

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2005.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 9 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 57.

The directors recommend the payment of a final dividend of HK\$0.27 per ordinary share, totalling HK\$105,372,000.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 58.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$53,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 15 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2005, calculated under section 79B of the Companies Ordinance, amounted to HK\$393,386,000 (2004: HK\$393,002,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 110.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Share Option Scheme

The Company currently operates a Share Option Scheme adopted on 25 January 2002. Particulars of the Scheme are set out in note 15 to the consolidated financial statements.

As at 31 March 2006, options to subscribe for a total of 6,585,500 option shares were still outstanding under the Share Option Scheme which represents approximately 1.69% of the issued ordinary shares of the Company.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the approval of the Scheme.

Share Option Scheme (continued)

Details of share options outstanding as at 31 December 2005, which have been granted under the scheme are as follows:

	Number of options					Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 January 2005	Granted during the year	Exercised/ cancelled/ lapsed during the year	Held at 31 December 2005					
Directors									
Romain BAUSCH	100,000	—	—	100,000	14.35	4 February 2002	4 February 2004	3 February 2012	
MI Zeng Xin	100,000	—	—	100,000	14.35	4 February 2002	4 February 2004	3 February 2012	
Edward CHEN	50,000	—	—	50,000	14.35	4 February 2002	4 February 2004	3 February 2012	
DING Yu Cheng	50,000	—	—	50,000	14.35	4 February 2002	4 February 2004	3 February 2012	
R. Donald FULLERTON	75,000	—	—	75,000	14.35	4 February 2002	4 February 2004	3 February 2012	
JU Wei Min	50,000	—	—	50,000	14.35	4 February 2002	4 February 2004	3 February 2012	
LI Tong Zhou (retired as director on 11 March 2004 but the options remained exercisable for twelve months following the retirement)	50,000	—	(50,000)	—	14.35	4 February 2002	4 February 2004	3 February 2012	
Jürgen SCHULTE (retired as director on 17 November 2004 but the options remained exercisable for twelve months following the retirement)	50,000	—	(50,000)	—	14.35	4 February 2002	4 February 2004	3 February 2012	
Robert SZE	75,000	—	—	75,000	14.35	4 February 2002	4 February 2004	3 February 2012	
Peter JACKSON	335,000	—	—	335,000	17.48	4 February 2002	4 February 2002	25 November 2006	
	150,000	—	—	150,000	17.48	4 February 2002	1 October 2002	30 September 2009	
	430,000	—	—	430,000	14.35	4 February 2002	4 February 2004	3 February 2012	
William WADE	316,000	—	—	316,000	17.48	4 February 2002	4 February 2002	25 November 2006	
	114,000	—	—	114,000	17.48	4 February 2002	1 October 2002	30 September 2009	
	330,000	—	—	330,000	14.35	4 February 2002	4 February 2004	3 February 2012	
Continuous contract employees	1,040,500	—	(57,500)	983,000	17.48	4 February 2002	4 February 2002	25 November 2006	
	1,489,000	—	(98,000)	1,391,000	17.48	4 February 2002	1 October 2002	30 September 2009	
	2,121,500	—	(70,000)	2,051,500	14.35	4 February 2002	4 February 2004	3 February 2012	
	<u>6,926,000</u>	<u>—</u>	<u>(325,500)</u>	<u>6,600,500</u>					

Directors

The directors during the year were:

Chairman and Non-executive Director:

Romain BAUSCH

Deputy Chairman and Non-executive Director:

MI Zeng Xin

Executive Directors:

Peter JACKSON (Chief Executive Officer)

William WADE (Deputy Chief Executive Officer)

Non-executive Directors:

Robert BEDNAREK

Cynthia DICKINS (appointed on 17 November 2005)

DING Yu Cheng

JU Wei Min

KO Fai Wong

Mark RIGOLLE

Independent Non-executive Directors:

Edward CHEN

R. Donald FULLERTON

Robert SZE

In accordance with Bye-law 110(A) of the Company's Bye-laws, Edward CHEN, Peter JACKSON and William WADE will retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election. In accordance with Bye-law 101 of the Company's Bye-laws, Cynthia DICKINS who was appointed as a Non-executive Director after the last AGM will retire and, being eligible, offer herself for re-election.

The term of office for each Independent Non-executive Director and Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Directors' Service Contracts

Mr. Peter JACKSON, an Executive Director and the Chief Executive Officer of the Company entered into a service contract with the Company on 5 June 1996 for an initial term of three years from 18 June 1996 to 17 June 1999 and thereafter, the contract shall continue unless or until terminated by either party in writing giving to the other not less than twelve calendar months' notice in writing to expire on or at any time after the end of the initial 3-year period.

Directors' Report

Directors' Service Contracts (continued)

Mr. William WADE, an Executive Director and the Deputy Chief Executive Officer of the Company entered into a service contract with the Company on 3 June 1996 for an initial term of two years from 18 June 1996 to 17 June 1998 and thereafter, the contract shall continue unless or until terminated by either party in writing giving to the other not less than six calendar months' notice in writing to expire on or at any time after the end of the initial 2-year period.

As the contracts were signed before 31 December 2003, no shareholders' approval is required in accordance with the Listing Rules.

Directors' Interests in Contracts

No contract of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical Details of Directors and Senior Management

Brief biographical details of directors and senior management are set out on pages 34 to 37.

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 31 December 2005, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares of HK\$0.10 each in Asia Satellite Telecommunications Holdings Limited at 31 December 2005.

		Number of shares held						Total	% of the Issued Share Capital of the Company
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Directors									
Peter JACKSON	Long positions	163,500	—	—	—	—	—	163,500	0.042
	Short positions	—	—	—	—	—	—	—	—
William WADE	Long positions	5,000	—	—	—	—	—	5,000	0.001
	Short positions	—	—	—	—	—	—	—	—
Senior Management									
Catherine CHANG	Long positions	14,500	—	—	—	—	—	14,500	0.004
	Short positions	—	—	—	—	—	—	—	—
CHIU Ya Hui	Long positions	40,000	—	—	—	—	—	40,000	0.010
	Short positions	—	—	—	—	—	—	—	—
Sabrina CUBBON	Long positions	40,500	—	—	—	—	—	40,500	0.010
	Short positions	—	—	—	—	—	—	—	—
Denis LAU	Long positions	40,000	—	—	—	—	—	40,000	0.010
	Short positions	—	—	—	—	—	—	—	—

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation (continued)

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent Company a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial Shareholders' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Ordinary shares of HK\$0.10 each in the Company

		Number of shares held							% of the Issued Share Capital of the Company
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests	Total	
Bowenvale Limited	Long positions	—	—	268,905,000	—	—	—	268,905,000	68.9
	Short positions	—	—	—	—	—	—	—	—
Able Star Associates Limited	Long positions	—	—	268,905,000 ⁽¹⁾	—	—	—	268,905,000	68.9
	Short positions	—	—	—	—	—	—	—	—
CITIC Group	Long positions	—	—	268,905,000 ⁽¹⁾	—	—	—	268,905,000	68.9
	Short positions	—	—	—	—	—	—	—	—
SES GLOBAL Holding AG	Long positions	—	—	268,905,000 ⁽²⁾	—	—	—	268,905,000	68.9
	Short positions	—	—	—	—	—	—	—	—
SES GLOBAL S.A.	Long positions	—	—	268,905,000 ⁽²⁾	—	—	—	268,905,000	68.9
	Short positions	—	—	—	—	—	—	—	—
Aberdeen Asset Management Asia Ltd	Long positions	—	—	21,188,000	—	—	—	21,188,000	5.4
	Short positions	—	—	—	—	—	—	—	—

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is wholly-owned by CITIC Asia Limited ("CITIC Asia") which in turn is wholly-owned by CITIC Projects Management (HK) Limited ("CITIC Projects") which is a wholly-owned subsidiary of CITIC Group ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC Projects and CITIC are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.
- (2) SES GLOBAL Holding AG ("SES GLOBAL Holding") controls 50% of the voting rights of Bowenvale. SES GLOBAL Holding is wholly-owned by SES GLOBAL ASIA S.A., which in turn is a wholly-owned subsidiary of SES GLOBAL S.A. ("SES GLOBAL"). Accordingly, SES GLOBAL Holding, SES GLOBAL ASIA S.A. and SES GLOBAL are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 31 to the consolidated financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and for which relevant announcements had been made by the Company in accordance with the requirements of the Listing Rules.

The Group renewed two transponder utilisation agreements ("TUAs") on 16 June 2005 and 31 August 2005 for another year until 31 May 2006 and 30 June 2006 respectively for provision of transponder capacity to CITIC Guoan Information Industry Company Limited ("CITIC Guoan"), a subsidiary of CITIC. CITIC was a substantial shareholder of the Company throughout the year. Accordingly, CITIC Guoan is a connected party of the Company for the purpose of the Listing Rules and the TUAs constitute continuing connected transactions for the Company. In view that the utilisation fees in aggregate under the TUAs would exceed 0.1% of the revenue ratio calculated pursuant to Rule 14.07(3) of the Listing Rules, but no percentage ratio would exceed 2.5%, the TUAs are subject to the announcement requirement under Rule 14A.34 of the Listing Rules, but are exempt from the independent shareholders approval requirements under Rule 14A.32 of the Listing Rules. Accordingly, a public paid announcement was made on 2 September 2005.

Under the two transponder utilisation agreements which had been entered into with CITIC Guoan, the total amount of revenue recognised by the Group for the year was approximately HK\$2,461,000 (2004: HK\$3,101,000). In addition, under the agreement entered into by the Group with CITIC Technology Company Limited, a subsidiary of CITIC, on 26 April 2002 (as amended on 23 June 2003 and 25 June 2003) for collecting money from China customers on behalf of the Company, the Group recognised an agency fee of approximately HK\$723,000 (2004: HK\$686,000) during the year. In addition to the above, the Group made payments to SES GLOBAL and its subsidiary and a subsidiary of CITIC, amounting to HK\$462,000 (2004: HK\$475,000) and HK\$500,000 (2004: HK\$525,000) respectively, for certain Non-executive Directors representing SES GLOBAL and CITIC.

The Independent Non-executive Directors confirmed that the transactions were entered into by the Group in the ordinary course of its business and on normal commercial terms, and in accordance with the terms of the agreements governing such transactions.

Continuing Connected Transactions (continued)

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the Board of Directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) have not exceed the caps allowed by the Stock Exchange in the previous waiver.

Sufficiency of Public Float

Based on the information that is publicly available to, and within the knowledge of, the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 31 March 2006.

Subsequent Events

On 16 March 2006, the Board approved to procure a new satellite to replace AsiaSat 2 before its retirement but no contract with manufacturer has been signed.

Auditors

PricewaterhouseCoopers ("PwC") were appointed as auditors of the Company on 4 November 2004 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu on 4 November 2004.

The financial statements have been audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Denis Lau

Company Secretary

Hong Kong, 16 March 2006