

Chairman's Statement

Stable Year Enhanced by One-Time Receipts

A stable year benefited from one-time receipts, and this combination enabled AsiaSat to report an increase in profit for 2006. As we indicated at the time of the interim report, the underlying results from the Company's core business remained largely in line with the previous year.

Asia is experiencing positive economic expansion generally, yet there remains a lack of significant growth in the satellite sector. While the satellite market typically lags behind other industries as economies pick up, this situation is exacerbated by overcapacity and price cutting at the lower end of the transponder market.

Nevertheless, we maintain our leadership and are reporting a growing roster of prime customers, a 6% increase in overall utilisation, and signs that utilisation rates are firming.

Privatisation

As announced on 13 February 2007, the Board received a request from AsiaCo Acquisition Ltd (formerly known as Modernday Limited) (the "Offeror"), a company jointly owned by CITIC Group and General Electric Capital Corporation, to put forward the Share Proposal to the Scheme Shareholders for a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda. The Board has reviewed the Share Proposal and has agreed to put it forward to the Scheme Shareholders. Details of the joint announcement are available at the Company's website, <http://www.asiasat.com>. The Scheme Document containing further details of the Proposals and the Scheme, the expected timetable, the recommendations of the Independent Board Committee in respect of the Proposals, the letter of advice from the independent financial adviser to the Independent Board Committee, an explanatory statement as required under the Companies Act, and notices of the Court Meeting and the Special General Meeting will be despatched to the shareholders in due course. By the time you receive this annual report, you may have already received the Scheme Document.



AsiaSat provides backbone and video streaming services to internet service providers (ISPs) within its large satellite footprint. Being connected and up to date with an AsiaSat supported internet service while he was travelling away from home, may have kept Napoleon from eventually facing his “Waterloo”.

Napoleon Crossing the Alps 1801 Jacques-Louis David 1748-1825

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Payment of Final Dividend

The Board would like to bring to the attention of the shareholders of the Company that the final dividend for the financial year ended 31 December 2006 is declared by the Board subject to the following:

- (i) the amount of the final dividend shall not affect the Share Offer Price if the Scheme becomes effective and binding on or before 10 May 2007;
- (ii) the amount of the final dividend will be deducted from the Share Offer Price if the Scheme becomes effective after 10 May 2007;
- (iii) if the Scheme becomes effective and binding on or before 10 May 2007, the final dividend shall not be paid; and
- (iv) if the Scheme does not become effective, the dividend will be paid to shareholders of the Company on the register of members of the Company at 4:30 p.m. on 10 May 2007.

Financial Results

The presentation of the financial results, specifically the comparison between the 2005 and 2006 figures, are again distorted by the inclusion of one-time receipts in 2006 for early termination of contracts.

TURNOVER

Turnover for the year ended 31 December 2006 amounted to HK\$930 million (2005: HK\$880 million), HK\$50 million above the prior year. Excluding the one-time receipts of HK\$50 million on the contract termination, turnover remained unchanged.

PROFIT

The profit attributable to equity holders for 2006 was HK\$454 million (2005: HK\$366 million), an increase of HK\$88 million or 24%, of which HK\$45 million was attributable to the one-time receipts and balance coming from interest income.

CASH FLOW

In 2006, the Group generated a net cash inflow of HK\$344 million (2005: HK\$401 million) after paying capital expenditure of HK\$307 million (2005: HK\$24 million) and dividends of HK\$137 million (2005: HK\$137 million). At the end of 2006, the Group's cash balance increased to HK\$1,979 million (2005: HK\$1,636 million).

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Financial Results (continued)

OPERATING EXPENSES

Operating expenses were contained at HK\$207 million (2005: HK\$208 million). Expense increases in some areas were offset by savings in others.

DEPRECIATION

Depreciation expense increased to HK\$298 million (2005: HK\$295 million), 1% above the prior year. This was mainly attributable to the increase in depreciation of miscellaneous assets.

Dividend

At the forthcoming Annual General Meeting, to be held on 18 May 2007, your Directors will recommend a final dividend of HK\$0.27 per share (2005: HK\$0.27 per share). This, together with the interim dividend of HK\$0.08 per share (2005: HK\$0.08 per share), gives a total of HK\$0.35 per share (2005: HK\$0.35 per share), the same as in the prior year.

Business Review

NEW SATELLITE

The Company is progressing on schedule with the construction of our new satellite, AsiaSat 5, which is to replace AsiaSat 2 at the orbital location of 100.5°E. However, we have been advised of a delay in the launch vehicle availability.

If there were no changes to be made to the current launch programme, other than the date, the construction would continue on time and the launch would be moved from the second half of 2008 into 2009. This would present no operational or customer issues as AsiaSat 2 is not planned to be retired until 2010. However, this delayed schedule would not provide sufficient time before the anticipated retirement of AsiaSat 2 to rebuild and re-launch a new satellite in the event of an unsuccessful first launch. AsiaSat management is currently considering a number of options to ensure continuity to service in the event of a launch failure.

IN-ORBIT SATELLITES

Throughout 2006, the Group's three in-orbit satellites, AsiaSat 2, AsiaSat 3S and AsiaSat 4, continued to perform well delivering excellent service to our customers. At year end, as reported above, we had increased the number of transponders leased and sold, including the 4 Broadcast Satellite Service ("BSS") transponders leased to Skywave TV for its Direct to Home ("DTH") services, by 6%. This reflects customers' appreciation of the service levels provided by AsiaSat through our own earth station in Tai Po, Hong Kong, combined with back up from our leased Stanley station.



AsiaSat satellites offer large capacity and high power for quality High Definition Television (HDTV) and Direct to Home (DTH) broadcast services. With AsiaSat, Hasan Riza Khan Bahadur and his loyal subjects could have watched the same great Bollywood song and dance entertainment in crystal clear HD and digital quality stereo.

Eighteenth century manuscript of the Divan of Minnat 1782 Anonymous



AsiaSat satellites support VSAT private networks for distance learning and corporate services across Asia. With AsiaSat, prospective Mandarin speakers in China would have had access to tutors and study materials from the most prestigious universities in the country to help them study for their national exams.

House of a Chinese Official, Canton 1800-1805 A Canton artist

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Business Review (continued)

SPEEDCAST

SpeedCast Holdings Limited ("SpeedCast"), an associate in which the Company holds 47%, again improved its overall performance. The company's core business is the provision of two-way and backbone broadband access. I am pleased to report that during the year SpeedCast increased its turnover by 35% to HK\$112 million (2005: HK\$83 million) and moved from making a small contribution in 2005 to a profit of HK\$5 million in 2006. Although SpeedCast operates at a low margin, the company contributed revenue of HK\$46 million (2005: HK\$32 million) to AsiaSat in 2006. At 31 December 2006, SpeedCast had cash on hand of HK\$8 million (2005: HK\$5 million). The Group's carrying investment in the company, including goodwill, was below HK\$ 0.5 million.

SKYWAVE

Skywave TV Company Limited ("Skywave"), an 80%-owned subsidiary of AsiaSat, established a low cost regional DTH service for Hong Kong, Macau, Taiwan and Southern China at the beginning of 2005. Currently the company offers 37 programmes branded under Family Favourites, Premium Movies and Premium Sports. As the company operates in a highly restrictive and regulated environment, its business remained static and is expected to do so until the market opens up for free competition. For the year 2006, Skywave incurred a loss of HK\$4 million (2005: HK\$4 million), of which the Group's share was about HK\$3 million.

BEIJING ASIA

Our joint venture in Mainland China, Beijing Asia Sky Telecommunications Technology Company Limited ("Beijing Asia"), in which AsiaSat holds a 49% interest, provides VSAT (very small aperture terminal) services in China. The company achieved high growth as turnover reached HK\$9 million (2005: HK\$3 million), an increase of 200%. The company's loss increased to HK\$17 million (2005: HK\$8 million). At the end of the year, AsiaSat's investment in Beijing Asia amounted to HK\$10 million (2005: HK\$14 million).

The Group is committed to provide transponder capacity to Beijing Asia in the form of a loan of up to HK\$12 million over a few years, of which 88% has been utilised. The Group's maximum exposure to Beijing Asia is approximately HK\$25 million, of which HK\$13 million is in the form of a cash contribution.

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Compliance

In addition to the listing on The Stock Exchange of Hong Kong Limited, the Company is also listed on the New York Stock Exchange, Inc. ("NYSE"). As a foreign private issuer on the NYSE, it needs to comply with the requirements of Section 404 of the Sarbanes-Oxley Act 2002.

Section 404 states that the internal control report requirement applies to companies filing annual reports with the SEC (The U.S. Securities and Exchange Commission) under either Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Compliance for foreign issuers is delayed until their fiscal years ended on or after 15 July 2006. Section 404 requires foreign private issuers to evaluate and disclose their conclusions regarding the effectiveness of their internal control over financial reporting and disclosure controls and procedures.

Section 404 also requires the Company's independent auditors to attest to and report on management's assessment of the Company's internal controls over financial reporting.

Despite a further extension in the compliance timeline for accelerated filers in regards to their independent auditors attesting to and reporting on management's assessment of internal controls over financial reporting, the Company has requested the independent auditors to conduct an attestation in 2006 as originally planned, and provide a report to be filed with the SEC.

Outlook

Economic improvement in Asia continues and demand for transponders is picking up very slowly. However, new satellite supply has been added to an already over-supplied market, and this is keeping rates under pressure at the bottom end and holding back growth in the premium sector, which is disappointing. Nevertheless, it is encouraging that AsiaSat's blue chip customers are committed to our premium services and reliability, and that an increasing number of customers are signing contracts with AsiaSat.

In addition, there are positive trends in the Asian telecommunications and video markets. They include a general increase in demand for video, which is being stimulated by the growth of IPTV (Internet Protocol Television), HDTV (High Definition Television), Video to Mobile, and DTH services. To some extent, this is being driven by a focus on the approaching 2008 Beijing Olympics.

We are also seeing the gradual liberalisation of the regulatory environment in some markets and these early indicators bode well for the future. Even with these positive indications, the industry needs to see more dramatic changes in some countries' regulatory environments and the faster introduction of some of these new services before we will experience a satellite market that emulates that of Europe or the United States.



AsiaSat offers broadcast and news studios convenient and quality capacity for the rapid deployment of Satellite News Gathering (SNG) equipment for the transmission of offsite news, entertainment and sporting events. The Emperor could have ensured that everyone in his kingdom had access to all the latest fashion trends and gossip happening at the palace with AsiaSat's SNG service.

Durbar at Delhi of Akbar II 1820 *Anonymous*



AsiaSat satellites provide cellular backhaul in regions lacking adequate terrestrial infrastructure, helping to provide telephony in even the most remote rural areas not served by the fixed line network. With access even in the countryside, it would have been much more convenient for Alphonsine to book reservations for her father's restaurant if she'd had a mobile phone supported by AsiaSat.

Alphonsine Fournaise at The Grenouillere 1879 Pierre Auguste Renoir 1841-1919

Chairman's Statement

Outlook (continued)

The recent submarine earthquake in the Pacific region highlighted the vulnerability of cable networks and, in many cases, the lack of preparedness and alternative methods of distribution anticipated in the business continuity plans of major users. In the aftermath of the quake, satellites played a key role in the rapid restoration of communications in the region, and it is likely that lessons learned will place AsiaSat well for the future.

We also see increasing demand in India and, while there are Indian satellites that are benefiting from this, growth is likely to outstrip supply in due course and AsiaSat is well positioned to benefit from this potential demand. There is also increasing demand for backbone delivery for mobile telephone networks in rural areas as governments and service providers seek to bring communications to the most remote areas.

Globally, the satellite market is seeing consolidation and we anticipate that this will continue and help to reduce excess capacity and bolster rates over time.

Looking ahead, the unique advantages that satellites offer over terrestrial services, especially to television distribution services and private telecommunications networks, will drive future growth for AsiaSat. The Company is financially robust, managed to the highest of world-class standards, and is well positioned for the future. However, progress is very slow and it is for this reason that the Company's share price has underperformed the market and why the proposal to privatise the Company has been presented.

Chairman's Statement

Directors and Staff

Mr. R Donald Fullerton resigned in May 2006 as an Independent Non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee after serving the Company for 10 years. On behalf of the Company, I would like to thank him for his valuable contribution.

Mr. James Watkins was appointed in June 2006 as an Independent Non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee to fill the vacancy. I would like to welcome him to the Board.

Mr. Robert Bednarek resigned in October 2006 as a Non-executive Director and chairman of the Business Development Committee after serving the Company for more than four years. He will be devoting his time to a new position and on behalf of the Company, I would like to thank him for his valuable contribution.

Mr. Romain Bausch stepped down as Chairman of the Board on 1 January 2007 after serving two years in that role and assumed the role as Deputy Chairman in accordance with the biennial rotation arrangement. I would like to thank him for his leadership and wise guidance in steering the Company through the recent difficult times.

Mr. Denis Lau our General Manager Finance and Company Secretary retired on 31 December 2006 after 18.5 years of service with AsiaSat, I wish him well in his well earned retirement. Mr. Lau was replaced by Ms. Sue Yeung. I welcome Ms. Yeung to AsiaSat.

Finally, I want to convey my thanks to Management and Staff for their dedication and loyalty, and for upholding AsiaSat's world-class operating standards and reputation during these less than optimal years. It is for this professionalism that our Company is respected the world over.

MI Zeng Xin

Chairman

Hong Kong, 5 March 2007



AsiaSat satellites provide broadband connectivity and internet services for commercial and personal use. Rather than discuss whether they needed to go to the market, AsiaSat broadband would allow these women to do all their shopping on line, saving time for more important things such as deciding where to go for lunch.

Ta Matete (we shall not go to market today) 1892 *Paul Gauguin* 1848-1903