

FINANCIAL REVIEW

The turnover of the Group for the period ended 30 June 2006 was HK\$207,996,000, an increase of 44%, as compared to the same period in 2005. The increase was mainly due to commencement of some new utilization contracts for APSTAR VI. The cost of services of the Group for the period ended 30 June 2006 was HK\$167,497,000, an increase of 38%, as compared to the same period in 2005. The increase of cost of services was primarily due to an increase in in-orbit insurance and depreciation of the satellite of APSTAR VI which commenced service on 7 June 2005. Finance costs increased by HK\$22,426,000 to HK\$31,055,000, as compared to the same period in 2005. The increase of finance costs was primarily due to related interest was no longer capitalized upon the commencement of operation of APSTAR VI. The other net income decreased by HK\$13,716,000 to HK\$9,074,000, as compared to the same period in 2005. The decrease of other net income was mainly due to receipt of one time compensation income in respect of the late delivery of APSTAR VI in the period ended 30 June 2005. As a result of the foregoing, the Group recorded a loss after taxation of HK\$21,782,000 for the period ended 30 June 2006, an increase of loss of HK\$10,919,000, as compared to the same period in 2005.

CAPITAL EXPENDITURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period, the Group's principal use of capital was the capital expenditure related to telecommunication equipments. The capital expenditure incurred for the period ended 30 June 2006 amounted to HK\$2,453,000. As at 30 June 2006, the Group had cash and cash equivalents amounting HK\$227,569,000 (31 December 2005: HK\$326,440,000) and pledged bank deposits of HK\$60,396,000 (31 December 2005: HK\$68,699,000). Together with cash flow generated from operation, the Group could meet all the debt repayment schedules in the coming year.

As at 30 June 2006, the Group's total liabilities were HK\$1,486,827,000, a decrease of HK\$65,910,000, as compared to 31 December 2005, which was mainly due to the Group repaid part of bank borrowings pursuant to the repayment schedule of a bank loan facility in respect of satellite project. As a result of the above repayment, the gearing ratio (total liabilities/total assets) has decreased to 42%, representing a 1% decrease as compared to 31 December 2005. The secured bank borrowings were primarily denominated in United States dollars and were on floating-rate basis. As at 30 June 2006, the debt maturity profile (excluding the borrowing transaction cost) of the Group was as follows:

Year of Maturity	HK\$
Repayable within 1 year or on demand	129,285,000
Repayable after one year but within five years	937,755,000

CAPITAL STRUCTURE

The Group continues to maintain a prudent treasury policy and manage currency and interest risks on a conservative basis. During the period, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in United States dollars. Interest under secured bank borrowings was computed at the London Inter-Bank Offering Rate plus a margin. The Group would consider the fluctuation risk of the floating interest rate and would take appropriate measure in due course to hedge against interest rate fluctuation.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group maintained its interest in APT Satellite Telecommunications Limited ("APT Telecom") at 55% as at 30 June 2006. APT Telecom is engaged in property leasing and related facilities management services. As at 30 June 2006, the Group's share of loss of jointly controlled entities was HK\$445,000.

SEGMENT INFORMATION

The turnover of the Group, which is analyzed by business and geographical segments, is disclosed in note 3 to the interim financial report.

Satellite Transponder Capacity and Related Services

Revenue from Satellite Transponder Capacity and Related Services for the period ended 30 June 2006 increased approximately 48% to HK\$189,848,000. Segmental gain of HK\$36,566,000, an increase of 66%, as compared to the same period in 2005, was mainly due to only one month income in respect of APSTAR VI recorded on the same period in 2005. The increase of segmental income and gain was due to an increase of commencement of some new utilization contracts upon the commencement of operation of APSTAR VI.

Satellite-based broadcasting and telecommunications

Revenue from Satellite-based Broadcasting and Telecommunications Services for the period ended 30 June 2006 increased 56% to HK\$27,434,000. Segmental gain increased to HK\$3,887,000. This primarily reflected an increase of some new customers in VSAT for the period in 2006.

CHARGES ON GROUP ASSETS

At 30 June 2006, the Group had deposits of approximately HK\$60,396,000 (31 December 2005: HK\$68,699,000) and assets of APSTAR V and APSTAR VI and related equipment contracts with aggregate carrying value of approximately HK\$2,655,352,000 (31 December 2005: HK\$2,752,162,000), their related in-orbit insurance claims proceeds, and the assignment of all their present and future agreements of transponder capacity were pledged to secure bank loan. As at 30 June 2006, total outstanding with respect to bank loan was HK\$1,067,040,000 (US\$136,800,000).

In addition, certain of the Group's banking facilities were secured by the Group's properties with aggregate carrying value of approximately HK\$4,173,000 (31 December 2005: HK\$4,771,000).

CAPITAL COMMITMENTS

As at 30 June 2006, the Group has the outstanding capital commitments of HK\$764,000 (31 December 2005: HK\$2,290,000), which was contracted but not provided for in the Group's financial statements, mainly in respect of the purchases of equipment.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in note 12 to the interim financial report.

HUMAN RESOURCES

As at 30 June 2006, the Group had 159 employees (2005: 166). With regard to the emolument policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new share option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). To further motivate employees for better contribution to the Group, the Group has also established an incentive bonus scheme.

The Group provides on the job training to employees to update and upgrade their knowledge on related job fields.