable		16	121
TOTAL CURRENT LIABILITIES		42,121	328,542
TOTAL LIABILITIES		85,215	664,675
TOTAL EQUITY AND LIABILITIES		652,719	5,091,212
NET CURRENT ASSETS		227,040	1,770,916
TOTAL ASSETS LESS CURRENT LIABILITIES		610,598	4,762,670
Commitments and contingencies	28, 30		

The accompanying footnotes are an integral part of these consolidated financial statements.

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
(ALL AMOUNTS IN HONG KONG DOLLAR THOUSANDS UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENTS OF OPERATIONS

			YEAR ENDED DECEM	
	NOTE	2006 US$'000	2006	
Sales	5	119,218	929,902	
Cost of services	19	(52,646)	(410,640)	
GROSS PROFIT		66,572	519,262	
Other gains - net	18	11,896	92,793	
Administrative expenses	19	(12,126)	(94,585)	
OPERATING PROFIT		66,342	517,470	
Finance costs	21	(19)	(152)	
Share of loss of associates	10	(1,076)	(8,391)	

PROFIT BEFORE INCOME TAX		65,247	508,927	
Income tax expense	22	(7,118)	(55,522)	
PROFIT FROM CONTINUING OPERATIONS AND FOR THE YEAR		58,129	453,405	
ATTRIBUTABLE TO:				
- equity holders of the Company	24	58,206	454,009	
- minority interests		(77)	(604)	
		58,129	453,405	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR (expressed in US$/HK$ per share)				
- basic	25	US$0.15	HK$1.16	
- diluted	25	US$0.15	HK$1.16	
DIVIDENDS	26	17,512	136,593	

The accompanying footnotes are an integral part of these consolidated financial statements.

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
(ALL AMOUNTS IN HONG KONG DOLLAR THOUSANDS UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE		ATTRIBUTABLE TO EQUITY OF THE COMPANY		
		NUMBER OF SHARES (in thousand)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS
BALANCE AT JANUARY 1, 2004		390,266	39,027	4,614	3,524,625
Profit/(Loss) for the year			-	-	431,216
Final dividend relating to 2003			-	-	(93,664)
Interim dividend relating to 2004	26		-	-	(31,221)
Minority interests	29		-	-	-
			-	-	306,331
BALANCE AT DECEMBER 31, 2004		390,266	39,027	4,614	3,830,956

BALANCE AT JANUARY 1, 2005, as per above		390,266	39,027	4,614	3,830,956
Profit/(Loss) for the year			-	-	366,184
Final dividend relating to 2004			-	-	(105,372)
Interim dividend relating to 2005	26		-	-	(31,221)
			-	-	229,591
BALANCE AT DECEMBER 31, 2005		390,266	39,027	4,614	4,060,547
BALANCE AT JANUARY 1, 2006, as per above		390,266	39,027	4,614	4,060,547
Profit/(Loss) for the year			-	-	454,009
Final dividend relating to 2005	26		-	-	(105,372)
Interim dividend relating to 2006	26		-	-	(31,221)
			-	-	317,416
BALANCE AT DECEMBER 31, 2006		390,266	39,027	4,614	4,377,963

The accompanying footnotes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

	NOTE	2006 US$'000	2
CASH FLOWS FROM OPERATING ACTIVITIES:			
- continuing operations	27	96,418	752,
- Hong Kong Profits Tax paid		(5,161)	(40,
- overseas tax paid		(1,701)	(13,
CASH FLOWS FROM OPERATING ACTIVITIES - NET		89,556	698,
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES:			
- purchase of property, plant and equipment		(39,325)	(306,
- purchase of intangible assets		(13)	
- loan to an associate	31	-	
- loan to an independent third party		-	
- repayment of loan from an associate	31	-	
- repayment of loan from an independent third party		-	
- interest received		11,378	88,

- interest expense		-	
- proceeds from disposal of property, plant and equipment		10	
- purchase of interests in associates		-	
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES - NET		(27,950)	(218,
CASH FLOWS USED IN FINANCING ACTIVITIES:			
- dividends paid	26	(17,512)	(136,
CASH FLOWS USED IN FINANCING ACTIVITIES - NET		(17,512)	(136,
NET INCREASE IN CASH AND CASH EQUIVALENTS		44,094	343,
Cash and cash equivalents at beginning of the year		209,683	1,635,
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	14	253,777	1,979,

The accompany footnotes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company's shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited (hereafter collectively referred to as the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 5, 2007 and signed on its behalf by Mr. JU Wei Min (Director) and Mr. Peter JACKSON (Director).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

NEW STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS
The following new standards, amendments to standards and interpretations are mandatory for the financial year ended December 31, 2006:

- Amendment to IAS/HKAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after January 1, 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 39, Amendment to 'The fair value option', effective for annual periods beginning on or after January 1, 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after January 1, 2006. This amendment has no impact on the Group;
- Amendment to IAS/HKAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after January 1, 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 39 and IFRS/HKFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after January 1, 2006. This amendment is not relevant for the Group;
- IFRS/HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after January 1, 2006. This standard is not relevant for the Group;
- IFRIC/HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after January 1, 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with IAS/HKAS 17, 'Leases'. However, these leases are operating leases, and their reclassification has had no impact on the expense recognized in respect of them;
- IFRIC/HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after January 1, 2006. This interpretation is not relevant for the Group; and
- IFRIC/HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment', effective for annual periods beginning on or after December 1, 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC/HK(IFRIC)-Int 7, 'Applying the restatement approach under IFRS/HKFRS 29', effective for annual periods beginning on or after March 1, 2006. Management does not expect this interpretation to be relevant for the Group;
- IFRIC/HK(IFRIC)-Int 8, 'Scope of IFRS/HKFRS 2', effective for annual periods beginning on or after May 1, 2006. Management does not expect this interpretation to be relevant for the Group;
- IFRIC/HK(IFRIC)-Int 9, 'reassessment of embedded derivatives', effective for annual periods beginning on or after June 1, 2006.

Management does not expect this interpretation to be relevant for the Group;

- IFRIC/HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', effective for annual periods beginning on or after November 1, 2006. Management is currently assessing the impact of this interpretation on the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

- IFRS/HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after January 1, 2007. IAS/HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after January 1, 2007. Management is currently assessing the impact of this standard on the Group's operations;
- IFRIC-Int 11-IFRS 2, 'Group and treasury share transactions', effective for annual periods beginning on or before March 1, 2007. Management does not expect this interpretation to be relevant for the Group;
- IFRIC-Int 12, 'Service concession arrangements', effective for annual periods beginning on or before January 1, 2008. Management is currently assessing the impact of this interpretation on the Group's operations; and
- IFRS 8, 'Operating segments', effective for annual periods beginning on or before January 1, 2009. Management is currently assessing the impact of this standard on the Group's operations.
- Amendment to IAS 23, 'Borrowing Costs', effective for annual periods beginning on or before January 1, 2009. Management does not expect this amendment to affect the Group.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to December 31.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair

value of the Group`s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of operations.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of operations, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is

engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

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

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(iii) all resulting exchange differences are recognized as a separate component of equity.

2.5 PROPERTY, PLANT AND EQUIPMENT

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

Buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of operations during the

financial year in which they are incurred.

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

Satellites:	
- AsiaSat 2	8%
- AsiaSat 3S	6.25%
- AsiaSat 4	6.67%
Buildings	4%
Tracking facilities	10%-20%
Furniture, fixtures and fittings	20%-33%
Other equipment	25%-33%
Motor vehicles	25%
Plant and machinery	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 PROPERTY, PLANT AND EQUIPMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 INTANGIBLE ASSETS - LICENCES

The licences are shown at historical cost. One licence has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the licence over its estimated useful life (112 months). The other licence does not have a finite useful life.

2.7 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which

there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 GOODWILL

Goodwill represents the excess of the cost of an investment over the fair value of the Group's share of the net identifiable assets of the acquired associates at the date of investment. Goodwill on investment of associates is included in interests in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.9 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present locations and conditions. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is recognized in the statement of operations within administrative expenses.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.13 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the borrowings using the effective interest method.

2.14 DEFERRED INCOME TAX

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 EMPLOYEE BENEFITS

(a) Pension obligations

The Group participates in defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The pension plans are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting

conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

(c) Profit-sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 PROVISIONS

Provisions for environmental restoration, asset retirement obligations, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

2.17 REVENUE RECOGNITION

Revenue from transponder utilization is recognized on a straight-line basis over the period of the agreements. The excess of revenue recognized on a straight-line basis over the amount received and receivable from customers in accordance with the contract terms is shown as unbilled receivable.

Revenue from the sale of transponder capacity under transponder purchase agreements is recognized 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.

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

Services under transponder utilization agreements are generally billed quarterly in advance. Such amounts received in advance and amounts received

from the sale of transponder capacity under transponder purchase agreements in excess of amounts recognized as revenue are recorded as deferred revenue. Deferred revenue which will be recognized in the following year is classified under current liabilities and amounts which will be recognized after one year are classified as non-current.

Interest income is accrued on a time basis, by reference to the principal amounts outstanding and at the interest rate applicable.

2.18 OPERATING LEASES (AS THE LESSEE)

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

2.19 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's equity holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Foreign exchange risk
During the year, almost all of the Group's revenues, premiums for satellite insurance coverage and substantially all capital expenditure were denominated in U.S. Dollars. The Group's remaining expenses were primarily denominated in Hong Kong Dollars. At December 31, 2006, almost all the Group's transponder utilization agreements, transponder purchase agreement, loan agreements, obligations to purchase telemetry, tracking and control equipment were denominated in U.S. Dollars. Hence, the Group does not have any significant currency exposure as long as the Hong Kong dollars and US dollars remain linked and does not need to hedge.

(b) Credit risk
The Group has no significant concentrations of credit risk. The Group maintains provision for impairment of receivables and for estimated losses that result from the inability of its customers to make the required payments. The Group bases its provision on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. The Group's evaluation also includes the length of time the receivables are past due and the general business

environment.

(c) Cash flow interest-rate risk
The Group has no significant interest-bearing assets or liabilities, however, the Group earns interest income from short term deposits which are affected by the changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The issue of Indian tax is covered under Contingencies in note 28 below.

(c) Useful lives of in-orbit satellites
The Group's operations are capital intensive and it has significant investments in satellites. The carrying value of the Group's in-orbit satellites (AsiaSat 2, AsiaSat 3S and AsiaSat 4) represented 42% of its total assets as of December 31, 2006 (2005: 52%). The Group estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reported period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form

than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual lives of satellites are longer than the Group has estimated, the Group would have a smaller depreciation expense. As a result, if the Group's estimations of the useful lives of its satellites are not accurate or are required to be changed in the future, the Group's net income in future periods would be affected.

(d) Realizability of the carrying amounts of long-lived assets
The Group is required to evaluate at each balance sheet date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. If any such indication exists, the Group should estimate the recoverable amount of the long-lived assets. An impairment loss is recognized for the excess of the carrying amount of such long-lived assets over their recoverable amounts. The value in use is the discounted present value of the cash flows expected to arise from the continuing use of long-lived assets and cash arising from its disposal at the end of its useful life. The estimates of the cash flows are based on the terms and period of existing transponder utilization agreements ("Existing Agreements").

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

(e) Provision for impairment of receivables
The issue is covered under credit risk in note 3.1 (b) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SALES AND SEGMENT INFORMATION

SALES:

The Group's sales is analyzed as follows:

	2006	2005
Income from provision of satellite transponder capacity		
- recurring	850,425	850,436
- non-recurring	49,911	-
Sales of satellite transponder capacity	24,491	24,491
Other revenue	5,075	4,778
	929,902	879,705

The Group has only one business segment, namely the operation, maintenance

and provision of satellite telecommunication systems for broadcasting and telecommunications. The Group's primary reporting format for segment reporting purposes under HKAS 14 "Segment Reporting" is the geographical basis. For the purpose of classification, the country where the customer is incorporated is deemed to be the source of sales. However, the Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between geographical segments. Accordingly, no geographical analysis of expenses, assets and liabilities has been presented.

The following table provides an analysis of the Group's sales by geographical markets:

	2006	2005
Hong Kong	341,567	341,698
Greater China, including Taiwan	194,831	202,730
United States of America	79,813	78,205
United Kingdom	53,211	49,401
Australia	37,317	27,927
Others	223,163	179,744
	929,902	879,705

6. LEASEHOLD LAND AND LAND USE RIGHTS - GROUP

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

	2006
In Hong Kong held on:	
Leases of over 50 years	-
Leases of between 10 to 50 years	23,616
	23,616

	2006
Opening	24,199
Amortization of prepaid operating lease payment	(583)
Closing	23,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

	SATELLITES AND TRACKING FACILITIES					
	IN OPERATION	UNDER CONSTRUCTION	BUILDINGS	FURNITURE, FIXTURES AND FITTINGS	OFFICE EQUIPMENT	VE
AT JANUARY 1, 2005						
Cost	4,232,629	9,635	117,900	10,854	7,646	
Accumulated depreciation	(1,467,509)	–	(5,109)	(8,699)	(5,764)	
Net book amount	2,765,120	9,635	112,791	2,155	1,882	
YEAR ENDED DECEMBER 31, 2005						
Opening net book amount	2,765,120	9,635	112,791	2,155	1,882	
Additions	1,337	10,309	98	7,377	1,584	
Transfer	19,539	(19,539)	–	–	–	
Disposals (note 27)	–	–	–	(7)	(2)	
Depreciation	(286,032)	–	(4,716)	(2,178)	(1,068)	
Closing net book amount	2,499,964	405	108,173	7,347	2,396	
AT DECEMBER 31, 2005						
Cost	4,253,504	405	117,998	11,142	8,928	
Accumulated depreciation	(1,753,540)	–	(9,825)	(3,795)	(6,532)	
Net book amount	2,499,964	405	108,173	7,347	2,396	
YEAR ENDED DECEMBER 31, 2006						
Opening net book amount	2,499,964	405	108,173	7,347	2,396	
Additions	6,332	297,537	81	1,747	728	
Transfer	–	(538)	538	–	–	
Disposals (note 27)	–	–	–	(5)	–	
Depreciation	(286,448)	–	(4,743)	(3,951)	(1,196)	
Closing net book amount	2,219,848	297,404	104,049	5,138	1,928	
AT DECEMBER 31, 2006						
Cost	4,259,836	297,404	118,617	12,879	9,198	
Accumulated depreciation	(2,039,988)	–	(14,568)	(7,741)	(7,270)	
Net book amount	2,219,848	297,404	104,049	5,138	1,928	

Depreciation expense of $297,598 (2005: $295,117) has been expensed in cost of services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS - GROUP

	LICENCES
AT JANUARY 1, 2005 AND DECEMBER 31, 2005	
Cost	1,500
Accumulated amortization and impairment	(161)
Net book amount	1,339
YEAR ENDED DECEMBER 31, 2006	
Opening net book amount	1,339
Additions (a)	97
Amortization expense (b) (note 19)	(160)
Closing net book amount	1,276
AT DECEMBER 31, 2006	
Cost	1,597
Accumulated amortization and impairment	(321)
Net book amount	1,276

Notes:

(a) Additions refer to the Direct-to-Home (DTH) broadcasting licence fee at Macau which has an infinite useful life, as the Macau government granted a broadcasting right until the end of the DTH project and is carried at cost. The carrying value as at December 31, 2006 was $97 (2005: Nil).

(b) Amortization expense of $160 (2005: $161) is included in the administrative expenses in the statement of operations.

(c) The estimated aggregate amortization expense is as follows:

For the year ended December 31, 2007	160
For the year ended December 31, 2008	161
For the year ended December 31, 2009	161
For the year ended December 31, 2010	161
For the year ended December 31, 2011	161
	804

9. INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	COMPANY	
	2006	2005
Unlisted shares in subsidiaries, at cost	429,054	429,054

The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group reorganization in 1996.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENTS IN SUBSIDIARIES (continued)

The following is a list of the principal subsidiaries and a controlled partnership at December 31, 2006:

NAME	PLACE OF INCORPORATION AND KIND OF LEGAL ENTITY	PRINCIPAL ACTIVITIES AND PLACE OF OPERATION	PARTICU SHARE C SECURIT
AsiaSat BVI Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	3,000 o US$1 ea
Asia Satellite Telecommunications Company Limited	Hong Kong, limited liability company	Provision of satellite transponder capacity worldwide	30,000 and 20, deferre each
Hanbury International Limited	British Virgin Islands, limited liability company	Inactive in Hong Kong	1 ordin each
SAT Limited	Republic of Mauritius, limited liability company	Inactive in Republic of Mauritius	100 ord US$1 ea
Skywave TV Company Limited (formerly known as Auspicious City Limited)	Hong Kong, limited liability company	Provision of DTH broadcasting services in Hong Kong and Mainland China	3,000,0 shares
Sornico Limited	Hong Kong, limited liability company	Inactive in Hong Kong	2 ordin HK$10 e
The First Asian Satellite Leasing Limited Partnership (the "Partnership")	Hong Kong, limited liability partnership	Inactive in Hong Kong	N/A
Auspicious Colour Limited	Hong Kong, limited liability company	Inactive in Hong Kong	1 ordin each

The Company continues to control the Partnership as it is a general partner and accordingly continues to consolidate it.

*Shares held directly by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTERESTS IN ASSOCIATES - GROUP

Beginning of the year	
Share of associates' losses	
Additions	
End of the year	

Note:
Interests in associates at December 31, 2006 include goodwill of $442 (2005: $442).

The Group's interest in its principal associates, all of which are unlisted, were as follows:

NAME	PARTICULARS OF ISSUED SHARES HELD	COUNTRY OF INCORPORATION	ASSETS(2)	LIABILITIES(2)	R
2005					
Beijing Asia Sky Telecommunications Technology Company Limited	N/A	China	42,011	25,945	
SpeedCast Holdings Limited	Ordinary shares of US$0.0001 each	Cayman Islands	39,392	25,345	
SpeedCast Limited (note 1)	Ordinary shares of HK$0.01 each	Hong Kong	N/A	N/A	
			81,403	51,290	
2006					
Beijing Asia Sky Telecommunications	N/A	China	25,829	26,406	

Technology Company Limited					
SpeedCast Holdings Limited	Ordinary shares of US$0.0001 each	Cayman Islands	46,441	27,167	1
SpeedCast Limited (note 1)	Ordinary shares of HK$0.01 each	Hong Kong	N/A	N/A	
			72,270	53,573	1

The Group has not recognized profit amounting to $2,473 (2005: $174) for SpeedCast Holdings Limited as the Group's share of loss exceeds its interest in SpeedCast. The accumulated losses not recognized were $9,561 (2005: $12,034).

Note:
(1) SpeedCast Limited is the wholly-owned subsidiary of SpeedCast Holdings Limited. Accordingly, assets, liabilities, revenues and profit/(loss) are not disclosed again.

(2) Represents 100% of the associates operation and financial results.

11. AMOUNT PAID TO TAX AUTHORITY - GROUP

At the balance sheet date, an amount of approximately $154,911 (2005: $93,666) had been paid to the Government of India. For details, please refer to note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES - GROUP

	2006	2005
Trade receivables	81,888	90,653
Trade receivables from related parties (note 31)	10,660	7,678
Less: provision for impairment of receivables	(22,462)	(30,930)
Trade receivables - net	70,086	67,401
Receivables from related parties (note 31)	14,629	15,503
Other receivables	14,068	10,831
Deposits and prepayments	20,864	24,863
	119,647	118,598
Less non-current portion: loans to related parties	-	-
Current portion	119,647	118,598

The Group does not normally provide credit terms to its trade customers. The Company usually bills its trade customers quarterly in advance in

accordance with its agreements. The aged analysis of trade receivables is stated as follows:

	2006	2005
0 to 30 days	29,329	27,768
31 to 60 days	15,967	8,652
61 to 90 days	15,717	14,315
91 to 180 days	7,884	10,074
181 days or above	1,189	6,592
	70,086	67,401

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

As of 31 December 2006, trade receivables of $22,462 (2005: $30,930) were impaired and fully provided. The impaired receivables mainly relate to customers' failure to make payment for more than six months. The ageing of these receivables is as follows:

	2006	2005
3 to 6 months	9,830	1,682
Over 6 months	12,632	29,248
	22,462	30,930

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

	2006	2005
At 1 January	30,930	23,230
Provision for impairment of receivables	-	7,700
Unused amounts reversed	(8,468)	-
At 31 December	22,462	30,930

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INVENTORIES - GROUP

	2006	2005
Merchandise	354	434

The cost of inventories recognized as expense and included in cost of services amounted to $87 (2005: $500).

14. CASH AND CASH EQUIVALENTS - GROUP

	2006	2005
Cash at bank and in hand	4,506	13,173
Short-term bank deposits	1,974,951	1,622,353
	1,979,457	1,635,526

The effective interest rate on short-term bank deposits was 4.9% (2005: 3.1%); these deposits have an average maturity of 21 days (2005: 17 days).

Cash includes the following for the purposes of the cash flow statement:

	2006	2005
Cash and cash equivalents	1,979,457	1,635,526

15. SHARE CAPITAL

	NUMBER OF SHARES (thousands)	ORDINARY SHARES	SHARE PREMIUM	TOTAL
AT DECEMBER 31, 2006 AND DECEMBER 31, 2005	390,266	39,027	4,614	43,641

The total authorized number of ordinary shares is 550,000,000 shares (2005: 550,000,000 shares) with a par value of HK$0.10 per share (2005: HK$0.10 per share). All issued shares are fully paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL (continued)

SHARE OPTION SCHEME
A share option scheme is adopted to provide incentives to employees and directors and to promote the long term financial success of the Company. The details of the scheme are as follows:

SCHEME ADOPTED ON JUNE 3, 1996

In accordance with the Company's share option scheme (the "1996 Scheme") adopted pursuant to a resolution passed on June 3, 1996, the Board of Directors of the Company may at their discretion grant options to all permanent, full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The primary purpose of the 1996 Scheme

was to provide incentives to eligible employees.

The total number of shares in respect of which options may be granted under the 1996 Scheme (including options already exercised) was not permitted to exceed 10% of the issued share capital of the Company at any point in time. The maximum number of share options issued to any employee, based on the subscription price of the options, shall not exceed four times the annual basic salary (excluding bonuses and allowances) of that employee.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$1 per each grant of share options. An option may be exercisable up to 50% on or after the third anniversary of the date of grant, up to 75% on or after the fourth anniversary and fully on or after the fifth anniversary but before the tenth anniversary of the date of offer unless the Board of Directors specifies other periods. The exercise price was determined by the Board of Directors and was based on the average closing price of the shares for the five trading days immediately preceding the date of grant.

The 1996 Scheme was terminated on January 25, 2002 pursuant to a resolution passed on that date.

SCHEME ADOPTED ON JANUARY 25, 2002

A share option scheme (the "2002 Scheme") was adopted pursuant to a resolution passed on January 25, 2002 for the primary purpose of attracting and retaining the best personnel for the development of the Company's businesses, and providing incentives to employees, Directors, consultants, agents, representatives and advisors, and promoting the long term financial success of the Company. The 2002 Scheme will expire on January 24, 2012.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the employees, including Directors, of the Company or any company that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company, to subscribe for shares in the Company. Options granted to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is also the grantee).

No options have been granted during 2003 and onwards. At December 31, 2002, the number of shares in respect of which options had been granted under the 2002 Scheme was 7,149,500 representing 1.83% of the shares of the Company in issue at that date. Total consideration received in 2002 from employees for taking up the options granted amounted to HK$105.

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme, being 39,026,550 shares, without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any

one year in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$1 per each grant of share options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 10 years from the date of grant. The exercise price is determined by the Board of Directors and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the statement of operations in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are lapsed or are cancelled prior to their exercise dates are deleted from the register of outstanding options.

15. SHARE CAPITAL (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

OPTION A:

	2006		2005		
	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	A EX PR H
AT JANUARY 1	17.48	1,634,000	17.48	1,691,500	
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Lapsed	17.48	(1,634,000)	17.48	(57,500)	
AT DECEMBER 31	17.48	-	17.48	1,634,000	

OPTION B:

	2006		2005		
	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	A EX PRICE PER
AT JANUARY 1	17.48	1,655,000	17.48	1,753,000	
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Lapsed	17.48	(25,000)	17.48	(98,000)	
AT DECEMBER 31	17.48	1,630,000	17.48	1,655,000	

OPTION C:

	2006		2005		
	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	A EX PRICE PER
AT JANUARY 1	14.35	3,311,500	14.35	3,481,500	
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Lapsed	14.35	(100,000)	14.35	(170,000)	
AT DECEMBER 31	14.35	3,211,500	14.35	3,311,500	

Out of the 4,841,500 options outstanding (2005: 6,600,500 options; 2004: 6,926,000 options), exercisable options are as follows:

	2006		2005		
	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	AVERAGE EXERCISE PRICE IN HK$ PER SHARE	OPTIONS	A EX PRICE PER S
Option A	17.48	-	17.48	1,634,000	
Option B	17.48	1,630,000	17.48	1,655,000	
Option C	14.35	3,211,500	14.35	1,655,750	
Total		4,841,500		4,944,750	

15. SHARE CAPITAL (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

EXPIRY DATE	EXERCISE PRICE IN HK$ PER SHARE	SHARE OPTIONS	
		2006	2005
November 25, 2006	17.48	-	1,634,000
September 30, 2009	17.48	1,630,000	1,655,000
February 3, 2012	14.35	3,211,500	3,311,500
		4,841,500	6,600,500

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period
2002 Scheme			
A (note a)	February 4, 2002	-	February 4, 200
B (note a)	February 4, 2002	February 4, 2002 - September 30, 2002	October 1, 2002
C (note b)	February 4, 2002	February 4, 2002 - February 3, 2004	February 4, 200
1996 Scheme			
D (note a)	November 26, 1996	November 26, 1996 - November 25, 1999	November 26, 19
E (note a)	September 20, 1999	September 20, 1999 - September 30, 2002	October 1, 2002

Notes:

a. Pursuant to a resolution passed in the special general meeting of the Company held on January 25, 2002, the 1996 Scheme was terminated and all existing options under that scheme were cancelled. New options were issued on February 4, 2002 under the 2002 Scheme with the same exercise price and exercise periods to replace the options granted under the 1996 Scheme.

Option type A

100% between February 4, 2002 and November 25, 2006

The exercise periods of the following option types are divided into 3 tranches, as detailed below:

Option type D

1. Up to 50% between November 26, 1999 and November 25, 2006
2. Up to 75% between November 26, 2000 and November 25, 2006
3. Up to 100% between November 26, 2001 and November 25, 2006

Option types B and E

1. Up to 50% between October 1, 2002 and September 30, 2009
2. Up to 75% between October 1, 2003 and September 30, 2009
3. Up to 100% between October 1, 2004 and September 30, 2009

b. Additional share options were issued on February 4, 2002 under the 2002 Scheme.

The exercise period is divided into 3 tranches, as detailed below:

Option type C

1. Up to 25% between February 4, 2004 and February 3, 2012
2. Up to 50% between February 4, 2005 and February 3, 2012
3. Up to 100% between February 4, 2006 and February 3, 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DEFERRED REVENUE - GROUP

	2006
The maturity of deferred revenue is as follows:	
Within one year	153,101
More than one year but not exceeding five years	142,624
	295,725
Less: amount shown as current	(153,101)
	142,624

17. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2006	2005
Deferred tax assets	-	-
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	191,739	192,654
	191,739	192,654

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

	2006	2005
Beginning of the year	192,654	205,258
Recognized in the statement of operations (note 22)	(915)	(12,604)

End of the year	191,739	192,654

The movement in deferred tax liabilities/(assets) during the year is as follows:

DEFERRED TAX LIABILITIES/(ASSETS):

	ACCELERATED TAX DEPRECIATION	OTHERS	TAX LOSS
AT JANUARY 1, 2004	213,909	(311)	(76)
Recognized in the statement of operations	(6,884)	(1,456)	76
AT DECEMBER 31, 2004	207,025	(1,767)	-
Recognized in the statement of operations	(13,730)	1,126	-
AT DECEMBER 31, 2005	193,295	(641)	-
Recognized in the statement of operations	(1,556)	641	-
AT DECEMBER 31, 2006	191,739	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER GAINS - NET

	2006	2005
Interest income	92,710	43,606
Gain on disposal of property, plant and equipment other than transponders	70	99
Others	13	6
	92,793	43,711

19. EXPENSES BY NATURE

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

	2006	2005
Auditors' remuneration	1,775	769
Bad debts written off	11,997	2,987
(Write back)/provision for impairment of receivables made	(8,468)	7,700

Depreciation, amortization and impairment expenses (notes 7 and 8)	297,758	295,278
Employee benefit expense (note 20)	87,555	65,092
Operating leases		
- premises	4,383	5,872
- leasehold land & land use rights	583	583
Net exchange loss	404	547

20. EMPLOYEE BENEFIT EXPENSE

	2006	2005
Salary and other benefits, including directors' remuneration	82,930	60,748
Pension costs - defined contribution plans	4,625	4,344
Total staff costs	87,555	65,092
Number of employees	102	95

(a) PENSIONS - DEFINED CONTRIBUTION PLANS

Forfeited contributions totaling $268 (2005: $292; 2004: $37) were utilized during the year leaving $74 (2005: $43) available at the year-end to reduce future contributions.

No contributions (2005 and 2004: Nil) were payable to the fund at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. EMPLOYEE BENEFIT EXPENSE (continued)

(b) DIRECTORS' EMOLUMENTS

The remuneration of every Director for the year ended December 31, 2006 is set out below:

NAME OF DIRECTOR	FEES	SALARY	DISCRETIONARY BONUSES	OTHER BENEFITS(A)	EM CONT TO
Romain BAUSCH (c)	200	-	-	-	
Robert BEDNAREK (c) & (e)	125	-	-	-	
Edward CHEN	225	-	-	-	
Cynthia DICKINS (c)	100	-	-	-	
DING Yu Cheng (d)	100	-	-	-	
R. Donald FULLERTON (f)	83	-	-	-	

JU Wei Min (d)	100	-	-	-
KO Fai Wong (d)	100	-	-	-
MI Zeng Xin (d)	200	-	-	-
Mark RIGOLLE (c)	100	-	-	-
Robert SZE	250	-	-	-
James WATKINS (g)	113	-	-	-
Peter JACKSON	-	2,766	2,489	2,270
William WADE	-	2,146	1,931	1,631
Total	1,696	4,912	4,420	3,901

The remuneration of every Director for the year ended December 31, 2005 is set out below:

NAME OF DIRECTOR	FEES	SALARY	DISCRETIONARY BONUSES	OTHER BENEFITS(A)	EMP CONTR TO
Romain BAUSCH (c)	200	-	-	-	
Robert BEDNAREK (c) & (e)	150	-	-	-	
Edward CHEN	225	-	-	-	
Cynthia DICKINS (b) & (c)	12	-	-	-	
DING Yu Cheng (d)	100	-	-	-	
R. Donald FULLERTON	200	-	-	-	
JU Wei Min (d)	100	-	-	-	
KO Fai Wong (d)	100	-	-	-	
MI Zeng Xin (d)	200	-	-	-	
Mark RIGOLLE (c)	100	-	-	-	
Robert SZE	250	-	-	-	
Peter JACKSON	-	2,672	390	1,961	
William WADE	-	2,074	302	1,485	
Total	1,637	4,746	692	3,446	

The remuneration of every Director for the year ended December 31, 2004 is set out below:

NAME OF DIRECTOR	FEES	SALARY	DISCRETIONARY BONUSES	OTHERS BENEFITS(A)	EMP CONTR TO
Romain BAUSCH (c)	200	-	-	-	
Robert BEDNAREK (c) & (e)	150	-	-	-	
Edward CHEN	175	-	-	-	
DING Yu Cheng (d)	100	-	-	-	
R. Donald FULLERTON	175	-	-	-	
JU Wei Min (d)	125	-	-	-	
KO Fai Wong (d)	81	-	-	-	
LI Ting Zhou (d) & (h)	19	-	-	-	
MI Zeng Xin (d)	200	-	-	-	
Mark RIGOLLE (c) & (i)	15	-	-	-	
Jurgen SCHULTE (c) & (j)	110	-	-	-	
Robert SZE	175	-	-	-	
Peter JACKSON	-	2,619	2,619	1,817	
William WADE	-	2,033	2,033	1,405	
Total	1,525	4,652	4,652	3,222	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. EMPLOYEE BENEFIT EXPENSE (continued)

(b) DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:
(a) Other benefits include accommodation, car, leave passage, insurance premium and club membership and are short term in nature.
(b) Appointed on November 17, 2005.
(c) Paid to SES and its subsidiary.
(d) Paid to a subsidiary of CITIC.
(e) Resigned on October 31, 2006.
(f) Resigned on May 30, 2006.
(g) Appointed on June 30, 2006.
(h) Resigned on March 11, 2004.
(i) Appointed on November 17, 2004. (j) Resigned on November 17, 2004.

(c) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	
Basic salaries, housing allowances, share options, other allowances and benefits in kind	9,189	
Contributions to retirement benefits scheme	726	
Performance related incentive payments	4,357	
	14,272	

The emoluments fell within the following bands:

	NUMBER	
	2006	
Emolument bands		
HK$2,500,001 - HK$3,000,000	-	
HK$3,000,001 - HK$3,500,000	-	
HK$3,500,001 - HK$4,000,000	1	
HK$4,000,001 - HK$4,500,000	-	
HK$4,500,001 - HK$5,000,000	1	
HK$5,000,001 - HK$5,500,000	-	
HK$5,500,001 - HK$6,000,000	1	
	3	

21. FINANCE COSTS

	2006
Interest expense:	
- assets retirement obligation	152
- bank borrowings: bank loans and overdrafts	-
	152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

Overseas tax, including the Foreign Enterprises Income Tax in the People's Republic of China, is calculated at 5% to 20% of the gross revenue earned in certain of the overseas jurisdictions.

Details of deferred taxation are set out in note 17.

The Group currently has a tax case in dispute with the Indian tax authorities. Details of this are set out in note 28.

	2006	20
Current income tax		
- Hong Kong profits tax	38,856	45,0
- Overseas taxation	17,581	18,8
Deferred income tax reversal (note 17)	(915)	(12,6
	55,522	51,2

The tax on the Group's profit before tax differs from the theoretical amount that would weighted average tax rate applicable to profits of the consolidated companies as follows:

	2006	20
Profit before tax	508,927	416,6
Tax calculated at tax rate of 17.5% (2005: 17.5%)	89,062	72,9
Tax effect of income not subject to tax	(96,999)	(84,1
Tax effect of expenses not deductible for tax purposes	45,440	43,0
Tax effect of tax losses of associates not recognized	438	6
Effect of income tax rate differential between Hong Kong and overseas locations	17,581	18,8

Tax expense	55,522	51,2

The effective tax rate of the Group was 10.9% (2005: 12.3%; 2004: 12.3%).

23. NET FOREIGN EXCHANGE LOSSES

The exchange differences recognized in the statement of operations are included as follows:

	2006	200
Administrative expenses	404	54

24. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of $137,225 (2005: $136,977; 2004: $125,358).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. EARNINGS PER SHARE

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

	2006	2005
Profit attributable to equity holders of the Company	454,009	366,184
Weighted average number of ordinary shares in issue (thousands)	390,266	390,266
Basic earnings per share (HK$ per share)	1.16	0.94

DILUTED
Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options of dilutive potential ordinary shares. 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 the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
Profit used to determine diluted earnings per share	454,009	366,184
Weighted average number of ordinary shares in issue (thousands)	390,266	390,266
Adjustments for - share options (thousands)	-	26
Weighted average number of ordinary shares for diluted earnings per share (thousands)	390,266	390,292
Diluted earnings per share (HK$ per share)	1.16	0.94

26. DIVIDENDS

The dividends paid during the years ended 2006, 2005 and 2004 were $136,593 (HK$0.35 per share), $136,593 (HK$0.35 per share) and $124,885 (HK$0.32 per share) respectively. A dividend in respect of 2006 of HK$0.27 per share, amounting to a total dividend of $105,372 is to be proposed at the Annual General Meeting on May 18, 2007. These financial statements do not reflect this dividend payable.

	2006	2005
Interim dividend paid of HK$0.08 (2005: HK$0.08; 2004: HK$0.08) per ordinary share	31,221	31,221
Proposed final dividend of HK$0.27 (2005: HK$0.27; 2004: HK$0.27) per ordinary share	105,372	105,372
	136,593	136,593

PAYMENT OF FINAL DIVIDEND

Reference is made to the joint announcement issued by the Company and AsiaCo Acquisition Ltd. (formerly known as Modernday Limited) in relation to the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda dated 13 February 2007.

The Board would like to bring to the attention of the shareholders of the Company that the final dividend for the financial year ended 31 December 2006 is declared by the Board subject to the following:

(i) the amount of the final dividend shall not affect the Share Offer Price if the Scheme becomes effective and binding on or before 10 May 2007;

(ii) the amount of the final dividend will be deducted from the Share Offer Price if the Scheme becomes effective after 10 May 2007;

(iii) if the Scheme becomes effective and binding on or before 10 May 2007, the final dividend shall not be paid; and

(iv) if the Scheme does not become effective, the dividend will be paid to shareholders of the Company on the register of members of the Company at 4:30 p.m. on 10 May 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. CASH FLOWS FROM OPERATING ACTIVITIES - CONTINUING OPERATIONS

	2006 US$'000	2006	
Profit for the year	58,129	453,405	3
Adjustments for:			
- Tax (note 22)	7,118	55,522	
- Bad debts written off	1,538	11,997	
- (Write back)/provision for impairment of receivables made	(1,086)	(8,468)	
- Depreciation (note 7)	38,154	297,598	2
- Amortization of prepaid operating lease payment (note 6)	75	583	
- Amortization of licence (note 8)	21	161	
- Profit on sale of property, plant and equipment (see below)	(9)	(70)	
- Interest income (note 18)	(11,886)	(92,710)	(
- Finance costs (note 21)	19	152	
- Share of loss from associates (note 10)	1,076	8,391	
Changes in working capital:			
- Unbilled receivable	450	3,516	
- Amount paid to tax authority	(7,852)	(61,245)	(
- Inventories	10	80	
- Trade and other receivables	(681)	(5,316)	
- Other payables and accrued expenses	4,151	32,377	
- Deferred revenue	7,191	56,089	(
Cash flows from operating activities - continuing operations	96,418	752,062	6

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2006 US$'000	2006	
Net book amount (note 7)	1	6	
Profit on sale of property, plant and equipment	9	70	
Proceeds from sale of property, plant and equipment	10	76	

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED
(ALL AMOUNTS IN HONG KONG DOLLAR THOUSANDS UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. CONTINGENCIES

Under Indian tax regulations, the Group may be subject to Indian income tax on revenues received by the Group in respect of income from provision of satellite transponder capacity to the Group's customers for purposes of those customers carrying on business in India or earning income from any source in India.

The Indian tax authorities have assessed the Group for income tax as follows:

Assessment year	Amount HK$ (approximate)	Amount INR (approximate)
1997-98	20 million	115 million
1998-99	23 million	141 million
1999-00	22 million	127 million
2000-01	14 million	84 million
2001-02	29 million	171 million
2002-03	38 million	210 million
2003-04	50 million	316 million
2004-05	58 million	330 million
Total	254 million	1,494 million

The Group has filed appeals for each of the assessment years 1997-98 to 2004-05.

No assessment has yet been made for the 2005-06 or 2006-07 assessment years.

The Income Tax Appellate Tribunal (the "Tribunal") in an earlier appeal filed against the original assessment for the assessment year 1997-98 held that the Group is liable for Indian income tax under certain circumstances. The Group does not believe that it is liable for the Indian income tax as held by the Tribunal and has filed an appeal against the Tribunal's decision. The tax authorities have also filed an appeal against the Tribunal's decision. Both the appeals have been admitted by the High Court.

In order to obtain a stay of recovery proceedings, the Group has made payments as follows and has recorded these payments as an asset on the assumption that the amounts are recoverable (refer to note 11):

Assessment year	Amount HK$ (approximate)	Amount INR (approximate)
1997-98	13 million	78 million
1998-99	14 million	88 million
1999-00	11 million	62 million
2000-01	9 million	50 million
2001-02	20 million	119 million
2002-03	27 million	148 million
2003-04	39 million	226 million
2004-05	22 million	125 million
Total	155 million	896 million

In addition, based on the general principles set forth by the Tribunal, the amount of income taxable in India depends on the payments made by the Group's customers to the Group for the purpose of those customers carrying on business in India or earning income from any source in India. As such information is proprietary in nature and has not been provided by the Group's customers, the Group cannot reasonably estimate the taxable income and therefore also cannot estimate the amount of income tax to which the Group may be assessed. Furthermore, as stated above, the Group has filed an appeal against the Tribunal's decision. The appeal has been admitted by the High Court and is pending before the Court. Accordingly, no provision has been recognized for Indian income tax in the Group's financial statements. Any related legal costs are expensed as incurred.

29. MAJOR NON-CASH TRANSACTIONS

On November 30, 2004, the Group decreased its equity interest in Skywave TV Company Limited ("Skywave") from 100% to 80% when two independent third parties made a contribution in kind of HK$3 million each in return for 10% stake in the Skywave. There was no major non-cash transaction during 2005 and 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. COMMITMENTS - GROUP

CAPITAL COMMITMENTS
Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2006	2005
AsiaSat 5		
Contracted but not provided for	810,048	-
Authorized but not contracted for	296,548	-
Other investment projects		
Authorized but not contracted for	-	10,140
Other assets		
Contracted but not provided for	111	5,750
	1,106,707	15,890

OPERATING LEASE COMMITMENTS - WHERE THE GROUP IS THE LESSEE
The Group leases certain of its office and residential premises under non-cancellable operating leases. Leases are negotiated for an average term of two to four years. The lease expenditure expensed in the statement of operations during the year is disclosed in note 19.

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

	2006	2005

Not later than 1 year	4,068	4,376
Later than 1 year and not later than 5 years	745	4,773
Later than 5 years	-	-
	4,813	9,149

OPERATING LEASE COMMITMENTS - WHERE THE GROUP IS THE LESSOR

The Group leases its office premises under non-cancellable operating leases. The lease is negotiable for four years. The lease income recognized in the statement of operations during the year was $552 (2005: $552).

The Group had contracted with the customer for the following future minimum lease payments:

	2006	2005
Within one year	552	552
One to two years	184	552
Two to three years	-	184
Three to four years	-	-
	736	1,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RELATED-PARTY TRANSACTIONS

The Group is controlled by Bowenvale Limited (incorporated in British Virgin Islands), which owns 68.9% of the Company's shares. The remaining 31.1% of the shares are widely held (refer to the updated comments in note 33). The ultimate parents of the Group are CITIC Group (incorporated in China) and SES S.A. (incorporated in Luxembourg).

The following transactions were carried out with related parties:

i) INCOME FROM PROVISION OF SATELLITE TRANSPONDER CAPACITY

The Group has entered into agreements for the provision of transponder capacity to a subsidiary of CITIC, CITIC Guoan Information Industry Company Limited. CITIC is a substantial shareholder of the Company throughout the year.

During the year, the Group recognized income from provision of satellite transponder capacity from its associate, SpeedCast.

	2006	2005
CITIC Guoan Information Industry Company Limited	1,424	2,461
SpeedCast Limited (an associate)	46,264	32,202

	47,688	34,663

ii) AGENCY FEE

In addition, the Group has entered into an agreement with CITIC Technology Company Limited, a subsidiary of CITIC, for collecting money from China customers on behalf of the Group.

	2006	2005
CITIC Technology Company Limited	564	723

iii) KEY MANAGEMENT COMPENSATION

	2006	2005
Salaries and other short-term employee benefits	38,455	25,942

The Group made payments to SES and its subsidiary and a subsidiary of CITIC for certain Non-executive Directors representing SES and CITIC.

	2006	2005
SES and its subsidiary	525	462
A subsidiary of CITIC	500	500
	1,025	962

iv) INCOME FROM PROVISION OF UPLINK SERVICES AND CERTAIN EQUIPMENTS

The Group has entered into an agreement for the provision of uplink services and certain equipments for Ku-Band monitoring capacity to a subsidiary of SES, SES AMERICOM, Inc.

The Group has also provided temporary uplink services to its associate, SpeedCast.

	2006	2005
SES AMERICOM, Inc.	239	-
SpeedCast Limited (an associate)	5	-
	244	-

v) OTHER FEES

	2006	2005	2004
Licence fee:			
SES ASTRA S.A.	-	-	49

SES ASTRA S.A. is a wholly-owned subsidiary of SES. SES was a substantial shareholder of the Company throughout the years presented.

vi) INTEREST INCOME ON LOAN RECEIVABLE FROM AN ASSOCIATE

	2006	2005	2004
SpeedCast Limited (an associate)	-	176	419

vii) YEAR-END BALANCES ARISING FROM THESE TRANSACTIONS

	2006	200
Trade receivables from related parties (note 12):		
CITIC Guoan Information Industry Company Limited	-	3
SpeedCast Limited (an associate)	10,660	7,63
	10,660	7,67
Receivables from related parties (note 12):		
CITIC Technology Company Limited	14,629	15,50
Payables to related parties:		
CITIC Technology Company Limited	479	45
Deferred revenue to related parties:		
SES AMERICOM, Inc.	22	

The trade receivables from related parties are payable in accordance with the agreements. The receivables from and payables to related parties have no fixed terms of payment. The receivables and payables are unsecured in nature and bear no interest.

viii) LOAN RECEIVABLE FROM AN ASSOCIATE

	2006	2005
Loan receivable from SpeedCast Limited:		
Beginning of the year	-	5,070
Loans advanced during the year	-	-
Loan repayments received	-	(5,070
End of the year (note 12)	-	-

The amount was secured, bearing interest at 6% per annum and was fully repaid as at December 31, 2005.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")

The accompanying consolidated financial statements are prepared in accordance with HKFRS, which differs in certain significant respects from US GAAP. The significant differences relating principally to the following items and the adjustments considered necessary to restate profit for the year (net income) and shareholders' funds (shareholders' equity) in accordance with US GAAP are shown in the tables set out below.

The following table summarizes the effect on profit (net income) of differences between HKFRS and US GAAP for the years presented:

	YEAR ENDED DECEMBER		
	2006 US$'000	2006	
Profit for the year (net income) as reported under HKFRS	58,206	454,009	366
US GAAP adjustments:			
Amortization of interest and borrowing costs (a)	(1,035)	(8,072)	(8
Amortization of goodwill (b)	-	-	
Stock compensation using the fair value method (c)	(41)	(323)	
Tax effect on reconciling items (d)	91	706	
Profit for the year (net income) under US GAAP	57,221	446,320	358
Basic earnings per share under US GAAP	US$0.15	HK$1.14	HK$
Diluted earnings per share under US GAAP	US$0.15	HK$1.14	HK$
Basic earnings per American Depositary Share ("ADS") under US GAAP	US$1.46	HK$11.43	HK$
Diluted earnings per American Depositary Share ("ADS") under US GAAP	US$1.46	HK$11.43	HK$
Shares used in computation of basic earnings per share (in thousands)	390,266	390,266	390
Shares used in computation of diluted earnings per share (in thousands)	390,266	390,266	390

The following table summarizes the effect on shareholders' equity of the

differences between HKFRS and US GAAP:

	AS AT DE	
	2006	2
	US$'000	
Shareholders' equity as reported under HKFRS	566,872	4,421,
US GAAP adjustments:		
Capitalization of interest and borrowing costs (a)	15,767	122,
Amortization of interest and borrowing costs (a)	(11,370)	(88,
Amortization of goodwill (b)	1,452	11,
Impairment loss of goodwill (b)	(1,424)	(11,
Stock compensation using the fair value method (c)	(41)	(
Tax effect of reconciling items (d)	(914)	(7,
Shareholders' equity under US GAAP	570,342	4,448,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

(a) Capitalization of interest and borrowing costs

Under HKFRS, interest on bank loans and related costs of obtaining the loans (including costs incurred in connection with loan facilities) taken out to finance construction of satellites is capitalized during the period of construction. Under US GAAP, the interest cost incurred during the period of construction that could have been avoided if the construction of satellites had not been made, is capitalized. The interest capitalized is computed by applying an average borrowing rate of outstanding debt to the total amount of qualifying assets under construction, not to exceed total interest costs incurred.

In addition, under US GAAP, certain related borrowing costs payable to lenders are excluded from the amounts capitalized.

(b) Amortization and impairment loss of goodwill

Under HKFRS, HKFRS 3 requires all business combinations for which the agreement date is on or after January 1, 2005 to be accounted for using the purchase method. Goodwill acquired in a business combination will no longer be amortized but will be subject to impairment tests at least annually in accordance with HKAS 36. Upon the adoption of HKFRS 3, the net carrying amount of goodwill carried on the balance sheet is frozen and will be tested for impairment. Goodwill previously taken directly to reserves will no longer be subject to impairment testing and will not be recognized in the statement of operations when all or part of the business to which the goodwill relates is disposed of. Accordingly, goodwill previously taken directly to reserves will not impact the statement of operations in the

future upon the adoption of HKAS 36.

Under US GAAP, effective from January 1, 2002, goodwill is: (i) no longer amortized, (ii) assigned to a reporting unit and (iii) tested for impairment at least annually. Prior to January 1, 2002, goodwill was amortized over its estimated useful life, not to exceed 40 years under US GAAP.

(c) Stock compensation

Under HKFRS, it is not required to apply HKFRS 2 to share options granted on or before November 7, 2002 and vested before January 1, 2005 (the effective date of HKFRS 2). The Company has chosen not to apply HKFRS 2 to share options issued prior to January 1, 2005.

Under US GAAP, effective January 1, 2006, the Company adopted SFAS 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS 123R. Under SFAS 123R, stock-based awards granted prior to its adoption will be expensed over the remaining portion of their vesting period. Under US GAAP, fair value of unvested options using the modified prospective method are expensed as compensation cost for the unrecognized options, taking into account the estimated forfeiture of options. The fair value options granted was estimated using the Black-Scholes option-pricing model.

(d) The amounts included in the reconciliation show the income tax effects of the differences between HKFRS and US GAAP as described above.

(e) Interest income

Under HKFRS, interest income is included in profit from operations. Under US GAAP, interest income is excluded from operating income and is included in net income as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

The changes in shareholders' equity based on US GAAP are as follows:

	AS AT DECEMBER 31		
	2006 US$'000	2006	200
Balance, beginning of year	530,633	4,138,941	3,916,71
Transactions during the year:			
i) Net income	57,221	446,320	358,81
ii) Dividend paid	(17,512)	(136,593)	(136,59

Balance, end of year	570,342	4,448,668	4,138,94

Note: One ADS is equivalent to 10 ordinary shares.

A reconciliation of the significant balance sheet accounts under HKFRS and to the amounts determined under US GAAP is as follows:

	AS AT DECEMBER 31		
	2006 US$'000	2006	20
Property, plant and equipment			
Amount under HKFRS	337,288	2,630,847	2,620,9
US GAAP adjustments:			
Capitalization of interest and borrowing costs	15,767	122,980	122,9
Amortization of interest and borrowing costs	(11,370)	(88,689)	(80,6
Amount under US GAAP	341,685	2,665,138	2,663,2
Interests in associates			
Amount under HKFRS	1,289	10,057	14,2
US GAAP adjustments:			
Amoritsation of goodwill	1,452	11,325	11,3
Impairment loss of goodwill	(1,424)	(11,104)	(11,1
Amount under US GAAP	1,317	10,278	14,5
Deferred income tax liabilities			
Amount under HKFRS	24,582	191,739	192,6
US GAAP adjustments:			
Tax effect of reconciling items	914	7,125	7,8
Amount under US GAAP	25,496	198,864	200,4

The amounts of total assets determined using US GAAP, as a result of the foregoing adjustments, are $5,125,724 (US$657,144,000) and $4,726,114 as of December 31, 2006 and 2005, respectively. The amounts of total liabilities (excluding minority interests) determined using US GAAP, as a result of the foregoing adjustments, are $671,800 (US$86,129,000) and $581,636 as of December 31, 2006 and 2005, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

	AS AT DECEMBER 31			
	2006 US$'000	2006	2005	
Cash flows from operating activities – net				
Amount under HKFRS	89,556	698,534	514,350	75
US GAAP adjustments:				
Interest received	11,378	88,747	39,833	2
Amount under US GAAP	100,934	787,281	554,183	77
Cash flows (used in)/from investing activities – net				
Amount under HKFRS	(27,950)	(218,010)	23,414	(5
US GAAP adjustments:				
Interest received	(11,378)	(88,747)	(39,833)	(2
Amount under US GAAP	(39,328)	(306,757)	(16,419)	(7

The reclassification for US GAAP consolidated statements of cash flows pertains to interest received which is presented as investing activities under HKFRS, respectively (as opposed to operating activities and investing activities under US GAAP, respectively).

Additional disclosures as required by US GAAP:

(a) US GAAP requires that all items that are required to be recognized as components of comprehensive income be reported in a separate financial statement. There are no material differences between total recognized gains and losses for the periods shown in the consolidated statements of changes in Equity presented under HKFRS comprehensive income, except for the differences between HKFRS and US GAAP profit attributable to shareholders shown above.

(b) The Company applies Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for options granted under the 1996 Scheme and 2002 Scheme (see note 20). No compensation cost has been recognized on options granted under the 1996 Scheme and the 2002 Scheme.

The Company, on September 8, 1999, cancelled 2,161,000 share options (granted under the 1996 Scheme) exercisable from November 26, 1999 to November 25, 2006 at an exercise price of HK$19.00 per share. The Company had, simultaneous to the cancellation, issued 2,022,000 replacement share options to the same employees with similar exercise period but at a lower exercise price of HK$17.48 per share. The 139,000 share options cancelled but not replaced were those share options held by resigned employees. There was no change in the number of shares to be issued to satisfy the exercise of the replacement share options. The Company, through December 31, 2002, did not account for the option modification under a variable plan accounting that would have been required under Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation". There would be no impact on the Company's 2003 consolidated financial statements and on 2004 and 2005 consolidated financial statements when the Company accounted for the

option modification under a variable plan required under FIN 44 as the fair value of the underlying shares was less than the exercise price of the share options as at December 31, 2003, 2004 and 2005, respectively.

Effective January 1, 2006, the Company adopted SFAS 123R using the modified prospective approach and accordingly prior periods have not been restated to reflect the impact of SFAS 123R. Under SFAS 123R, as at the adoption date, any unvested stock-based awards granted prior to its adoption will be expensed over the remaining portion of their vesting period. Under US GAAP, fair value of unvested options using the modified prospective method are expensed as compensation cost for the unrecognized options, taking into account the estimated forfeiture of options. The fair value options granted was estimated using the Black-Scholes option-pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

Had compensation cost for the Company's share option schemes been determined based on the fair value at the grant dates for awards under the share option schemes consistent with the method of Statement of Financial Accounting Standards ("SFAS") No. 123 "ACCOUNTING FOR STOCK-BASED COMPENSATION", the Company's net income and earnings per share would have been as follows:

	2005	2004
Net income as reported under US GAAP	358,818	424,071
Add: Stock compensation as reported		
Less: Stock compensation determined using the fair value method	(3,589)	(6,983)
Pro forma net income under US GAAP	355,229	417,088
Shares used in computation of basic earnings per share (thousands)	390,266	390,266
Shares used in computation of diluted earnings per share (thousands)	390,292	390,266
Net income per share under US GAAP		
Basic, as reported (HK$ per share)	0.92	1.09
Diluted, as reported (HK$ per share)	0.92	1.09
Basic, pro forma (HK$ per share)	0.91	1.07
Diluted, pro forma (HK$ per share)	0.91	1.07

The weighted average fair value of options granted during 2002

(Option Types A, B and C) was HK$8, using the Black-Scholes option-pricing model based on the following assumptions:

Expected life of options	10 years
Expected volatility	51.00%
Risk-free rate	5.99%
Expected annual dividend yield	1.62%

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

Share option with Option Types A and B issued in 2002 represent replacement share options to Option Types D and E, respectively. There would be no impact on pro forma net income, assuming SFAS No. 123 is used with respect to issuance of the replacement share options as the fair value of share options prior to and subsequent to the replacement remained the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

A summary of the status of the Company's 2002 Scheme and 1996 Scheme as of December 31, 2006, 2005 and 2004, and changes during the years then ended is presented below:

	2006		2005		
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	S
		HK$		HK$	
Outstanding, beginning of year	6,600,500	15.91	6,926,000	15.91	6,94
Granted	-	-	-	-	
Exercised	-	-	-	-	
Forfeited/cancelled /lapsed	(1,759,000)	17.30	(325,500)	15.85	(1
Outstanding, end of year	4,841,500	15.40	6,600,500	15.91	6,92

Options exercisable at year-end

	4,841,500	15.40	4,944,750	16.43	4,31
Weighted-average fair value of options granted during the year		N/A		N/A	

The following table summarizes information on the 2002 Scheme and 1996 Scheme outstanding at December 31, 2006:

Options outstanding			Options exe	
Exercise Price	Number of Options	Weighted-average remaining Contractual Life	Exercise Price	Nu
HK$ 14.35	3,211,500	5.09 years	HK$ 14.35	
HK$ 17.48	1,630,000	2.75 years	HK$ 17.48	
	4,841,500	4.30 years		

The aggregate intrinsic value of options outstanding and exercisable was zero as at December 31, 2006.

(c) Recent changes in accounting standards

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an Interpretation of SFAS 109, Accounting for Income Taxes. FIN 48 was issued to clarify the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. Under FIN 48, the tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. The Group plans to adopt FIN 48 for annual periods beginning January 1, 2007. The Group is currently evaluating the potential impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued FAS 157, Fair Value Measurements. FAS 157 provides guidance on the measurement of fair value in US GAAP and expands fair value measurement disclosures. FAS 157 is applicable whenever other accounting pronouncements require or permit fair value measurements and does not expand the use of fair value in any new circumstances. The Group will apply this standard for annual periods beginning January 1, 2007. The Group is currently evaluating the potential impact that the adoption of FAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 (FAS 159). FAS 159 permits entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Group will apply this standard for annual periods beginning January 1, 2008. The

Group is currently evaluating the potential impact that the adoption of FAS 159 will have on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

(d) Major customers

The Company has one customer accounting for 10% or more of its service revenue. Service revenue from such customer represents 24.3%, 25.7% and 22.4% of revenues in 2006, 2005 and 2004, respectively.

(e) Income tax

The Company is subject to Hong Kong Profits Tax on its operations deemed to be located in Hong Kong. It is also subject to an overseas tax on its operations in certain overseas jurisdictions.

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between tax jurisdictions. Accordingly, no analysis of income tax and profit from operations by jurisdiction has been presented.

(f) Fair value of financial instruments

The carrying value of cash and cash equivalents, other receivables, other payables and customer deposits approximates fair value because of the relatively short maturities of these financial instruments. It is not practical to determine the fair value of unbilled rental receivable as it involves high volume of transactions.

(g) Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and trade receivables. The Company believes that no significant credit risk exists relative to cash and cash equivalents as substantially all of these financial instruments are held in the form of term deposits at a major bank.

The Company performs on-going credit evaluations of its customers. The Company believes that no significant credit risk exists for these assets as credit losses, when realized, is expected to be within the range of management's expectations.

(h) Concentration - industry and major customers

	2006	2005	2004
Broadcasting	67.8%	65.7%	70.6%

Telecommunications, Internet and Multimedia	32.2%	34.3%	29.4%

The five largest customers accounted for 42.1%, 39.3% and 46.0% of the Company's total revenue for the years ended December 31, 2006, 2005 and 2004, respectively.

The trade receivables from the five customers with the largest receivables balances represent 59.7% and 75.9% of total trade receivables as of December 31, 2006 and 2005, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUMMARY OF DIFFERENCES BETWEEN HONG KONG ("HK") AND UNITED STATES("US") GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (continued)

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and certain disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

(j) Earnings per share

As of December 31, 2006, 2005 and 2004 the Company had share options outstanding of 4,841,500, 6,600,500 and 6,926,000, which could potentially dilute basic earnings per share in the future, but were excluded in the computation of diluted earnings per share in such periods, as their effect would have been antidilutive.

(k) Segment information

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments and related disclosures products and services, geographic areas, and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The chief operating decision-maker of the Company allocates resources and assess performance on the basis its consolidated financial statements. No other financial information that presents segment profit or loss is generated by the Company that is used by its chief operating decision-maker in allocating resources and assessing performance. Thus, the Company is a single operating segment under SFAS No. 131 and the geographical segments disclosed in note 5 do not represent operating segments under SFAS No. 131.

33. SUBSEQUENT EVENTS

On February 13, 2007, Asiaco (formerly named Modernday Limited), a company

jointly owned by Able Star (a subsidiary of CITIC) and GE Equity Investments Inc. (a subsidiary of GECC), submitted a proposal to the Company's Board of Directors to privatize the Company by way of a scheme of arrangement under Section 99 of the Companies Act. Upon completion of the Scheme, the Company would become wholly owned by Asiaco and Bowenvale Limited and indirectly owned by CITIC and GECC.

On March 19, 2007, the Company despatched Asiaco's proposal and the terms and conditions of such proposal to its shareholders (including ADS holders) and holders of options. In connection with the Scheme, the Company, among other parties, filed a Schedule 13E-3 with the SEC.

The Company obtained approvals from the U.S. State Department in connection with its initial sourcing of satellites. The State Department's approval is required when there is a change in ownership of the satellites. In connection with the Privatization, the State Department indicated to GECC that it viewed the proposed Privatization as causing a significant change of control of a party owning and controlling previously exported satellites that would require its approval and that it was not prepared to grant such approval in the context of the Scheme. The obtaining of relevant authorizations was one of the conditions to the implementation of the Scheme which had to be satisfied or waived. Asiaco did not waive this condition and the Scheme was discontinued.

One of the conditions precedent to the completion of the Scheme was the completion of a transaction pursuant to which SES (a shareholder of Bowenvale) redeemed GECC's entire indirect holding of SES shares in exchange for shares of a new company holding assets and cash, including SES's entire shareholding in Bowenvale (the "Exchange Transaction"). The Exchange Transaction was completed on March 29, 2007 and, upon such completion, Bowenvale became jointly and indirectly owned by CITIC (through Able Star) and GECC through GE Equity.

By reason of a regulatory position taken by the regulators in Hong Kong to the effect that the Exchange Transaction resulted in the formation of a new concert group thereby triggering an obligation to launch an unconditional, mandatory offer, on May 25, 2007 Asiaco launched the "offers" for all Shares and ADSs and outstanding options of the Company.

33. SUBSEQUENT EVENTS (continued)

If, following the Offers the Company's public float is less than 25%, either the Company will issue additional Shares or the Company's principal shareholders will sell Shares so that at least 25% of the Shares are held by unaffiliated shareholders, as required by the listing rules of the Hong Kong Stock Exchange.

In addition, the Company understands that if, following the Offers, the number of holders of AsiaSat Shares resident in the United States falls below 300 or the Company otherwise becomes eligible for de-registration under the Exchange Act, the Company intends to file a Form 15 or Form 15F with the SEC to request that the Company's reporting obligations under the

Exchange Act be suspended or terminated.

34. CONVENIENT TRANSLATION TO UNITED STATES DOLLARS

The translation of Hong Kong dollar amounts into United States dollars are for convenience and have been made at a rate of HK$7.8 to US$1, the approximate rate of exchange at December 31, 2006. Such transactions should not be construed as representations that the Hong Kong dollars amounts represent, or have keen, or could be converted into United States dollars at that or any other rate.