

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 1. General Information

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

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

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

The condensed consolidated interim financial information was approved for issue on 24 August 2006.

### 2. Basis of Preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2006 has been prepared in accordance with IAS/HKAS 34, ‘Interim financial reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

### 3. Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005 as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to IAS/HKAS 19, ‘Actuarial gains and losses, group plans and disclosures’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 39, Amendment to ‘The fair value option’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 21, Amendment ‘Net investment in a foreign operation’, effective for annual periods beginning on or after 1 January 2006. This amendment has no impact on the Group;
- Amendment to IAS/HKAS 39, Amendment ‘Cash flow hedge accounting of forecast intragroup transactions’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to IAS/HKAS 39 and IFRS/HKFRS 4, Amendment ‘Financial guarantee contracts’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 3. Accounting Policies (continued)

- IFRS/HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;
- IFRIC/HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with IAS/HKAS 17, 'Leases'. However, these leases are operating leases, and their reclassification has had no impact on the expense recognised in respect of them;
- IFRIC/HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and
- IFRIC/HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

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

- IFRIC/HK(IFRIC)-Int 7, 'Applying the Restatement Approach under IFRS/HKFRS 29', effective for annual periods beginning on or after 1 March 2006. Management does not expect the interpretation to be relevant for the Group;
- IFRIC/HK(IFRIC)-Int 8, 'Scope of IFRS/HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of IFRIC/HK(IFRIC)-Int 8 on the Group's operations;
- IFRIC/HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management does not expect the interpretation to be relevant for the Group;
- IFRS/HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS/HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. Management is currently assessing the impact of IFRS/HKFRS 7 on the Group's operations.

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 4. Sales and Segment Information

#### Sales:

The Group's sales is analysed as follows:

	Six months ended 30 June	
	2006	2005
Income from provision of satellite transponder capacity		
– recurring	415,530	430,816
– non-recurring	45,578	—
Sales of satellite transponder capacity	12,246	12,246
Other revenue	2,406	2,276
	<b>475,760</b>	445,338

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:

	Six months ended 30 June	
	2006	2005
Hong Kong	170,404	167,276
Greater China, including Taiwan	94,077	99,780
United States of America	39,874	38,597
United Kingdom	26,372	24,410
British Virgin Islands	1,409	8,305
Others	143,624	106,970
	<b>475,760</b>	445,338

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 5. Capital Expenditure – Group

	Intangible assets – Licences	Property, plant and equipment	Leasehold land and land use rights
<b>Six months ended 30 June 2005</b>			
<b>Opening net book amount as at 1 January 2005</b>	—	2,894,467	24,782
Additions	750	18,874	—
Disposals	—	(7,985)	—
Depreciation and amortisation (Note 8)	—	(146,243)	(292)
Depreciation and amortisation eliminated on disposals	—	7,977	—
	—	—	—
<b>Closing net book amount as at 30 June 2005</b>	750	2,767,090	24,490
<b>Six months ended 30 June 2006</b>			
<b>Opening net book amount as at 1 January 2006</b>	1,339	2,620,911	24,199
Additions	97	118,096	—
Disposals	—	(629)	—
Depreciation and amortisation (Note 8)	(80)	(148,193)	(292)
Depreciation and amortisation eliminated on disposals	—	624	—
	—	—	—
<b>Closing net book amount as at 30 June 2006</b>	1,356	2,590,809	23,907

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 6. Trade and Other Receivables – Group

	30 June 2006	31 December 2005
Trade receivables	86,074	90,653
Receivables from related parties (Note 14)	10,044	7,678
Less: provision for impairment of receivables	(30,930)	(30,930)
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Trade receivables – net	65,188	67,401
Receivables from related parties (Note 14)	24,236	15,503
Other receivables	15,251	10,831
Deposits and prepayments	49,840	24,863
Loan receivable from an associate (Note 14)	—	—
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	154,515	118,598
Less: non-current portion: loans to related parties	—	—
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	154,515	118,598
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The Company 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:

	30 June 2006	31 December 2005
0 to 30 days	49,455	27,768
31 to 60 days	12,753	8,652
61 to 90 days	2,274	14,315
91 to 180 days	499	10,074
181 days or above	207	6,592
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	65,188	67,401
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## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 7. Capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 30 June 2006 and 31 December 2005	390,266	39,027	4,614	43,641

The total authorised number of ordinary shares is 550,000,000 shares (31 December 2005: 550,000,000 shares) with a par value of HK\$0.10 per share (31 December 2005: 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 the same as those set out in note 15 to the 2005 annual financial statements.

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

#### OPTION A:

	30 June 2006		31 December 2005	
	Average exercise price in HK\$ per share	Options	Average exercise price in HK\$ per share	Options
<b>At 1 January</b>	<b>17.48</b>	<b>1,634,000</b>	17.48	1,691,500
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	17.48	(57,500)
<b>At 30 June/31 December</b>	<b>17.48</b>	<b>1,634,000</b>	17.48	1,634,000

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 7. Capital (continued)

OPTION B:

	30 June 2006		31 December 2005	
	Average exercise price in HK\$ per share	Options	Average exercise price in HK\$ per share	Options
<b>At 1 January</b>	<b>17.48</b>	<b>1,655,000</b>	17.48	1,753,000
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	17.48	(98,000)
<b>At 30 June/31 December</b>	<b>17.48</b>	<b>1,655,000</b>	17.48	1,655,000

OPTION C:

	30 June 2006		31 December 2005	
	Average exercise price in HK\$ per share	Options	Average exercise price in HK\$ per share	Options
<b>At 1 January</b>	<b>14.35</b>	<b>3,311,500</b>	14.35	3,481,500
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	14.35	(90,000)	14.35	(170,000)
<b>At 30 June/31 December</b>	<b>14.35</b>	<b>3,221,500</b>	14.35	3,311,500

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 7. Capital (continued)

Out of the 6,510,500 outstanding options (31 December 2005: 6,600,500 options), number of exercisable options are as follows:

	30 June 2006		31 December 2005	
	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	1,634,000
Option B	17.48	1,655,000	17.48	1,655,000
Option C	14.35	3,221,500	14.35	1,655,750
Total		<b>6,510,500</b>		4,944,750

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

Expiry date	Exercise price HK\$ per share	Share options	
		30 June 2006	31 December 2005
25 November 2006	17.48	1,634,000	1,634,000
30 September 2009	17.48	1,655,000	1,655,000
3 February 2012	14.35	3,221,500	3,311,500
		<b>6,510,500</b>	6,600,500



## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 8. Operating Profit

The following items have been credited/charged to the operating profit during the interim period:

	Six months ended 30 June	
	2006	2005
Interest income	41,006	16,458
Gain on disposal of property, plant and equipment other than transponders	25	100
Others	7	4
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	41,038	16,562
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Salary and other benefits, including directors' remuneration	38,754	33,050
Contributions to retirement benefits schemes	2,317	2,120
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Total staff costs	41,071	35,170
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Auditors' remuneration	888	450
Depreciation, amortisation and impairment expenses (Note 5)		
– Intangible assets – Licences	80	—
– Property, plant and equipment	148,193	146,243
Operating leases		
– premises	2,189	3,133
– leasehold land & land use rights	292	292
Net exchange loss	813	193
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## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 9. 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 period.

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.

	Six months ended 30 June	
	2006	2005
Current income tax		
– Hong Kong profits tax	26,771	23,963
– Overseas taxation	8,703	9,712
Deferred income tax reversal	(6,694)	(7,015)
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	28,780	26,660
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The Group currently has a tax case in dispute with the Indian tax authorities. Details of this are set out in note 12.

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 10. Earnings per Share

Earnings per share attributable to equity holders of the Company arises from continuing operations as follows:

	Six months ended 30 June	
	HK\$ per share	
	2006	2005
Earnings per share for profit from continuing operations attributable to the equity holders of the Company (expressed in HK\$ per share)		
– basic	0.61	0.47
– diluted	0.61	0.47

### 11. Dividends

A 2005 final dividend of HK\$0.27 (2004 final: HK\$0.27) per ordinary share, totalling \$105,372 was paid in May 2006 (six months ended 2005: \$105,372).

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 12. Contingent Liabilities

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

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

Assessment year	Amount HK\$ (approximate)	Amount INR (approximate)
1997-98	20 million	115 million
1998-99	23 million	141 million
1999-00	22 million	127 million
2000-01	14 million	84 million
2001-02	29 million	171 million
2002-03	38 million	210 million
2003-04	43 million	247 million
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Total	189 million	1,095 million
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The Group has filed appeals for each of the assessment years 1997-98 to 2003-04.

No assessment has yet been made for the 2004-05 or 2005-06 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.

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 12. Contingent Liabilities (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
2003-04	29 million	165 million
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Total	123 million	710 million
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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.

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 13. Commitments – Group

#### CAPITAL COMMITMENTS

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

	<b>30 June 2006</b>	31 December 2005
AsiaSat 5		
Contracted but not provided for	<b>982,410</b>	—
Authorised but not contracted for	<b>310,440</b>	—
Other investment projects		
Authorised but not contracted for	—	10,140
Other assets		
Contracted but not provided for	<b>1,046</b>	5,750
	<b>1,293,896</b>	15,890

#### OPERATING LEASE COMMITMENTS – WHERE THE GROUP IS THE LESSEE

The Group leases certain of its office and residential premises under non-cancellable operating leases. Leases are negotiated for an average term of two to four years. The lease expenditure expensed in the income statement during the period is disclosed in note 8.

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

	<b>30 June 2006</b>	31 December 2005
Not later than 1 year	<b>4,384</b>	4,376
Later than 1 year and not later than 5 years	<b>2,592</b>	4,773
Later than 5 years	—	—
	<b>6,976</b>	9,149

## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 13. Commitments – Group (continued)

#### 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 period was \$276 (2005: \$276).

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

	30 June 2006	31 December 2005
Within one year	552	552
One to two years	460	552
Two to three years	—	184
Three to four years	—	—
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	1,012	1,288
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## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 14. 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 period.

During the period, the Group recognised income from provision of satellite transponder capacity from its associate, SpeedCast.

	Six months ended 30 June	
	2006	2005
CITIC Guoan Information Industry Company Limited	1,108	1,326
SpeedCast Limited (an associate)	22,398	13,796
	<b>23,506</b>	15,122

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.

	Six months ended 30 June	
	2006	2005
CITIC Technology Company Limited	264	368



## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 14. Related-Party Transactions (continued)

#### iii) Key management compensation

Key management compensation amounted to \$7,597 as of 30 June 2006 (\$5,700 as of 30 June 2005).

See below.

	Six months ended 30 June	
	2006	2005
Salaries and other short-term benefits	7,119	5,344
Post-employment benefits	368	356
Share-based payments	110	—
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	<b>7,597</b>	5,700
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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.

	Six months ended 30 June	
	2006	2005
SES GLOBAL	275	238
A subsidiary of CITIC	250	262
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	<b>525</b>	500
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#### iv) Income from provision of uplink services and certain equipments

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

	Six months ended 30 June	
	2006	2005
SES AMERICOM, Inc.	108	—
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## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 14. Related-Party Transactions (continued)

v) Interest income on loan receivable from an associate

Six months ended 30 June

	<b>2006</b>	2005
SpeedCast Limited (an associate)	—	123
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vi) Year-end balances arising from these transactions

**30 June 2006** 31 December 2005

Trade receivables from related parties (note 6):

CITIC Guoan Information Industry Company Limited	<b>78</b>	39
SpeedCast Limited (an associate)	<b>9,966</b>	7,639
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	<b>10,044</b>	7,678
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Receivables from related parties (note 6):

CITIC Technology Company Limited	<b>24,128</b>	15,503
SES AMERICOM, Inc.	<b>108</b>	—
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	<b>24,236</b>	15,503
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Payables to related parties:

CITIC Technology Company Limited	<b>447</b>	455
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## Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollars thousands unless otherwise stated)

### 14. Related-Party Transactions (continued)

vii) Loan receivable from an associate

	30 June 2006	31 December 2005
Loan receivable from SpeedCast Limited:		
Beginning of the period	—	5,070
Loans advanced during the period	—	—
Loan repayments received	—	(5,070)
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End of the period (note 6)	—	—
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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.

### 15. Events Occurring After the Balance Sheet Date

A dividend of \$0.08 per share amounting to a dividend of \$31,221 was declared on 24 August 2006 by the Board of Directors at the meeting on 24 August 2006. This interim financial report does not reflect this dividend payable, which will be recognised in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2006.