

Chairman's Statement

A Promising but Stubborn Market

The economic improvements that we have noted in recent reports continue to be evident in the Asia-Pacific region. However, the persistent overcapacity present in many markets across the region is still holding down transponder rates and causing the satellite market to remain stubbornly flat. As a result, despite an increase in demand in our business and a concerted effort to capitalise on opportunities, little positive impact has come through in the results for the first six months of 2006.

In these circumstances and with a view to the longer term, it is pleasing that I am able to report that, following the 18% increase in our overall utilisation rate during last year's difficult market, we achieved a further 4% increase in the first half of 2006. This is an encouraging improvement amidst otherwise unimpressive results.

AsiaSat, however, continues to attract and maintain an enviable blue-chip customer base with long-term contracts; the Company is also debt free and has no need to make any provisions for doubtful debts in the period under review. Looking at the longer term, our confidence in a bright future for satellites in the Asia Pacific is unchanged, as is our belief in AsiaSat's potential to benefit from this in due course. For these reasons, we continue to focus on our customers and on enhancing our products and services so as to further consolidate our market leadership and be ready for the next growth phase. I want to thank each member of management and staff for his and her dedication to excellence in the current tough market.

Underlining our continued confidence in the future of the Group, in May this year we announced the signing of the Construction Agreement to design and build AsiaSat 5, and we also announced its Launch Contract. This new satellite, a replacement for AsiaSat 2, is scheduled for launch in the second half of 2008.

Interim Results

Turnover for the first half of 2006 was HK\$475 million including a one-time receipt of HK\$46 million for early termination of a contract (2005: HK\$445 million), an increase of HK\$30 million. Excluding the one-time receipt, recurring revenue was down by HK\$16 million. The profit attributable to equity holders was HK\$239 million (2005: HK\$185 million), up 29%. This increase was due largely to the one-time receipt and to higher interest income.

Operating expenses in the first half of 2006, amounted to HK\$99 million (2005: HK\$102 million), a decrease of HK\$3 million mainly from lower satellite in-orbit insurance.

Interim Results (continued)

The Group's EBITDA (earnings before interest, tax, depreciation and amortisation) margin increased to 79% (2005: 77%) as a result of the one-time receipt reported above.

During the period, the Group generated a net cash flow of HK\$183 million (2005: HK\$96 million) after paying capital expenditure of HK\$118 million and dividends of HK\$105 million. At 30 June 2006, the Group reported a cash balance of HK\$1,818 million (31 December 2005: HK\$1,636 million). The Group continues to be debt free, which positions us well financially to undertake our investment programme and to pursue acquisition opportunities in the Region.

Dividend

The Board has resolved to pay an interim dividend of HK\$0.08 per share (2005: HK\$0.08), the same as last year. The interim dividend is payable on 14 November 2006 to equity holders on the share register as of 12 October 2006. The share register will be closed from 5 to 12 October 2006, both days inclusive.

Operations Review

NEW SATELLITE

AsiaSat's reputation for excellence has been built on providing our customers with the combined benefits of the best facilities and service in the industry today and on anticipating their needs for the future. To this end, in May, we announced the commencement of construction of AsiaSat 5, a new satellite that will replace AsiaSat 2 at the orbital location of 100.5°E. Shortly after, we also confirmed that we had signed a contract with Sea Launch to position AsiaSat 5 in orbit on a Land Launch rocket. This is scheduled to take place in the second half of 2008 from the Baikonur Cosmodrome in Kazakhstan.

IN-ORBIT SATELLITES

During the first six months of 2006, the Group's fleet of three in-orbit satellites, AsiaSat 2, AsiaSat 3S and AsiaSat 4, continued to deliver excellent service.

The fleet is located over the Asian land mass and forms the platform for one of the largest television viewerships in the world and provides AsiaSat customers with unparalleled coverage of two-thirds of the world's population.

AsiaSat 2 was launched in November 1995 and orbits at 100.5°E. It carries 24 C-band and 9 Ku-band transponders, and its overall utilisation rate at 30 June 2006 was 42% (31 December 2005: 40%).

AsiaSat 3S was launched in March 1999 and is stationed at 105.5°E. This satellite carries a payload of 28 C-band and 16 Ku-band transponders, and its overall utilisation rate at 30 June 2006 was 72% (31 December 2005: 73%).

AsiaSat 4 was launched in April 2003 and is positioned at the 122.2°E slot carrying 28 C-band and 20 Ku-band transponders, including four Hong Kong BSS (broadcast satellite service) transponders. Its overall utilisation rate at 30 June 2006 was 52% (31 December 2005: 47%).

IN-ORBIT SATELLITES (CONTINUED)

The total number of transponders on the Company's satellites leased and sold at 30 June 2006 increased to 70 (31 December 2005: 67), a 4% improvement, representing an overall utilisation rate of 56% (31 December 2005: 54%). This included the four BSS transponders provided for the DTH (direct-to-home) service.

CONTRACTS WITH CUSTOMERS

In the first six months of 2006, we secured new contracts to the value of HK\$186 million (2005: HK\$132 million) and renewed contracts to the extent of HK\$296 million (2005: HK\$316 million) improving the total to HK\$482 million (2005: HK\$448 million).

As of 30 June 2006, the Group held contracts worth HK\$2,785 million (31 December 2005: HK\$2,771 million), of which approximately HK\$381 million will be recognised in the second half of the current year. Despite the slow market, the Company has been able to make a number of improvements and maintain its backlog level.

MARKET REVIEW

Growth in Asia-Pacific markets continues to lag behind that seen in other satellite markets around the world. This is because, on one hand, the excess in transponder capacity that was built up in preceding years still has not been fully taken up and, on the other hand, a slower introduction of new applications in the region than has occurred in other parts of the world. Such applications as High Definition Television (HDTV) are beginning to show growth in other markets including North America, Europe and Japan. However, they have yet to gather momentum in other parts of Asia.

Nevertheless, HDTV is seen as a key driver for growth in the next few years. Another is video to mobile devices, which is showing great promise for satellites in the future. Coupled with the increasing demand for television and VSAT-delivered telecommunications services, these new applications will help to push the industry forward in the coming years.

Business Development

SUBSIDIARY

Skywave

Our subsidiary, Skywave TV Limited ("Skywave"), is 80% held by the Company and is engaged with its partners in establishing a low cost DTH (direct-to-home) platform to serve the markets of Hong Kong, Macau, Taiwan and Southern China.

Skywave launched its services at the beginning of 2005 and currently offers a variety of some 36 programmes branded under 'family favourites', 'premium movies' and 'premium sports'.

In the first half of this year, Skywave incurred a loss of HK\$2 million (2005: HK\$3 million), of which our share was close to HK\$2 million. This has been reflected in the consolidated accounts.

ASSOCIATE COMPANIES

SpeedCast

Our associate, SpeedCast Holdings Limited ("SpeedCast") in which the Company holds 47%, provides broadband, multimedia and corporate broadcast services to customers in countries across Asia and beyond.

In the first six months of 2006, the company continued to improve its performance in a highly competitive market having moved into profit in the second half of 2005. The company also continued to grow and, in the 2006 period under review, achieved a turnover of HK\$51 million (2005: HK\$38 million), an increase of 34%, and a profit of HK\$2 million (2005: loss of HK\$1 million).

During the half year, AsiaSat generated HK\$22 million as utilisation fees (2005: HK\$14 million) from SpeedCast by leasing capacity to the company.

Beijing Asia

In China, we are joint venture partners in Beijing Asia Sky Telecommunications Limited ("Beijing Asia"), in which the Company holds a 49% stake. This company is engaged in providing VSAT (very small aperture terminal) services in the Mainland. Beijing Asia started business in the last quarter of 2004 and, for the first six months of 2006, incurred a loss of HK\$4 million (2005: HK\$4 million), of which AsiaSat's share was HK\$2 million (2005: HK\$2 million).

NON-DOMESTIC TELEVISION PROGRAMME SERVICE LICENCE

The Company applied for, and was granted, another Non-domestic Television Programme Service Licence in the first half of 2006. To broaden our business scope, this licence, together with the Fixed Carrier Licence, will be used to provide bundled services for customers who need both space segment and uplink services from the Company.

Director

Mr. Don Fullerton, who was an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee for the last ten years, resigned on 30 May 2006. During these years, Mr. Fullerton has travelled frequently from Toronto to Hong Kong to attend meetings, and his contribution has been much appreciated. On behalf of AsiaSat and the Board, I wish to express our deep appreciation for his commitment and dedication to the Company. To fill the vacancy following Mr. Fullerton's departure, Mr. James Watkins has agreed to join AsiaSat as an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee with effect from 30 June 2006. Mr. Watkins qualified as a solicitor in 1969 and was for 20 years a partner in a leading international English law firm and specialised in the fields of corporate law, corporate finance, international capital markets and international projects and project finance. From 1997 to 2003, he was an Executive Director and Group General Counsel in a listed conglomerate. Mr. Watkins currently holds non-executive directorships in a number of listed public companies and brings rich experience across a spectrum of industries and businesses. We express a warm welcome to Mr. Watkins.

Outlook

Despite some encouraging signs, there is little evidence emerging to indicate that these will make significant changes to AsiaSat's results for the second half of 2006. Thus, it is unlikely that the results for the full year will be materially different from those of the prior year. However, the Group is in excellent shape and is making solid progress wherever possible in the development of our customer products and services, particularly with the contracting of our new satellite. As the market leader in the region, we recognise our role in setting the standards for quality and service and we remain optimistic about future growth. We base this commitment on our belief in the energies of the rapidly developing nations of the Asia Pacific and on the huge benefits that satellites can bring to the disparate markets of the region. AsiaSat's reputation for excellence and its market leadership position the Company well for the future.

Romain BAUSCH

Chairman

Hong Kong, 24 August 2006