Index to the Consolidated Financial Statements

Consolidated Balance Sheet

At 31 December 2005

	Note	2005	2004
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,620,911**	2,894,467
Leasehold land and land use rights	6	**24,199**	24,782
Intangible assets	8	**1,339**	—
Unbilled receivable		**174,563**	175,267
Interests in associates	10	**14,294**	13,397
Amount paid to tax authority	11	**93,666**	67,023
		2,928,972	3,174,936
Current assets			
Inventories	13	**434**	416
Trade and other receivables	12	**118,598**	137,478
Other loan receivable		**—**	2,062
Cash and cash equivalents	14	**1,635,526**	1,234,355
		1,754,558	1,374,311
Total assets		**4,683,530**	4,549,247
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**39,027**	39,027
Share premium		**4,614**	4,614
Retained earnings			
– Proposed final dividend	26	**105,372**	105,372
– Others		**3,955,175**	3,725,584
		4,104,188	3,874,597
Minority interests		**5,537**	6,356
Total equity		**4,109,725**	3,880,953

Consolidated Balance Sheet

At 31 December 2005

	Note	2005	2004
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	**192,654**	205,258
Deferred revenue	16	**87,654**	111,844
		280,308	317,102
Current liabilities			
Construction payables		**3,096**	4,989
Other payables and accrued expenses		**64,118**	65,322
Deferred revenue	16	**151,982**	175,043
Current income tax liabilities		**74,180**	105,717
Dividend payable		**121**	121
		293,497	351,192
Total liabilities		**573,805**	668,294
Total equity and liabilities		**4,683,530**	4,549,247
Net current assets		**1,461,061**	1,023,119
Total assets less current liabilities		**4,390,033**	4,198,055

The notes on pages 60 to106 are an integral part of these consolidated financial statements

Balance Sheet

At 31 December 2005

	Note	**2005**	2004
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**429,054**	429,054
Current assets			
Amount due from a subsidiary		**8,911**	6,624
Other receivables, deposits and prepayments		**2,118**	3,824
		11,029	10,448
Total assets		**440,083**	439,502
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**39,027**	39,027
Share premium		**4,614**	4,614
Retained earnings			
– Proposed final dividend	26	**105,372**	105,372
– Others		**288,014**	287,630
Total equity		**437,027**	436,643
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**3,050**	2,835
Current income tax liabilities		**6**	24
Total liabilities		**3,056**	2,859
Total equity and liabilities		**440,083**	439,502

The notes on pages 60 to 106 are an integral part of this financial statement

Consolidated Income Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Sales	5	**879,705**	1,004,982
Cost of services	19	**(419,029)**	(420,490)
Gross profit		**460,676**	584,492
Other gains - net	18	**43,711**	21,982
Administrative expenses	19	**(83,880)**	(102,477)
Operating profit		**420,507**	503,997
Finance costs	21	**—**	(1)
Share of loss of associates		**(3,872)**	(12,380)
Profit before income tax		**416,635**	491,616
Income tax expense	22	**(51,270)**	(60,536)
Profit for the year		**365,365**	431,080
Attributable to:			
Equity holders of the Company	24	**366,184**	431,216
Minority interests		**(819)**	(136)
		365,365	431,080
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– basic	25	**0.94**	1.10
– diluted	25	**0.94**	1.10
Dividends	26	**136,593**	136,593

The notes on pages 60 to 106 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Note	Attributable to equity holders of the Company			Minority Interests	Total
		Share capital	Share premium	Retained earnings		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004, as previously reported as equity		39,027	4,614	3,524,625	—	3,568,266
Balance at 1 January 2004, as previously separately reported as minority interests		—	—	—	492	492
Balance at 1 January 2004, as restated		39,027	4,614	3,524,625	492	3,568,758
Profit/(Loss) for the year		—	—	431,216	(136)	431,080
Final dividend relating to 2003		—	—	(93,664)	—	(93,664)
Interim dividend relating to 2004	26	—	—	(31,221)	—	(31,221)
Minority interests	29	—	—	—	6,000	6,000
		—	—	306,331	5,864	312,195
Balance at 31 December 2004		39,027	4,614	3,830,956	6,356	3,880,953
Balance at 1 January 2005, as per above		39,027	4,614	3,830,956	6,356	3,880,953
Profit/(Loss) for the year		—	—	366,184	(819)	365,365
Final dividend relating to 2004	26	—	—	(105,372)	—	(105,372)
Interim dividend relating to 2005	26	—	—	(31,221)	—	(31,221)
		—	—	229,591	(819)	228,772
Balance at 31 December 2005		**39,027**	**4,614**	**4,060,547**	**5,537**	**4,109,725**

The notes on pages 60 to 106 are an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**609,717**	779,413
Hong Kong Profits Tax paid		**(79,186)**	(10,934)
Overseas tax paid		**(16,181)**	(17,667)
Net cash generated from operating activities		**514,350**	750,812
Cash flows from investing activities			
Purchase of property, plant and equipment		**(23,659)**	(47,672)
Loan to an associate	31	**—**	(1,301)
Loan to an independent third party		**—**	(3,778)
Repayment of loan from an associate	31	**5,070**	3,510
Repayment of loan from an independent third party		**2,062**	1,716
Interest received		**39,833**	20,290
Interest expense		**—**	(1)
Proceeds from disposal of property, plant and equipment		**108**	257
Purchase of interests in associates		**—**	(23,930)
Net cash from/(used in) investing activities		**23,414**	(50,909)
Cash flows from financing activities			
Dividends paid	26	**(136,593)**	(124,885)
Net cash used in financing activities		**(136,593)**	(124,885)
Net increase in cash and cash equivalents		**401,171**	575,018
Cash and cash equivalents at beginning of the year		**1,234,355**	659,337
Cash and cash equivalents at end of the year, representing bank balances and cash	14	**1,635,526**	1,234,355

The notes on pages 60 to 106 are an integral part of these 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 17th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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 HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2006 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.

The adoption of new / revised HKFRSs

In 2005, the Group adopted the new / revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

2. Summary of Significant Accounting Policies (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new / revised HKASs did not result in substantial changes to the Group's existing accounting policies under HK GAAP. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity;

– HKASs 2, 8,16, 21, 28 and 36 have affected certain disclosures in the financial statements;

2. Summary of Significant Accounting Policies (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

– HKASs 7, 10, 12, 14, 18, 19, 23, 27, 31, 33 and 37 did not have any material impact as the Group's existing accounting policies have already complied with the standards in all material respects; and

– HKAS 24 has affected the identification of related parties and the disclosure of related-party transactions.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold land was accounted for at cost less accumulated depreciation.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Company expenses the cost of share options in the income statement. As no share option was granted after 7 November 2002, no adjustment was required in the income statement of the respective years (note 2.15).

The adoption of HKFRS 3, HKASs 36 and 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period of 2 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (note 2.7):

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– For the year ended 31 December 2005 and onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

2. Summary of Significant Accounting Policies (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005;

– HKFRS 3 – prospectively after the adoption date.

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKASs 31 and 38, HKFRSs 2 and 3.

The adoption of revised HKAS 17

	2005	2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(24,199)**	(24,782)
Increase in leasehold land and land use rights	**24,199**	24,782

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS 7	Financial Instruments: Disclosures

2.2 CONSOLIDATION

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

(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.

2. Summary of Significant Accounting Policies (continued)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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 recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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 dividend 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 recognised 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's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Summary of Significant Accounting Policies (continued)

2.2 CONSOLIDATION (CONTINUED)

(b) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 dividend received and receivable.

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 HK 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 recognised in the income statement.

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.

2. Summary of Significant Accounting Policies (continued)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(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 income statement 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 recognised 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 an 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 recognised 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 income statement during the financial year in which they are incurred.

2. Summary of Significant Accounting Policies (continued)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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%

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.

2.6 INTANGIBLE ASSETS – LICENCE

The licence is shown at historical cost. The licence has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the licence over its estimated useful life (112 months).

2.7 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested 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 amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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).

2. Summary of Significant Accounting Policies (continued)

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 realisable value. Cost is determined using the first-in, first-out (FIFO) method, comprises all costs of purchase and other costs incurred in bringing the inventories to their present locations and conditions. Net realisable 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 recognised 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. The amount of the provision is recognised in the income statement.

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.

2.12 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 recognised 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 amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2. Summary of Significant Accounting Policies (continued)

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 realised or the deferred income tax liability is settled.

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

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 recognised 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 recognised 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 recognised 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 recognises 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.

2. Summary of Significant Accounting Policies (continued)

2.15 EMPLOYEE BENEFITS (CONTINUED)

(c) Profit-sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised 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.

2.16 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised 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 recognised 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 recognised 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 utilisation is recognised on a straight-line basis over the period of the agreements. The excess of revenue recognised 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 recognised 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 utilisation 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 recognised as revenue are recorded as deferred revenue. Deferred revenue which will be recognised in the following year is classified under current liabilities and amounts which will be recognised 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. Summary of Significant Accounting Policies (continued)

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 income statement on a straight-line basis over the period of the lease.

2.19 DIVIDEND DISTRIBUTION

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

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 31 December 2005, almost all the Group's transponder utilisation 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 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

As the Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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 2.7. 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 recognises 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 52% of its total assets as of 31 December 2005 (31 December 2004: 59%). 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.

4. Critical Accounting Estimates and Judgments (continued)

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Realisability 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 recognised 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 utilisation agreements ("Existing Agreements").

Modifications to the terms of the Existing Agreements that result in shorter utilisation 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 recognised).

(e) Provision for impairment of receivables

The issue is covered under credit risk in note 3.1 (b) above.

5. Sales and Segment Information

Sales:

The Group's sales is analysed as follows:

	2005	2004
	HK$'000	HK$'000
Income from provision of satellite transponder capacity	**850,436**	982,464
Sales of satellite transponder capacity	**24,491**	20,518
Other revenue	**4,778**	2,000
	879,705	1,004,982

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:

	2005	2004
	HK$'000	HK$'000
Hong Kong	**341,698**	323,133
Greater China, including Taiwan	**202,730**	197,936
United States of America	**78,205**	183,750
United Kingdom	**49,401**	46,073
British Virgin Islands	**9,706**	40,897
Others	**197,965**	213,193
	879,705	1,004,982

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 analysed as follows:

	2005	2004
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of over 50 years	—	—
Leases of between 10 to 50 years	24,199	24,782
	24,199	24,782

	2005	2004
	HK$'000	HK$'000
Opening	24,782	25,365
Amortisation of prepaid operating lease payment	(583)	(583)
Closing	24,199	24,782

7. Property, Plant and Equipment – Group

	Satellites and tracking facilities							
	In operation	Under construction	Buildings	Furniture, fixtures and fittings	Office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004								
Cost	4,167,029	41,837	117,866	10,558	6,925	3,427	2,524	4,350,166
Accumulated depreciation	(1,191,719)	—	(393)	(8,962)	(5,335)	(2,125)	(1,598)	(1,210,132)
Net book amount	2,975,310	41,837	117,473	1,596	1,590	1,302	926	3,140,034
Year ended 31 December 2004								
Opening net book amount	2,975,310	41,837	117,473	1,596	1,590	1,302	926	3,140,034
Additions	14,953	22,826	34	1,291	1,055	1,722	22	41,903
Transfer	55,028	(55,028)	—	—	—	—	—	—
Disposals (note 27)	—	—	—	(16)	(1)	(71)	—	(88)
Depreciation	(280,171)	—	(4,716)	(716)	(762)	(797)	(220)	(287,382)
Closing net book amount	2,765,120	9,635	112,791	2,155	1,882	2,156	728	2,894,467
At 31 December 2004								
Cost	4,232,629	9,635	117,900	10,854	7,646	3,871	2,370	4,384,905
Accumulated depreciation	(1,467,509)	—	(5,109)	(8,699)	(5,764)	(1,715)	(1,642)	(1,490,438)
Net book amount	2,765,120	9,635	112,791	2,155	1,882	2,156	728	2,894,467
Year ended 31 December 2005								
Opening net book amount	2,765,120	9,635	112,791	2,155	1,882	2,156	728	2,894,467
Additions	1,337	10,309	98	7,377	1,584	865	—	21,570
Transfer	19,539	(19,539)	—	—	—	—	—	—
Disposals (note 27)	—	—	—	(7)	(2)	—	—	(9)
Depreciation	(286,032)	—	(4,716)	(2,178)	(1,068)	(907)	(216)	(295,117)
Closing net book amount	2,499,964	405	108,173	7,347	2,396	2,114	512	2,620,911
At 31 December 2005								
Cost	**4,253,504**	**405**	**117,998**	**11,142**	**8,928**	**4,137**	**2,371**	**4,398,485**
Accumulated depreciation	**(1,753,540)**	**—**	**(9,825)**	**(3,795)**	**(6,532)**	**(2,023)**	**(1,859)**	**(1,777,574)**
Net book amount	**2,499,964**	**405**	**108,173**	**7,347**	**2,396**	**2,114**	**512**	**2,620,911**

Depreciation expense of HK$295,117,000 (2004: HK$287,382,000) has been expensed in cost of services.

8. Intangible Assets – Group

	Licence HK$'000
At 1 January 2004 and 31 December 2004	
Cost	—
Accumulated amortisation and impairment	—
Net book amount	—
Year ended 31 December 2005	
Additions	1,500
Amortisation expense (a) (note 19)	(161)
Closing net book amount	1,339
At 31 December 2005	
Cost	**1,500**
Accumulated amortisation and impairment	**(161)**
Net book amount	**1,339**

Note:

(a) Amortisation expense of HK$161,000 is included in the administrative expenses in the income statement.

9. Investments in Subsidiaries

(a) Investments in subsidiaries

	Company	
	2005	2004
	HK$'000	HK$'000
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 reorganisation in 1996.

9. Investments in Subsidiaries (continued)

The following is a list of the principal subsidiaries and a controlled partnership at 31 December 2005:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
AsiaSat BVI Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	3,000 ordinary shares of US$1 each	*100%
Asia Satellite Telecommunications Company Limited	Hong Kong, limited liability company	Provision of satellite transponder capacity worldwide	30,000 ordinary shares and 20,000 non-voting deferred shares of HK$10 each	100%
Hanbury International Limited	British Virgin Islands, limited liability company	Inactive in Hong Kong	1 ordinary share of HK$1 each	100%
SAT Limited	Republic of Mauritius, limited liability company	Inactive in Republic of Mauritius	100 ordinary shares of US$1 each	*100%
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	3,000,002 ordinary shares of HK$10 each	80%
Sornico Limited	Hong Kong, limited liability company	Inactive in Hong Kong	2 ordinary shares of HK$10 each	100%
The First Asian Satellite Leasing Limited Partnership (the "Partnership")	Hong Kong, limited liability partnership	Inactive in Hong Kong	N/A	1%
Auspicious Colour Limited	Hong Kong, limited liability company	Inactive in Hong Kong	1 ordinary share of HK$1 each	100%

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.

10. Interests in Associates – Group

	2005	2004
	HK$'000	HK$'000
Share of net assets		
Beginning of the year	**11,551**	24,151
Share of associates' losses	**(3,872)**	(12,380)
Amortisation of goodwill	**—**	(220)
End of the year	**7,679**	11,551
Amount due from an associate		
Beginning of the year	**1,846**	—
Additions	**4,769**	1,846
End of the year	**6,615**	1,846
Total	**14,294**	13,397

Interests in associates at 31 December 2005 include goodwill of HK$442,000 (2004: HK$442,000).

10. Interests in Associates – Group (continued)

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	Liabilities	Revenues	Profit/(loss)	% Interest held
			HK$'000	HK$'000	HK$'000	HK$'000	%
2004							
Beijing Asia Sky Telecommunications Technology Company Limited	N/A	China	48,785	25,183	888	(2,289)	49
SpeedCast Holdings Limited	Ordinary shares of US$0.0001 each	Cayman Islands	35,418	21,740	49,825	(11,339)	47
SpeedCast Limited (note 1)	Ordinary shares of HK$0.01 each	Hong Kong	N/A	N/A	N/A	N/A	47
			84,203	46,923	50,713	(13,628)	
2005							
Beijing Asia Sky Telecommunications Technology Company Limited	**N/A**	**China**	**42,011**	**25,945**	**2,721**	**(7,909)**	**49**
SpeedCast Holdings Limited	**Ordinary shares of US$0.0001 each**	**Cayman Islands**	**39,392**	**25,345**	**82,673**	**368**	**47**
SpeedCast Limited (note 1)	**Ordinary shares of HK$0.01 each**	**Hong Kong**	**N/A**	**N/A**	**N/A**	**N/A**	**47**
			81,403	**51,290**	**85,394**	**(7,541)**	

The Group has not recognised profit amounting to HK$174,000 (2004: loss HK$5,363,000) for SpeedCast Holdings Limited as the Group's share of loss exceeds its interest in SpeedCast. The accumulated losses not recognised were HK$12,034,000 (2004: HK$12,208,000).

Note:

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

11. Amount Paid to Tax Authority – Group

At the balance sheet date, an amount of approximately HK$93,666,000 (2004: HK$67,023,000) had been paid to the Government of India. For details, please refer to note 28.

12. Trade and Other Receivables – Group

	2005 HK$'000	2004 HK$'000
Trade receivables	**90,653**	91,364
Trade receivables from related parties (note 31)	**7,678**	4,574
Less: provision for impairment of receivables	**(30,930)**	(23,230)
Trade receivables – net	**67,401**	72,708
Receivables from related parties (note 31)	**15,503**	14,628
Other receivables	**10,831**	7,846
Deposits and prepayments	**24,863**	37,226
Loan receivable from an associate (note 31)	**—**	5,070
	118,598	137,478
Less non-current portion: loans to related parties	**—**	—
Current portion	**118,598**	137,478

(a) 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:

	2005 HK$'000	2004 HK$'000
0 to 30 days	**27,768**	34,047
31 to 60 days	**8,652**	18,318
61 to 90 days	**14,315**	11,424
91 to 180 days	**10,074**	3,796
181 days or above	**6,592**	5,123
	67,401	72,708

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

13. Inventories – Group

	2005 HK$'000	2004 HK$'000
Merchandise	**434**	416

The cost of inventories recognised as expense and included in cost of services amounted to HK$500,000 (2004: Nil).

14. Cash and Cash Equivalents – Group

	2005 HK$'000	2004 HK$'000
Cash at bank and in hand	**13,173**	4,036
Short-term bank deposits	**1,622,353**	1,230,319
	1,635,526	1,234,355

The effective interest rate on short-term bank deposits was 3.1% (2004: 2.3%); these deposits have an average maturity of 17 days.

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

	2005 HK$'000	2004 HK$'000
Cash and cash equivalents	**1,635,526**	1,234,355

15. Share Capital

	Number of shares (thousands)	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 31 December 2005 and 31 December 2004	**390,266**	**39,027**	**4,614**	**43,641**

The total authorised number of ordinary shares is 550,000,000 shares (2004: 550,000,000 shares) with a par value of HK$0.10 per share (2004: HK$0.10 per share). All issued shares are fully paid.

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 3 JUNE 1996

In accordance with the Company's share option scheme (the "1996 Scheme") adopted pursuant to a resolution passed on 3 June 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 25 January 2002 pursuant to a resolution passed on that date.

15. Share Capital (continued)

SCHEME ADOPTED ON 25 JANUARY 2002

A new share option scheme (the "2002 Scheme") was adopted pursuant to a resolution passed on 25 January 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 24 January 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 the year. At 31 December 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.

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.

15. Share Capital (continued)

SCHEME ADOPTED ON 25 JANUARY 2002 (CONTINUED)

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.

No options were granted during the year. Total consideration received in 2002 from employees for taking up the options granted amounted to HK$105.

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 income statement 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:

	2005		2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,691,500**	17.48	1,691,500
Granted	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Lapsed	**17.48**	**(57,500)**	—	—
At 31 December	**17.48**	**1,634,000**	17.48	1,691,500

Option B:

	2005		2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,753,000**	17.48	1,768,000
Granted	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Lapsed	**17.48**	**(98,000)**	17.48	(15,000)
At 31 December	**17.48**	**1,655,000**	17.48	1,753,000

15. Share Capital (continued)

Option C:	2005		2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**14.35**	**3,481,500**	14.35	3,481,500
Granted	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Lapsed	**14.35**	**(170,000)**	—	—
At 31 December	**14.35**	**3,311,500**	14.35	3,481,500

Out of the 6,600,500 outstanding options (2004: 6,926,000 options), number of exercisable options are as follows:

	2005		2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
Option A	**17.48**	**1,634,000**	17.48	1,691,500
Option B	**17.48**	**1,655,000**	17.48	1,753,000
Option C	**14.35**	**1,655,750**	14.35	870,375
Total		**4,944,750**		4,314,875

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	
		2005	2004
25 November 2006	17.48	**1,634,000**	1,691,500
30 September 2009	17.48	**1,655,000**	1,753,000
3 February 2012	14.35	**3,311,500**	3,481,500
		6,600,500	6,926,000

15. Share Capital (continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
2002 Scheme				HK$
A (note a)	4 February 2002	—	4 February 2002 – 25 November 2006	17.48
B (note a)	4 February 2002	4 February 2002 – 30 September 2002	1 October 2002 – 30 September 2009	17.48
C (note b)	4 February 2002	4 February 2002 – 3 February 2004	4 February 2004 – 3 February 2012	14.35
1996 Scheme				HK$
D (note a)	26 November 1996	26 November 1996 – 25 November 1999	26 November 1999 – 25 November 2006	17.48
E (note a)	20 September 1999	20 September 1999 – 30 September 2002	1 October 2002 – 30 September 2009	17.48

Notes:

a. Pursuant to a resolution passed in the special general meeting of the Company held on 25 January 2002, the 1996 Scheme was terminated and all existing options under that scheme were cancelled. New options were issued on 4 February 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 4 February 2002 and 25 November 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 26 November 1999 and 25 November 2006
2. Up to 75% between 26 November 2000 and 25 November 2006
3. Up to 100% between 26 November 2001 and 25 November 2006

Option types B and E

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

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

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

Option type C

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

16. Deferred Revenue – Group

	2005 HK$'000	2004 HK$'000
The maturity of deferred revenue is as follows:		
Within one year	**151,982**	175,043
More than one year but not exceeding five years	**87,654**	111,844
	239,636	286,887
Less: amount shown as current	**(151,982)**	(175,043)
	87,654	111,844

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:

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**—**	—	**—**	—
– Deferred tax assets to be recovered within 12 months	**—**	—	**—**	—
	—	—	**—**	—
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	**192,654**	205,258	**—**	—
– Deferred tax liabilities to be recovered within 12 months	**—**	—	**—**	—
	192,654	205,258	**—**	—
	192,654	205,258	**—**	—

17. Deferred Income Tax (continued)

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**205,258**	213,522	**—**	(76)
Recognised in the income statement (note 22)	**(12,604)**	(8,264)	**—**	76
End of the year	**192,654**	205,258	**—**	—

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

Deferred tax liabilities/(assets):

	Group				Company
	Accelerated tax depreciation	Others	Tax loss	Total	Tax loss
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	213,909	(311)	(76)	213,522	(76)
Recognised in the income statement	(6,884)	(1,456)	76	(8,264)	76
Charged to equity	—	—	—	—	—
Exchange differences	—	—	—	—	—
At 31 December 2004	207,025	(1,767)	—	205,258	—
Recognised in the income statement	(13,730)	1,126	—	(12,604)	—
Charged to equity	—	—	—	—	—
Acquisition of subsidiary	—	—	—	—	—
Exchange differences	—	—	—	—	—
At 31 December 2005	**193,295**	**(641)**	**—**	**192,654**	**—**

18. Other Gains – Net

	2005	2004
	HK$'000	HK$'000
Interest income	**43,606**	21,813
Gain on disposal of property, plant and equipment other than transponders	**99**	169
Others	**6**	—
	43,711	21,982

19. Expenses by Nature

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

	2005	2004
	HK$'000	HK$'000
Auditors' remuneration	**769**	697
Impairment of receivables	**2,987**	—
Provision for impairment of receivables	**7,700**	17,690
Depreciation, amortisation and impairment expenses (notes 7 and 8)	**295,278**	287,382
Employee benefit expense (note 20)	**65,092**	75,427
Operating leases		
– premises	**5,872**	5,380
– leasehold land & land use rights	**583**	583
Net exchange loss	**547**	288

20. Employee Benefit Expense

	2005 HK$'000	2004 HK$'000
Salary and other benefits, including directors' remuneration	**60,748**	71,071
Pension costs – defined contribution plans	**4,344**	4,356
Total staff costs	**65,092**	75,427

(A) PENSIONS – DEFINED CONTRIBUTION PLANS

Forfeited contributions totaling HK$292,000 (2004: HK$37,000) were utilised during the year leaving HK$43,000 available at the year-end to reduce future contributions.

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

(B) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits(a)	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Romain BAUSCH (g)	200	—	—	—	—	—	—	200
Robert BEDNAREK (g)	150	—	—	—	—	—	—	150
Edward CHEN	225	—	—	—	—	—	—	225
Cynthia DICKINS (b) & (g)	12	—	—	—	—	—	—	12
DING Yu Cheng (h)	100	—	—	—	—	—	—	100
R. Donald FULLERTON	200	—	—	—	—	—	—	200
JU Wei Min (h)	100	—	—	—	—	—	—	100
KO Fai Wong (h)	100	—	—	—	—	—	—	100
MI Zeng Xin (h)	200	—	—	—	—	—	—	200
Mark RIGOLLE (g)	100	—	—	—	—	—	—	100
Robert SZE	250	—	—	—	—	—	—	250
Peter JACKSON	—	2,672	390	—	1,961	401	—	5,424
William WADE	—	2,074	302	—	1,485	311	—	4,172
Total	1,637	4,746	692	—	3,446	712	—	11,233

20. Employee Benefit Expense (continued)

(B) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

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

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits(a)	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Romain BAUSCH (g)	200	—	—	—	—	—	—	200
Robert BEDNAREK (g)	150	—	—	—	—	—	—	150
Edward CHEN	175	—	—	—	—	—	—	175
DING Yu Cheng (h)	100	—	—	—	—	—	—	100
R. Donald FULLERTON	175	—	—	—	—	—	—	175
JU Wei Min (h)	125	—	—	—	—	—	—	125
KO Fai Wong (c) & (h)	81	—	—	—	—	—	—	81
LI Ting Zhou (d) & (h)	19	—	—	—	—	—	—	19
MI Zeng Xin (h)	200	—	—	—	—	—	—	200
Mark RIGOLLE (e) & (g)	15	—	—	—	—	—	—	15
Jürgen SCHULTE (f) & (g)	110	—	—	—	—	—	—	110
Robert SZE	175	—	—	—	—	—	—	175
Peter JACKSON	—	2,619	2,619	—	1,817	393	—	7,448
William WADE	—	2,033	2,033	—	1,405	305	—	5,776
Total	1,525	4,652	4,652	—	3,222	698	—	14,749

Notes:

(a) Other benefits include accommodation, car, leave passage, insurance premium and club membership.

(b) Appointed on 17 November 2005.

(c) Appointed on 11 March 2004.

(d) Resigned on 11 March 2004.

(e) Appointed on 17 November 2004.

(f) Resigned on 17 November 2004.

(g) Paid to SES GLOBAL and its subsidiary.

(h) Paid to a subsidiary of CITIC.

20. Employee Benefit Expense (continued)

(C) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**8,450**	8,313
Contributions to retirement benefits scheme	**701**	687
Performance related incentive payments	**606**	3,666
	9,757	12,666

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
HK$2,500,001 – HK$3,000,000	**1**	—
HK$3,000,001 – HK$3,500,000	**1**	—
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**—**	1
HK$4,500,001 – HK$5,000,000	**—**	1
	3	3

21. Finance Costs

	2005 HK$'000	2004 HK$'000
Interest expense:		
– bank borrowings: bank loans and overdrafts	—	1

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% (2004: 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 area set out in note 28.

	2005 HK$'000	2004 HK$'000
Current income tax		
– Hong Kong profits tax	**45,056**	49,574
– Overseas taxation	**18,818**	19,226
Deferred income tax (note 17)	**(12,604)**	(8,264)
	51,270	60,536

22. Income Tax Expense (continued)

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

	2005 HK$'000	2004 HK$'000
Profit before tax	**416,635**	491,616
Tax calculated at tax rate of 17.5% (2004: 17.5%)	**72,911**	86,033
Tax effect of income not subject to tax	**(84,164)**	(91,475)
Tax effect of expenses not deductible for tax purposes	**43,027**	44,585
Tax effect of tax losses of associates not recognised	**678**	2,167
Effect of income tax rate differential between Hong Kong and overseas locations	**18,818**	19,226
Tax expense	**51,270**	60,536

23. Net Foreign Exchange Losses

The exchange differences recognised in the income statement are included as follows:

	2005 HK$'000	2004 HK$'000
Administrative expenses	**547**	288

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 HK$136,977,000 (2004: HK$125,358,000).

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.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**366,184**	431,216
Weighted average number of ordinary shares in issue (thousands)	**390,266**	390,266
Basic earnings per share (HK$ per share)	**0.94**	1.10

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.

	2005	2004
	HK$'000	HK$'000
Profit used to determine diluted earnings per share	**366,184**	431,216
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)	**390,292**	390,266
Diluted earnings per share (HK$ per share)	**0.94**	1.10

26. Dividends

The dividends paid during the years ended 2005 and 2004 were HK$136,593,000 (HK$0.35 per share) and HK$124,885,000 (HK$0.32 per share) respectively. A dividend in respect of 2005 of HK$0.27 per share, amounting to a total dividend of HK$105,372,000 is to be proposed at the Annual General Meeting on 19 May 2006. These financial statements do not reflect this dividend payable.

	2005	2004
	HK$'000	HK$'000
Interim dividend paid of HK$0.08 (2004: HK$0.08) per ordinary share	**31,221**	31,221
Proposed final dividend of HK$0.27 (2004: HK$0.27) per ordinary share	**105,372**	105,372
	136,593	136,593

27. Cash Generated from Operations

	2005 HK$'000	2004 HK$'000
Profit for the year	**365,365**	431,080
Adjustments for:		
– Tax (note 22)	**51,270**	60,536
– Bad debt expenses	**2,987**	—
– Provision for impairment of receivables (written back) made	**7,700**	17,690
– Depreciation (note 7)	**295,117**	287,382
– Amortisation of prepaid operating lease payment (note 6)	**583**	583
– Amortisation of licence (note 8)	**161**	—
– Profit on sale of property, plant and equipment (see below)	**(99)**	(169)
– Interest income (note 18)	**(43,606)**	(21,813)
– Finance costs (note 21)	**—**	1
– Share of loss from associates (note 10)	**3,872**	12,380
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Unbilled receivable	**704**	6,357
– Amount paid to tax authority	**(26,643)**	(42,535)
– Inventories	**(18)**	(416)
– Trade and other receivables	**779**	(27,136)
– Other payables and accrued expenses	**(1,204)**	47,964
– Deferred revenue	**(47,251)**	7,509
Cash generated from operations	**609,717**	779,413

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

	2005 HK$'000	2004 HK$'000
Net book amount (note 7)	**9**	88
Profit on sale of property, plant and equipment	**99**	169
Proceeds from sale of property, plant and equipment	**108**	257

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
Total	146 million	848 million

The Group has filed appeals for each of the assessment years 1997-98 to 2002-03.

No assessment has yet been made for the 2003-04 or 2004-05 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.

28. Contingencies (continued)

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:

Assessment year	Amount HK$ (approximate)	Amount INR (approximate)
1997-98	13 million	78 million
1998-99	15 million	88 million
1999-00	10 million	62 million
2000-01	9 million	50 million
2001-02	20 million	119 million
2002-03	27 million	148 million
Total	94 million	545 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 recognised for Indian income tax in the Group's financial statements.

29. Major Non-cash Transactions

On 30 November 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.

30. Commitments – Group

CAPITAL COMMITMENTS

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

	2005	2004
	HK$'000	HK$'000
A satellite earth station		
Contracted but not provided for	**—**	15,561
Other investment projects		
Authorised but not contracted for	**10,140**	5,486
Other assets		
Contracted but not provided for	**5,750**	345
	15,890	21,392

30. Commitments - Group (continued)

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 income statement during the year is disclosed in note 19.

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

	2005	2004
	HK$'000	HK$'000
Not later than 1 year	**4,376**	6,504
Later than 1 year and not later than 5 years	**4,773**	10,647
Later than 5 years	**—**	—
	9,149	17,151

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 recognised in the income statement during the year was HK$552,000 (2004: HK$368,000).

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

	2005	2004
	HK$'000	HK$'000
Within one year	**552**	552
One to two years	**552**	552
Two to three years	**184**	552
Three to four years	**—**	184
	1,288	1,840

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. The ultimate parents of the Group are CITIC Group (incorporated in China) and SES GLOBAL 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 recognised income from provision of satellite transponder capacity from its associate, SpeedCast.

	2005	2004
	HK$'000	HK$'000
CITIC Guoan Information Industry Company Limited	**2,461**	3,101
SpeedCast Limited (an associate)	**32,202**	18,793
	34,663	21,894

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.

	2005	2004
	HK$'000	HK$'000
CITIC Technology Company Limited	**723**	686

31. Related-party Transactions (continued)

iii) Key management compensation

Information for other key management personnel is set out in note 20.

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

	2005	2004
	HK$'000	HK$'000
SES GLOBAL and its subsidiary	**462**	475
A subsidiary of CITIC	**500**	525
	962	1,000

iv) Licence fee

	2005	2004
	HK$'000	HK$'000
SES ASTRA S.A.	**—**	49

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

v) Interest income on loan receivable from an associate

	2005	2004
	HK$'000	HK$'000
SpeedCast Limited (an associate)	**176**	419

31. Related-party Transactions (continued)

vi) Year-end balances arising from these transactions

	2005 HK$'000	2004 HK$'000
Trade receivables from related parties (note 12):		
CITIC Guoan Information Industry Company Limited	**39**	1,248
SpeedCast Limited (an associate)	**7,639**	3,326
	7,678	4,574
Receivables from related parties (note 12):		
CITIC Technology Company Limited	**15,503**	14,628
Payables to related parties:		
CITIC Technology Company Limited	**455**	770

vii) Loan receivable from an associate

	2005 HK$'000	2004 HK$'000
Loan receivable from SpeedCast Limited:		
Beginning of the year	**5,070**	7,279
Loans advanced during the year	**—**	1,301
Loan repayments received	**(5,070)**	(3,510)
End of the year (note 12)	**—**	5,070

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

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