Index to the Consolidated Financial Statements

Consolidated Balance Sheet

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,630,847**	2,620,911
Leasehold land and land use rights	6	**23,616**	24,199
Intangible assets	8	**1,276**	1,339
Unbilled receivable		**171,047**	174,563
Interests in associates	10	**10,057**	14,294
Amount paid to tax authority	11	**154,911**	93,666
Total non-current assets		**2,991,754**	2,928,972
Current assets			
Inventories	13	**354**	434
Trade and other receivables	12	**119,647**	118,598
Cash and cash equivalents	14	**1,979,457**	1,635,526
Total current assets		**2,099,458**	1,754,558
Total assets		**5,091,212**	4,683,530
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	15	**39,027**	39,027
Share premium	15	**4,614**	4,614
Retained earnings			
– Proposed final dividend	26	**105,372**	105,372
– Others		**4,272,591**	3,955,175
		4,421,604	4,104,188
Minority interests		**4,933**	5,537
Total equity		**4,426,537**	4,109,725

Consolidated Balance Sheet

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December 2006	2005
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	**191,739**	192,654
Deferred revenue	16	**142,624**	87,654
Other payables		**1,770**	—
Total non-current liabilities		**336,133**	280,308
Current liabilities			
Construction payables		**1,736**	3,096
Other payables and accrued expenses		**96,495**	64,118
Deferred revenue	16	**153,101**	151,982
Current income tax liabilities		**77,089**	74,180
Dividend payable		**121**	121
Total current liabilities		**328,542**	293,497
Total liabilities		**664,675**	573,805
Total equity and liabilities		**5,091,212**	4,683,530
Net current assets		**1,770,916**	1,461,061
Total assets less current liabilities		**4,762,670**	4,390,033

The notes on pages 72 to 121 are an integral part of these consolidated financial statements

Balance Sheet

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December **2006**	 2005
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**429,054**	429,054
Current assets			
Amount due from a subsidiary		**9,971**	8,911
Other receivables, deposits and prepayments		**2,126**	2,118
Total current assets		**12,097**	11,029
Total assets		**441,151**	440,083
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	15	**39,027**	39,027
Share premium	15	**4,614**	4,614
Retained earnings			
– Proposed final dividend	26	**105,372**	105,372
– Others		**288,645**	288,014
Total equity		**437,658**	437,027
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**3,420**	3,050
Current income tax liabilities		**73**	6
Total liabilities		**3,493**	3,056
Total equity and liabilities		**441,151**	440,083

The notes on pages 72 to 121 are an integral part of this financial statement

Consolidated Income Statement

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2006**	2005
Continuing operations			
Sales	5	**929,902**	879,705
Cost of services	19	**(410,640)**	(419,029)
Gross profit		**519,262**	460,676
Other gains – net	18	**92,793**	43,711
Administrative expenses	19	**(94,585)**	(83,880)
Operating profit		**517,470**	420,507
Finance costs	21	**(152)**	—
Share of loss of associates		**(8,391)**	(3,872)
Profit before income tax		**508,927**	416,635
Income tax expense	22	**(55,522)**	(51,270)
Profit from continuing operations and for the year		**453,405**	365,365
Attributable to:			
– equity holders of the Company	24	**454,009**	366,184
– minority interests		**(604)**	(819)
		453,405	365,365
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– basic	25	**1.16**	0.94
– diluted	25	**1.16**	0.94
Dividends	26	**136,593**	136,593

The notes on pages 72 to 121 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Share capital	Share premium	Retained earnings	Total	Minority Interests	Total
Balance at 1 January 2005		39,027	4,614	3,830,956	3,874,597	6,356	3,880,953
Profit/(Loss) for the year		—	—	366,184	366,184	(819)	365,365
Final dividend relating to 2004		—	—	(105,372)	(105,372)	—	(105,372)
Interim dividend relating to 2005	26	—	—	(31,221)	(31,221)	—	(31,221)
		—	—	229,591	229,591	(819)	228,772
Balance at 31 December 2005		39,027	4,614	4,060,547	4,104,188	5,537	4,109,725
Balance at 1 January 2006, as per above		39,027	4,614	4,060,547	4,104,188	5,537	4,109,725
Profit/(Loss) for the year		—	—	454,009	454,009	(604)	453,405
Final dividend relating to 2005	26	—	—	(105,372)	(105,372)	—	(105,372)
Interim dividend relating to 2006	26	—	—	(31,221)	(31,221)	—	(31,221)
		—		317,416	317,416	(604)	316,812
Balance at 31 December 2006		**39,027**	**4,614**	**4,377,963**	**4,421,604**	**4,933**	**4,426,537**

The notes on pages 72 to 121 are an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities:			
– continuing operations	27	**752,062**	609,717
– Hong Kong Profits Tax paid		**(40,260)**	(79,186)
– overseas tax paid		**(13,268)**	(16,181)
Cash flows from operating activities - net		**698,534**	514,350
Cash flows (used in)/from investing activities:			
– purchase of property, plant and equipment		**(306,736)**	(23,659)
– purchase of intangible assets		**(97)**	—
– repayment of loan from an associate	31	**—**	5,070
– repayment of loan from an independent third party		**—**	2,062
– interest received		**88,747**	39,833
– proceeds from disposal of property, plant and equipment		**76**	108
Cash flows (used in)/from investing activities – net		**(218,010)**	23,414
Cash flows used in financing activities:			
– dividends paid	26	**(136,593)**	(136,593)
Cash flows used in financing activities - net		**(136,593)**	(136,593)
Net increase in cash and cash equivalents		**343,931**	401,171
Cash and cash equivalents at beginning of the year		**1,635,526**	1,234,355
Cash and cash equivalents at end of the year, representing bank balances and cash	14	**1,979,457**	1,635,526

The notes on pages 72 to 121 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar 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").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 5 March 2007 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

New standards and amendments to published standards

The following new standards, amendments to standards and interpretations are mandatory for the financial year ended 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;
- 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

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 BASIS OF PREPARATION (CONTINUED)

- 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 this 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 does not expect this interpretation to be relevant for the Group;

- IFRIC/HK(IFRIC)-Int 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. Management does not expect this interpretation to be relevant for the Group;

- IFRIC/HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', effective for annual periods beginning on or after 1 November 2006. Management is currently assessing the impact of this interpretation on the Group's operations;

- 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 this standard on the Group's operations;

- IFRIC-Int 11-IFRS 2, 'Group and treasury share transactions', effective for annual periods beginning on or before 1 March 2007. Management does not expect this interpretation to be relevant for the Group;

- IFRIC-Int 12, 'Service concession arrangements', effective for annual periods beginning on or before 1 January 2008. Management is currently assessing the impact of this interpretation on the Group's operations; and

- IFRS 8, 'Operating segments', effective for annual periods beginning on or before 1 January 2009. Management is currently assessing the impact of this standard on the Group's operations.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

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 dividends received and receivable.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 CONSOLIDATION (CONTINUED)

(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' 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.

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 dividends 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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 Hong Kong 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.

(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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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 any 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.

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%

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 INTANGIBLE ASSETS – LICENCES

The licences are shown at historical cost. One licence has a finite 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). The other licence does not have a finite useful life.

2.7 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation, are tested at least 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). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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 and 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is recognised in the income statement within administrative expenses.

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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.15 EMPLOYEE BENEFITS (CONTINUED)

(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.

(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, asset retirement obligations, 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

2.18 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 equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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 2006, almost all the Group's transponder utilisation agreements, transponder purchase agreements, 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

The Group has no significant interest-bearing assets or liabilities, however, the Group earns interest income from short term deposits which are affected by the changes in market interest rates.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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 2.8. 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4. Critical Accounting Estimates and Judgments (continued)

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 42% of its total assets as of 31 December 2006 (2005: 52%). 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.

(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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5. Sales and Segment Information

Sales:

The Group's sales is analysed as follows:

	2006	2005
Income from provision of satellite transponder capacity		
– recurring	**850,425**	850,436
– non-recurring	**49,911**	—
Sales of satellite transponder capacity	**24,491**	24,491
Other revenue	**5,075**	4,778
	929,902	879,705

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:

	2006	2005
Hong Kong	**341,567**	341,698
Greater China, including Taiwan	**194,831**	202,730
United States of America	**79,813**	78,205
United Kingdom	**53,211**	49,401
Australia	**37,317**	27,927
Others	**223,163**	179,744
	929,902	879,705

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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:

	2006	2005
In Hong Kong held on:		
Leases of over 50 years	**—**	—
Leases of between 10 to 50 years	**23,616**	24,199
	23,616	24,199

	2006	2005
Opening	**24,199**	24,782
Amortisation of prepaid operating lease payment	**(583)**	(583)
Closing	**23,616**	24,199

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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 equipment	Total
At 1 January 2005								
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
Year ended 31 December 2006								
Opening net book amount	2,499,964	405	108,173	7,347	2,396	2,114	512	2,620,911
Additions	6,332	297,537	81	1,747	728	1,111	4	307,540
Transfer	—	(538)	538	—	—	—	—	—
Disposals (note 27)	—	—	—	(5)	—	—	(1)	(6)
Depreciation	(286,448)	—	(4,743)	(3,951)	(1,196)	(1,077)	(183)	(297,598)
Closing net book amount	2,219,848	297,404	104,049	5,138	1,928	2,148	332	2,630,847
At 31 December 2006								
Cost	**4,259,836**	**297,404**	**118,617**	**12,879**	**9,198**	**4,806**	**2,372**	**4,705,112**
Accumulated depreciation	**(2,039,988)**	**—**	**(14,568)**	**(7,741)**	**(7,270)**	**(2,658)**	**(2,040)**	**(2,074,265)**
Net book amount	**2,219,848**	**297,404**	**104,049**	**5,138**	**1,928**	**2,148**	**332**	**2,630,847**

Depreciation expense of $297,598 (2005: $295,117) has been expensed in cost of services.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8. Intangible Assets – Group

	Licences
At 1 January 2005 and 31 December 2005	
Cost	1,500
Accumulated amortisation and impairment	(161)
Net book amount	1,339
Year ended 31 December 2006	
Opening net book amount	1,339
Additions (a)	97
Amortisation expense (b) (note 19)	(160)
Closing net book amount	1,276
At 31 December 2006	
Cost	**1,597**
Accumulated amortisation and impairment	**(321)**
Net book amount	**1,276**

Notes:

(a) Additions refer to the Direct-to-Home (DTH) broadcasting licence fee at Macau which has an infinite useful life, as the Macau government granted a broadcasting right until the end of the DTH project and is carried at cost. The carrying value as at 31 December 2006 was $97 (2005: Nil).

(b) Amortisation expense of $160 (2005: $161) is included in the administrative expenses in the income statement.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9. Investments in Subsidiaries

(a) Investments in subsidiaries

	Company	
	2006	2005
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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9. Investments In Subsidiaries (continued)

The following is a list of the principal subsidiaries and a controlled partnership at 31 December 2006:

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	Inactive in Republic company 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

10. Interests in Associates – Group

	2006	2005
Beginning of the year	**14,294**	13,397
Share of associates' losses	**(8,391)**	(3,872)
Additions	**4,154**	4,769
End of the year	**10,057**	14,294

Note:

Interests in associates at 31 December 2006 include goodwill of $442 (2005: $442).

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
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)	

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

10. Interests in Associates – Group (continued)

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	% Interest held
2006							
Beijing Asia Sky Telecommunications Technology Company Limited	**N/A**	**China**	**25,829**	**26,406**	**9,235**	**(17,124)**	**49**
SpeedCast Holdings Limited	**Ordinary shares of US$0.0001 each**	**Cayman Islands**	**46,441**	**27,167**	**111,889**	**5,228**	**47**
SpeedCast Limited (note 1)	**Ordinary shares of HK$0.01 each**	**Hong Kong**	**N/A**	**N/A**	**N/A**	**N/A**	**47**
			72,270	**53,573**	**121,124**	**(11,896)**	

The Group has not recognised profit amounting to $2,473 (2005: $174) for SpeedCast Holdings Limited as the Group's share of loss exceeds its interest in SpeedCast. The accumulated losses not recognised were $9,561 (2005: $12,034).

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 $154,911 (2005: $93,666) had been paid to the Government of India. For details, please refer to note 28.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12. Trade and Other Receivables – Group

	2006	2005
Trade receivables	**81,888**	90,653
Trade receivables from related parties (note 31)	**10,660**	7,678
Less: provision for impairment of receivables	**(22,462)**	(30,930)
Trade receivables – net	**70,086**	67,401
Receivables from related parties (note 31)	**14,629**	15,503
Other receivables	**14,068**	10,831
Deposits and prepayments	**20,864**	24,863
	119,647	118,598
Less non-current portion: loans to related parties	**—**	—
Current portion	**119,647**	118,598

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:

	2006	2005
0 to 30 days	**29,329**	27,768
31 to 60 days	**15,967**	8,652
61 to 90 days	**15,717**	14,315
91 to 180 days	**7,884**	10,074
181 days or above	**1,189**	6,592
	70,086	67,401

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

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12. Trade and Other Receivables – Group (continued)

As of 31 December 2006, trade receivables of $22,462 (2005: $30,930) were impaired and fully provided. The impaired receivables mainly relate to customers' failure to make payment for more than six months. The ageing of these receivables is as follows:

	2006	2005
3 to 6 months	**9,830**	1,682
Over 6 months	**12,632**	29,248
	22,462	30,930

Movements on the provision for impairment of trade receivables are as follows:

	2006	2005
At 1 January	**30,930**	23,230
Provision for impairment of receivables	**—**	7,700
Unused amounts reversed	**(8,468)**	—
At 31 December	**22,462**	30,930

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

13. Inventories – Group

	2006	2005
Merchandise	**354**	434

The cost of inventories recognised as expense and included in cost of services amounted to $87 (2005: $500).

14. Cash and Cash Equivalents – Group

	2006	2005
Cash at bank and in hand	**4,506**	13,173
Short-term bank deposits	**1,974,951**	1,622,353
	1,979,457	1,635,526

The effective interest rate on short-term bank deposits was 4.9% (2005: 3.1%); these deposits have an average maturity of 21 days (2005: 17 days).

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

	2006	2005
Cash and cash equivalents	**1,979,457**	1,635,526

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. Share Capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 31 December 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 (2005: 550,000,000 shares) with a par value of HK$0.10 per share (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 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. Share Capital (continued)

SCHEME ADOPTED ON 25 JANUARY 2002

A 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 2003 and onwards. 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. Total consideration received in 2002 from employees for taking up the options granted amounted to HK$105.

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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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.

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.

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

Option A:

	2006		2005	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,634,000**	17.48	1,691,500
Granted	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Lapsed	**17.48**	**(1,634,000)**	17.48	(57,500)
At 31 December	**17.48**	**—**	17.48	1,634,000

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. Share Capital (continued)

Option B:

	2006		2005	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,655,000**	17.48	1,753,000
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	**17.48**	**(25,000)**	17.48	(98,000)
At 31 December	**17.48**	**1,630,000**	17.48	1,655,000

Option C:

	2006		2005	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**14.35**	**3,311,500**	14.35	3,481,500
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	**14.35**	**(100,000)**	14.35	(170,000)
At 31 December	**14.35**	**3,211,500**	14.35	3,311,500

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. Share capital (continued)

Out of the 4,841,500 options outstanding (2005: 6,600,500 options), the number of exercisable options are as follows:

	2006		2005	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
Option A	**17.48**	**—**	17.48	1,634,000
Option B	**17.48**	**1,630,000**	17.48	1,655,000
Option C	**14.35**	**3,211,500**	14.35	1,655,750
Total		**4,841,500**		4,944,750

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 **2006**	Share options 2005
25 November 2006	17.48	**—**	1,634,000
30 September 2009	17.48	**1,630,000**	1,655,000
3 February 2012	14.35	**3,211,500**	3,311,500
		4,841,500	6,600,500

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

16. Deferred Revenue – Group

	2006	2005
The maturity of deferred revenue is as follows:		
Within one year	**153,101**	151,982
More than one year but not exceeding five years	**142,624**	87,654
	295,725	239,636
Less: amount shown as current	**(153,101)**	(151,982)
	142,624	87,654

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	
	2006	2005
Deferred tax assets	**—**	—
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**191,739**	192,654
	191,739	192,654

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17. Deferred Income Tax (continued)

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

	Group	
	2006	2005
Beginning of the year	**192,654**	205,258
Recognised in the income statement (note 22)	**(915)**	(12,604)
End of the year	**191,739**	192,654

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

Deferred tax liabilities/(assets):

	Group		
	Accelerated tax depreciation	Others	Total
At 1 January 2005	207,025	(1,767)	205,258
Recognised in the income statement	(13,730)	1,126	(12,604)
At 31 December 2005	193,295	(641)	192,654
Recognised in the income statement	(1,556)	641	(915)
At 31 December 2006	**191,739**	—	**191,739**

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

18. Other Gains – Net

	2006	2005
Interest income	**92,710**	43,606
Gain on disposal of property, plant and equipment other than transponders	**70**	99
Others	**13**	6
	92,793	43,711

19. Expenses by Nature

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

	2006	2005
Auditors' remuneration	**1,775**	769
Bad debts written off	**11,997**	2,987
(Write back)/provision for impairment of receivables made	**(8,468)**	7,700
Depreciation, amortisation and impairment expenses (notes 7 and 8)	**297,758**	295,278
Employee benefit expense (note 20)	**87,555**	65,092
Operating leases		
– premises	**4,383**	5,872
– leasehold land & land use rights	**583**	583
Net exchange loss	**404**	547

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

20. Employee Benefit Expense

	2006	2005
Salary and other benefits, including directors' remuneration	**82,930**	60,748
Pension costs – defined contribution plans	**4,625**	4,344
Total staff costs	**87,555**	65,092
Number of employees	**102**	95

(A) PENSIONS – DEFINED CONTRIBUTION PLANS

Forfeited contributions totaling $268 (2005: $292) were utilised during the year leaving $74 (2005: $43) available at the year-end to reduce future contributions.

No contributions (2005: Nil) were payable to the fund at the year-end.

(B) DIRECTORS' EMOLUMENTS

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits(a)	Employer's contribution to pension scheme	Total
Romain BAUSCH (c)	200	—	—	—	—	200
Robert BEDNAREK (c) & (e)	125	—	—	—	—	125
Edward CHEN	225	—	—	—	—	225
Cynthia DICKINS (c)	100	—	—	—	—	100
DING Yu Cheng (d)	100	—	—	—	—	100
R. Donald FULLERTON (f)	83	—	—	—	—	83
JU Wei Min (d)	100	—	—	—	—	100
KO Fai Wong (d)	100	—	—	—	—	100
MI Zeng Xin (d)	200	—	—	—	—	200
Mark RIGOLLE (c)	100	—	—	—	—	100
Robert SZE	250	—	—	—	—	250
James WATKINS (g)	113	—	—	—	—	113
Peter JACKSON	—	2,766	2,489	2,270	415	7,940
William WADE	—	2,146	1,931	1,631	322	6,030
Total	1,696	4,912	4,420	3,901	737	15,666

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

20. Employee Benefit Expense (continued)

(B) DIRECTORS' EMOLUMENTS (CONTINUED)

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

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits(a)	Employer's contribution to pension scheme	Total
Romain BAUSCH (c)	200	—	—	—	—	200
Robert BEDNAREK (c) & (e)	150	—	—	—	—	150
Edward CHEN	225	—	—	—	—	225
Cynthia DICKINS (b) & (c)	12	—	—	—	—	12
DING Yu Cheng (d)	100	—	—	—	—	100
R. Donald FULLERTON (f)	200	—	—	—	—	200
JU Wei Min (d)	100	—	—	—	—	100
KO Fai Wong (d)	100	—	—	—	—	100
MI Zeng Xin (d)	200	—	—	—	—	200
Mark RIGOLLE (c)	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

Notes:

(a) Other benefits include accommodation, car, leave passage, insurance premium and club membership and are short term in nature.

(b) Appointed on 17 November 2005.

(c) Paid to SES and its subsidiary.

(d) Paid to a subsidiary of CITIC.

(e) Resigned on 31 October 2006.

(f) Resigned on 30 May 2006.

(g) Appointed on 30 June 2006.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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 (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	2005
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**9,189**	8,450
Contributions to retirement benefits scheme	**726**	701
Performance related incentive payments	**4,357**	606
	14,272	9,757

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
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	**—**	—
HK$4,500,001 - HK$5,000,000	**1**	—
HK$5,000,001 - HK$5,500,000	**—**	—
HK$5,500,001 - HK$6,000,000	**1**	—
	3	3

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

21. Finance Costs

	2006	2005
Interest expense:		
– assets retirement obligation	**152**	—

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% (2005: 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 are set out in note 28.

	2006	2005
Current income tax		
– Hong Kong profits tax	**38,856**	45,056
– Overseas taxation	**17,581**	18,818
Deferred income tax reversal (note 17)	**(915)**	(12,604)
	55,522	51,270

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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:

	2006	2005
Profit before tax	**508,927**	416,635
Tax calculated at tax rate of 17.5% (2005: 17.5%)	**89,062**	72,911
Tax effect of income not subject to tax	**(96,999)**	(84,164)
Tax effect of expenses not deductible for tax purposes	**45,440**	43,027
Tax effect of tax losses of associates not recognised	**438**	678
Effect of income tax rate differential between Hong Kong and overseas locations	**17,581**	18,818
Tax expense	**55,522**	51,270

The effective tax rate of the Group was 10.9% (2005: 12.3%).

23. Net Foreign Exchange Losses

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

	2006	2005
Administrative expenses	**404**	547

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 $137,225 (2005: $136,977).

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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.

	2006	2005
Profit attributable to equity holders of the Company	454,009	366,184
Weighted average number of ordinary shares in issue (thousands)	390,266	390,266
Basic earnings per share (HK$ per share)	1.16	0.94

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.

	2006	2005
Profit used to determine diluted earnings per share	454,009	366,184
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)	390,266	390,292
Diluted earnings per share (HK$ per share)	1.16	0.94

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

26. Dividends

The dividends paid during the years ended 2006 and 2005 were $136,593 (HK$0.35 per share) and $136,593 (HK$0.35 per share) respectively. A dividend in respect of 2006 of HK$0.27 per share, amounting to a total dividend of $105,372 is to be proposed at the Annual General Meeting on 18 May 2007. These financial statements do not reflect this dividend payable.

	2006	2005
Interim dividend paid of HK$0.08 (2005: HK$0.08) per ordinary share	**31,221**	31,221
Proposed final dividend of HK$0.27 (2005: HK$0.27) per ordinary share	**105,372**	105,372
	136,593	136,593

PAYMENT OF FINAL DIVIDEND

Reference is made to the joint announcement issued by the Company and AsiaCo Acquisition Ltd. (formerly known as Modernday Limited) in relation to the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda dated 13 February 2007.

The Board of Directors of the Company 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 of 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

27. Cash Flows from Operating Activities – Continuing Operations

	2006	2005
Profit for the year	**453,405**	365,365
Adjustments for:		
– Tax (note 22)	**55,522**	51,270
– Bad debts written off	**11,997**	2,987
– (Write back)/provision for impairment of receivables made	**(8,468)**	7,700
– Depreciation (note 7)	**297,598**	295,117
– Amortisation of prepaid operating lease payment (note 6)	**583**	583
– Amortisation of licence (note 8)	**161**	161
– Profit on sale of property, plant and equipment (see below)	**(70)**	(99)
– Interest income (note 18)	**(92,710)**	(43,606)
– Finance costs (note 21)	**152**	—
– Share of loss from associates (note 10)	**8,391**	3,872
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Unbilled receivable	**3,516**	704
– Amount paid to tax authority	**(61,245)**	(26,643)
– Inventories	**80**	(18)
– Trade and other receivables	**(5,316)**	779
– Other payables and accrued expenses	**32,377**	(1,204)
– Deferred revenue	**56,089**	(47,251)
Cash flows from operating activities – continuing operations	**752,062**	609,717

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

	2006	2005
Net book amount (note 7)	**6**	9
Profit on sale of property, plant and equipment	**70**	99
Proceeds from sale of property, plant and equipment	**76**	108

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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
2003-04	50 million	316 million
2004-05	58 million	330 million
Total	254 million	1,494 million

The Group has filed appeals for each of the assessment years 1997-98 to 2004-05.

No assessment has yet been made for the 2005-06 or 2006-07 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.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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	14 million	88 million
1999-00	11 million	62 million
2000-01	9 million	50 million
2001-02	20 million	119 million
2002-03	27 million	148 million
2003-04	39 million	226 million
2004-05	22 million	125 million
Total	155 million	896 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

There was no major non-cash transaction during 2005 and 2006.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

30. Commitments – Group

CAPITAL COMMITMENTS

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

	2006	2005
AsiaSat 5		
Contracted but not provided for	**810,048**	—
Authorised but not contracted for	**296,548**	—
Other investment projects		
Authorised but not contracted for	**—**	10,140
Other assets		
Contracted but not provided for	**111**	5,750
	1,106,707	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 year is disclosed in note 19.

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

	2006	2005
Not later than 1 year	**4,068**	4,376
Later than 1 year and not later than 5 years	**745**	4,773
Later than 5 years	**—**	—
	4,813	9,149

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

30. 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 year was $552 (2005: $552).

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

	2006	2005
Within one year	**552**	552
One to two years	**184**	552
Two to three years	**—**	184
Three to four years	**—**	—
	736	1,288

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 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.

	2006	2005
CITIC Guoan Information Industry Company Limited	**1,424**	2,461
SpeedCast Limited (an associate)	**46,264**	32,202
	47,688	34,663

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

31. Related-party Transactions (continued)

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.

	2006	2005
CITIC Technology Company Limited	**564**	723

iii) Key management compensation

	2006	2005
Salaries and other short-term employee benefits	**38,455**	25,942

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

	2006	2005
SES and its subsidiary	**525**	462
A subsidiary of CITIC	**500**	500
	1,025	962

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, SES AMERICOM, Inc.

The Group has also provided temporary uplink services to its associate, SpeedCast.

	2006	2005
SES AMERICOM, Inc.	**239**	—
SpeedCast Limited (an associate)	**5**	—
	244	—

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31. Related-party Transactions (continued)

v) Interest income on loan receivable from an associate

	2006	2005
SpeedCast Limited (an associate)	—	176

vi) Year-end balances arising from these transactions

	2006	2005
Trade receivables from related parties (note 12):		
CITIC Guoan Information Industry Company Limited	—	39
SpeedCast Limited (an associate)	**10,660**	7,639
	10,660	7,678
Receivables from related parties (note 12):		
CITIC Technology Company Limited	**14,629**	15,503
Payables to related parties:		
CITIC Technology Company Limited	**479**	455
Deferred revenue to related parties:		
SES AMERICOM, Inc.	**22**	—

The trade receivables from related parties are payable in accordance with the agreements. The receivables from and payables to related parties have no fixed terms of payment. The receivables and payables are unsecured in nature and bear no interest.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

31. Related-party Transactions (continued)

vii) Loan receivable from an associate

	2006	2005
Loan receivable from SpeedCast Limited:		
Beginning of the year	—	5,070
Loans advanced during the year	—	—
Loan repayments received	—	(5,070)
End of the year (note 12)	—	—

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.

32. Event After the Balance Sheet Date

On 13 February 2007, the Board has reviewed and agreed to put forward a share proposal to privatise the Company by way of a scheme of arrangement under Section 99 of the Companies Act, and an option proposal to purchase the outstanding share options in the Company. A possible mandatory general offer (MGO) obligation under the Takeovers Code may also be triggered upon completion of a transaction between SES S.A. and General Electric Capital Corporation. An independent board committee has been appointed to advise independent shareholders and optionholders in respect of the proposals and the possible MGO. Details of the aforementioned are contained in the announcement of the Company on 13 February 2007.