ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LTD
Form 20-F
May 27, 2008
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As filed with the Securities and Exchange Commission on May 27, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number 1-14396

ASIA SATELLITE

TELECOMMUNICATIONS HOLDINGS LIMITED

(Exact Name of Registrant as Specified in Its Charter)

N/A	**Bermuda**
(Translation of Registrant s Name Into English)	**(Jurisdiction of Incorporation or Organization)**

19th Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

852-2500-0888

(Address and Telephone Number of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

(Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

American Depositary Shares and Ordinary Shares

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2007, 391,195,500 ordinary shares were issued and outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨

Other x

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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All references to the Company , we , or us in this Annual Report are references to Asia Satellite Telecommunications Holdings Limited, a Bermuda company incorporated on May 10, 1996, and, unless the context otherwise requires, its subsidiaries. All references to AsiaSat in this Annual Report are to Asia Satellite Telecommunications Company Limited, a Hong Kong company and a wholly owned indirect subsidiary of ours and, unless the context otherwise requires, its subsidiaries.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

RECENT DEVELOPMENTS

On January 11, 2008, The Bank of New York, or BoNY, as depositary of our American Depositary Receipts, or ADR, program, ceased issuing new ADRs at our request. The deposit agreement dated September 28, 2001, entered into between us, BoNY and the holders of ADRs from time to time, was terminated as of February 28, 2008 and ADR holders were advised that they would have until May 28, 2008 (90 days after termination of the deposit agreement) to take action to retain an interest in our outstanding shares, or the Shares. In addition, on January 28, 2008, our voluntary delisting of the ADSs in the New York Stock Exchange became effective. We will consider, when we become eligible to do so, an eventual deregistration under the U.S. Securities Exchange Act of 1934, or the Exchange Act.

EXCHANGE RATES

We and AsiaSat prepare financial statements in Hong Kong Dollars. In this Annual Report references to US Dollars, US$ or $ are to United States Dollars and references to Hong Kong Dollars, HK Dollars or HK$ are to Hong Kong Dollars. Solely for the convenience of the reader, this Annual Report contains translations of certain Hong Kong Dollar amounts into US Dollars at specified rates. These translations should not be construed as representations that the Hong Kong Dollar amounts actually represent such US Dollar amounts or could be converted into US Dollars at the rates indicated or at all. Unless otherwise stated, the translations of Hong Kong Dollars into US Dollars have been made at the rate of HK$7.80 to US$1, the approximate rate of exchange on December 31, 2007. The noon buying rate in New York City for cable transfers in Hong Kong Dollars as certified for customs purposes by the Federal Reserve Bank of New York , or the Noon Buying Rate, was HK$7.7984 to US$1 on December 31, 2007. The Noon Buying Rate on May 23, 2008 was HK$7.8018 to US$1.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements. When used in this Annual Report, the words estimate, project, anticipate, expect, intend, believe similar expressions are intended to identify forward-looking statements and information. We identify the following important factors which could cause our actual results to differ materially from any results which might be projected, forecast, estimated or budgeted by us in forward-looking information. All of such factors are difficult to predict and many are beyond our control. Accordingly, while we believe that the assumptions underlying the forward-looking information are reasonable, there can be no assurance that such assumptions will approximate actual experience, and in such event, actual results could differ materially from the predictions contained in this Annual Report on Form 20-F. These important factors include, but are not limited to:

- the continued operation of the existing in-orbit satellites and success in constructing and launching new satellites as planned,

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future economic and competitive conditions in the Asian regional satellite market in which AsiaSat competes, and

our success in obtaining necessary regulatory approvals and licenses.

PART I

Item 1. Identity of Directors, Senior Management and Advisors.
Not applicable.

Item 2. Offer Statistics and Expected Timetable.
Not applicable.

Item 3. Key Information

SELECTED FINANCIAL INFORMATION

The summary income statement data of the Company for the years ended December 31, 2005, 2006 and 2007 and the summary balance sheet data of the Company as of December 31, 2006 and 2007 set forth below are derived from, and are qualified in their entirety by reference to, the audited consolidated financial statements of the Company, including the notes thereto, included elsewhere in this Annual Report and in Operating and Financial Review and Prospects under Item 5. The summary income statement data for the years ended December 31, 2003 and 2004 and the summary balance sheet data as of December 31, 2003, 2004 and 2005 set forth below are derived from our audited consolidated financial statements not included in this Annual Report.

Our consolidated financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards, or HKFRS, which differ in certain material respects from accounting principles generally accepted in the United States, or U.S. GAAP. Note 37 to the Company s consolidated financial statements contains descriptions of the significant differences between HKFRS and U.S. GAAP, a reconciliation of net income from HKFRS to U.S. GAAP for the years ended December 31, 2006 and 2007, and a reconciliation of shareholders equity from HKFRS to U.S. GAAP as of December 31, 2006 and 2007. In addition, Note 37 to the Company s consolidated financial statements contains additional disclosures required under U.S. GAAP, which are not disclosed elsewhere in the notes to the Company s consolidated financial statements.

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	2003 HK$	2004 HK$	2005 HK$	2006 HK$	2007 HK$	2007 US$
	(in millions, except for percentages and per share amounts)					
Income Statement Data:						
HKFRS:						
Revenues	896.2	1,005.0	879.7	929.9	939.3	120.4
Cost of services	(313.3)	(420.5)	(419.0)	(410.6)	(403.1)	(51.7)
Administrative expenses	(56.1)	(102.5)	(83.9)	(94.6)	(77.7)	(10.0)
Operating profit	532.6	504.0	420.5	517.5	568.0	72.8
Share of results of associates (including goodwill amortization)	(15.6)	(12.4)	(3.9)	(8.4)	(11.1)	(1.4)
Impairment loss recognized in respect of goodwill of associates	(1.9)					
Profit before taxation	512.1	491.6	416.6	508.9	556.9	71.4
Minority Interests		(0.1)	(0.8)	(0.6)	(0.5)	(0.1)
Taxation	(87.6)	(60.5)	(51.3)	(55.5)	(54.0)	(6.9)
Profit for the year	424.5	431.1	365.4	453.4	502.9	64.5
Earnings per share						
Basic	1.09	1.10	0.94	1.16	1.29	0.17
Diluted	1.09	1.10	0.94	1.16	1.29	0.17
Earnings per ADS (3)						
Basic	10.88	11.05	9.38	11.62	12.89	1.65
Diluted	10.88	11.05	9.38	11.62	12.89	1.65
Dividend declared per share:						
Ordinary	0.32	0.35	0.35	0.35	0.39	0.05
Number of shares outstanding (in thousands)	390,266	390,266	390,266	390,266	391,196	391,196
U.S. GAAP:						
Profit for the year	408.3	424.1	358.8	446.3	496.0	63.6
Earnings per share						
Basic	1.05	1.09	0.92	1.14	1.27	0.16
Diluted	1.05	1.09	0.92	1.14	1.27	0.16
Earnings per ADS						
Basic	10.46	10.86	9.19	11.43	12.69	1.63
Diluted	10.46	10.86	9.19	11.43	12.69	1.63

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	2003 HK$	2004 HK$	2005 HK$	2006 HK$	2007 HK$	2007 US$
Balance Sheet Data:						
HKFRS:						
Net current assets	529.9	1,023.1	1,461.1	1,770.9	2,049.9	262.8
Property, plant and equipment (1)	3,140.0	2,894.5	2,620.9	2,630.8	2,678.0	343.3
Total assets	4,157.2	4,549.2	4,683.5	5,091.2	5,540.0	710.3
Long-term liabilities (2)	336.5	317.1	280.3	336.1	307.4	39.4
Total liabilities (excluding minority interests)	588.5	668.3	573.8	664.7	733.0	94.0
Capital stock	39.0	39.0	39.0	39.0	39.1	5.0
Total shareholders equity	3,568.3	3,874.6	4,104.2	4,421.6	4,802.8	615.7
U.S. GAAP:						
Property, plant and equipment	3,198.5	2,944.9	2,663.3	2,665.1	2,704.2	346.7
Total assets	4,215.7	4,599.9	4,726.1	5,125.7	5,566.4	713.6
Long-term liabilities (2)	345.8	325.6	288.1	343.2	313.8	40.2
Total liabilities (excluding minority interests)	597.7	676.8	581.6	671.8	739.4	94.8
Total shareholders equity	3,617.5	3,916.7	4,138.9	4,448.7	4,822.5	618.3

(1) Excludes leasehold land and land use rights which are reclassified as prepaid operating lease payments with the adoption of revised Hong Kong Accounting Standard 17.
(2) Excludes current portion of long-term liabilities.
(3) One ADS is equivalent to 10 ordinary shares.

Historical Exchange Rate Information

The Hong Kong Dollar is freely convertible into other currencies, including the US Dollar. Since October 17, 1983, the Hong Kong Dollar has been linked to the US Dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements that gives effect to the link is an agreement between the Hong Kong Government and the three Hong Kong banknote-issuing banks, The Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank and, since May 1, 1994, Bank of China. Under this agreement, the Hong Kong Government Exchange Fund issues certificates of its indebtedness to the banknote-issuing banks against payment in US Dollars at the fixed exchange rate of HK$7.80 to US$1.00. The banknote-issuing banks hold the certificates of indebtedness to cover the issuances of banknotes. When the banknotes are withdrawn from circulation, the banknote-issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US Dollars at the fixed exchange rate. Exchange transactions in the Hong Kong Dollar against the US Dollar continue in the foreign exchange market.

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The following table sets forth the average, high, low and period end Noon Buying Rate between Hong Kong Dollars and US Dollars (in Hong Kong Dollars per US Dollar) for the periods indicated. No representation is made that the Hong Kong Dollar or US Dollar amounts referred to in this annual report have been, could have been or could be converted into US Dollars or Hong Kong Dollars, as the case may be, at the rates indicated below or at any other rate.

	Hong Kong Dollar/US Dollar Noon Buying Rate			
	Average [1]	High	Low	Period End
	HK$	HK$	HK$	HK$
2003	7.7864	7.8001	7.7085	7.7640
2004	7.7891	7.8010	7.7632	7.7723
2005	7.7755	7.7999	7.7514	7.7533
2006	7.7685	7.7928	7.7506	7.7771
2007	7.8008	7.8289	7.7497	7.7984
December 2007		7.8073	7.7879	7.7984
January 2008		7.8107	7.7961	7.7961
February 2008		7.8012	7.7807	7.7807
March 2008		7.7897	7.7642	7.7819
April 2008		7.7963	7.7863	7.7950
May 2008 (May 1 to May 23)		7.8018	7.7931	7.8018

(1) The average of the Noon Buying Rates on the last day of each month during the period.

RISK FACTORS

Risk of Launch and In-orbit Failure, Loss, Reduced Performance and Satellite Defects

Satellites are subject to significant risks, including launch and in-orbit failure, satellite defects, destruction and damage that may result in total or partial loss or incorrect orbital placement or may prevent proper commercial operation. The failure rate varies by launch vehicle, launch services provider and satellite manufacturer. A total or constructive total loss of any of our satellites would have a material adverse effect on our performance and revenue. In addition, any defects in AsiaSat 2, AsiaSat 3S, AsiaSat 4 or the future AsiaSat 5 could also have a material adverse effect on our profitability, total revenue and financial condition. See Information on the Company Satellites under Item 4.

Risks in Relation to the Construction and Launch of AsiaSat 5

AsiaSat has entered into a construction contract and a launch contract for the commissioning of AsiaSat 5, our new satellite that is under construction and that will replace AsiaSat 2, which is tentatively scheduled to be retired in late 2010. We currently expect to launch AsiaSat 5 by early 2009 so as to allow sufficient time for the construction and launch of another satellite in the

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event of an unsuccessful launch of AsiaSat 5. We will continue to monitor the potential delays in, or failure of, the launch of AsiaSat 5 to ensure the continuity of our services to our customers. However, there can be no assurance that alternative means to ensure such continuity will be available or feasible, and loss of continuity could have a material effect on our performance and total revenue.

The construction contractor, Loral, is a subsidiary of Loral Space & Communications Inc., which emerged from chapter 11 of the federal bankruptcy laws of the United States in November 2005. Any future financial difficulties of Loral may adversely affect its performance under the construction contract entered into with AsiaSat and may adversely affect the success of, or delay, the launch of AsiaSat 5. In addition, there can be no assurance that a launch vehicle will be available or that the launch of AsiaSat 5 will otherwise occur in 2009 as currently planned or that the subsequent in-orbit testing will be successful. In the event AsiaSat 5 does not meet its launch specifications, we have limited opportunities to replace AsiaSat 5 (and, therefore, AsiaSat 2) and the failure to timely replace AsiaSat 5 (and AsiaSat 2) may result in the interruption of services to our customers and adversely affect our operations, performance and financial results. Our right to use the orbital location from which AsiaSat 5 is to operate may not be maintained. In addition, the cost of insurance is a significant portion of the total cost of the construction and launch of a satellite and there can be no assurance that sufficient insurance can be obtained at a reasonable price prior to the launch of AsiaSat 5. See Information on the Company Satellites AsiaSat 5 under Item 4.

Risk of Not Successfully Renewing Existing Transponder Capacity Agreements or Not Renewing Them on Terms Similar to Their Current Terms or Customers Switching to Other Providers of Satellite Transponder Capacity

Our existing transponder capacity agreements, also known as transponder utilization agreements, provide for certain termination dates. The average duration of these agreements between signing and termination has become shorter. If we are unsuccessful in obtaining the renewal of such agreements on similar commercial terms, including price levels, and for similar duration, or in identifying alternate users for returned capacity, our revenues and financial results will be materially adversely affected.

In order to discourage the unlawful interruption and interference of transmission of Chinese television programs, in 2007, the Chinese government launched Sinosat 3 and Chinasat 6B, two new satellites with anti-attack technology. The Chinese television broadcasters transmitting via our satellites have switched to these satellites. This has had a negative impact on our revenue and financial results. Chinese television broadcasters accounted for approximately 4.6% of our total revenue in 2007, compared to approximately 8.8% of our total revenue in 2006. AsiaSat 5, expected to be launched in 2009, will also have anti-attack features, however, there can be no assurance that the Chinese television broadcasters will switch back to AsiaSat 5 after its launch or that AsiaSat 5 will have enough capacity to accommodate such broadcasters.

Limited Life of Satellites

A number of factors affect the estimated useful life of a satellite, including the quality of their construction, the durability of their component parts, the amount of fuel on-board, the launch vehicle used and the skill with which the satellite is monitored and operated. There can be no assurance as to the specific longevity of AsiaSat 2, AsiaSat 3S, AsiaSat 4 or AsiaSat 5, which will replace AsiaSat 2. Our results would be adversely affected in the event the useful life of AsiaSat 2, AsiaSat 3S or AsiaSat 4 were significantly shorter than our estimates, which we set forth in Information on the Company Satellites under Item 4.

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Risk of Losing Satellite Service Revenues if Other Satellites or Signals Interfere with Our Transmissions

Satellites operating from orbital slots that are adjacent to, and using the same band of frequencies as our satellites, could interfere with the signals transmitted from our satellites. Moreover, terrestrial radio transmitters, e.g. in Broadband Wireless Access (BWA) networks, operating in overlapping or adjacent frequency bands in an area could interfere with, or disrupt satellite reception in that area. Such interference could lead to the loss of satellite service revenues if customers migrate to competitors who operate satellites without such interference. We have entered into frequency coordination agreements with certain other operators to avoid any material interference pursuant to which we have agreed to certain operating constraints. Our ability to use our orbital slots could be further constrained in order to avoid material interference with other satellites. Disputes over interference could arise with other operators. For example, currently we are having issues with coordinating certain frequencies on one of our satellites with those of a satellite that Protostar intends to launch. Failure to reach agreement could cause interference and lead to loss of satellite service revenues. In addition, unintentional or intentional signals could interfere with the transmissions of our customers and could severely damage our reputation. If not remedied, such interference could lead to a loss of satellite service revenues if customers migrate to competitors, which would have a material adverse effect on our revenues. See Information on the Company Additional Orbital Slots and Use of Frequencies and Information on the Company Satellites AsiaSat 3S under Item 4.

Risk of Loss or Damage to Satellites, Ground Based Satellite Control Equipment or Satellite Stations from Acts of War, Terrorism, Electrostatic Storm, Space Debris and Other Natural Disasters

The loss, damage or destruction of AsiaSat 2, AsiaSat 3S, AsiaSat 4 or AsiaSat 5, or damage or destruction to AsiaSat s ground based satellite control equipment and satellite stations, as a result of military actions or acts of war, terrorism, anti-satellite devices, electrostatic storm, collision with space debris, other natural disasters or other causes would have an adverse effect on the Company. AsiaSat s insurance policies include standard commercial satellite insurance provisions and customary exclusions from losses resulting from (i) military or similar actions, (ii) terrorism, (iii) laser, directed energy or nuclear anti-satellite devices, (iv) insurrection and similar acts or governmental action to prevent such acts, (v) governmental confiscation, (vi) nuclear reaction or radiation contamination or (vii) willful or intentional acts of AsiaSat or its contractors. Uninsured losses are likely to have a material adverse effect on our revenue and financial condition. See Information on the Company Insurance under Item 4.

Reliance Upon Significant Customer

Our largest customer is STAR Group Limited, or STAR, a Hong Kong based international satellite television broadcasting company that broadcasts over the greater Asian region and is wholly-owned by News Corporation, a leading international media group. STAR accounted for approximately 25.7%, 24.3% and 24.1% of AsiaSat s revenues in the years ended December 31, 2005, 2006 and 2007, respectively. See Information on the Company Services and Customers under Item 4.

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We could be adversely affected by the loss of STAR as a customer or if STAR failed to perform its obligations in accordance with the terms of its transponder utilization agreements. There can be no assurance that STAR will enter into additional transponder utilization agreements with us upon the expiration of existing transponder utilization agreements.

Risk of Technological Changes

Technology in the satellite broadcasting and telecommunications industry is in a rapid and continuing state of change. Technological developments may have an adverse impact on our business. First, because our satellites have an estimated useful life of approximately 15 years, the technology used in such satellites may not be the most advanced at some future date. As a consequence, customers could migrate to satellite operators offering new generations of competing satellite systems that incorporate more advanced technologies, or more suitable satellite capabilities or configurations, after the expiration of the contract term, which would result in revenue loss to us. In addition, we might be required to replace satellites earlier than expected to address these developments. Second, increased transponder efficiency resulting from advances in compression technology, if not offset by increased applications for satellite capacity, may cause an overall decrease in demand for such capacity.

Risk of Limited Market Demand and Increasing Competition

The business in which we operate is highly competitive. The satellite services that we provide are used by our customers for point-to-point or point-to-multipoint communication (principally television broadcasting, private communication networks, Internet and multimedia services). Our principal competitors are regional and domestic satellite companies operating in the Asian region as well as global operators. Many of these competitors are licensed by the local governments and have de facto monopolies in their countries. Many of these competitors also are substantially larger in fleet size, and have financial resources that are substantially greater, than those of the Company. See Information on the Company Competition under Item 4.

Transponder Oversupply. The supply of transponders continues to exceed the demand for transponders and, due to persistent oversupply of transponder capacity and the slow introduction of new applications in the region, the Asia-Pacific satellite market remains particularly competitive. The economies of Asia have continued to strengthen and there is a general increase in demand for new applications such as video, the growth of internet protocol television, high definition television (HDTV), video-to-mobile, and DTH services. Recent new capacity, however, continues to exacerbate the existing oversupply and this will continue to impact, to some extent, our ability to grow. See Information on the Company Competition Transponder Oversupply under Item 4.

Competing Systems and Satellites. AsiaSat competes with a number of global, regional and domestic satellites and satellite systems such as APSTAR, China DBSAT, Indosat, INSAT, Intelsat, JSAT, Koreasat, MEASAT, Eutelsat, SES New Skies, Singtel Optus, Thaicom and others. We believe that most of the domestic systems are planning to add at least some regional transponders to their next generation of satellites. The increased competition could adversely affect our business prospects. See Information on the Company Competition Competition Restriction from Domestic Systems under Item 4.

Fiber Optic Systems. Fiber optic systems have been widely installed within the region for point-to-point trans-oceanic communications. In addition, point-to-point fiber optic connections between cities in Asia are common. As fiber optic coverage increases, the competitiveness of

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satellites for point-to-point communication will diminish. In addition, the transmission of television programming via Asymmetric Digital Subscriber Line (ADSL) and Digital Subscriber Line (DSL) technologies, commonly known as Internet Protocol Television (IPTV), is also an alternative to transmission of television programming via direct broadcasting satellite and cable.

Risks Relating to Future Satellites

The construction, launch and operation of AsiaSat 5 and any future satellites by us would be subject to substantially the same risks as those relating to AsiaSat 2, AsiaSat 3S and AsiaSat 4. In addition, AsiaSat s ability to make capital expenditures in connection with the construction and launch of future satellites could be subject to conditions of future financing arrangements. See Risks in Relation to the Construction and Launch of AsiaSat 5 and Operating and Financial Review and Prospects Liquidity and Capital Resources Planned Capital Expenditures under Item 5.

Our Controlling Shareholders Have Interests That May Conflict with our Interests or Other Shareholders

We are controlled by CITIC Group, or CITIC, and General Electric Company, or GE, which indirectly own 37.6% and 36.8%, respectively, of our outstanding Shares. The interests of CITIC and GE as our controlling shareholders could conflict with our interests or with the interests of our other shareholders. CITIC and GE may take actions or cause us to take actions that may not be in the best interests of other shareholders. In addition, the business of our controlling shareholders may be in competition with ours. For example, GE operates GE-23, part of whose footprint overlaps with that of our satellites, and as such competes or may compete with our business. We cannot assure that such conflict of interests and competing business activities will not have a material adverse effect on our business operations, financial condition or results of operations. See Information on the Company Change in Major Shareholder and Mandatory General Offers under Item 4.

We are Subject to Regulation by a Number of Different Bodies

The business in which we operate is highly regulated. Satellite, broadcasting and telecommunications services are subject to international and national law.

Hong Kong. As an operator of privately owned satellites, AsiaSat is subject to the regulatory authority of the Office of the Telecommunications Authority of Hong Kong (OFTA), which in turn is subject to the control and supervision of China. Our business prospects could be adversely affected by the adoption of new laws, policies or regulations, or changes in the administration, interpretation or application of existing laws, policies and regulations that modify the present regulatory environment in Hong Kong.

Licenses granted to AsiaSat are subject to conditions specified therein. The conditions may include basic orbital parameters (and requirements to obtain advance approval for any intended deviations and to notify any unintentional deviation), requirements to avoid interference with the activities of other users of outer space and requirements not to cause actions which may give rise to liabilities on the part of China or Hong Kong. Breach of any such conditions can give rise to a right of revocation of the relevant license.

Our operation of earth stations is subject to the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), or the Telecommunications Ordinance. The Telecommunications

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Ordinance contains provisions for the taking of possession by the Hong Kong Government of telecommunications stations if the Chief Executive in Council is of the opinion that an emergency has arisen in which it is expedient for the public service that the Hong Kong Government should have control over telecommunications stations. See Information on the Company Regulation Hong Kong Regulation.

There is currently a worldwide trend to assign spectrum in the 3.4-3.8 GHz range, particularly the 3.4-3.6 GHz range, for broadband wireless access (BWA) applications. Following the decisions by the 2007 World Radio Conference (WRC-07), this may in many countries also include future mobile phone systems (IMT). We do not use the 3.4-3.6 GHz band in our satellites, but analyses, testing and practical experience from places where such networks have been deployed show that such networks will interfere or disrupt satellite reception in the same area, also in the 3.6-4.2 GHz band where the AsiaSat satellites operate. While many countries at this stage have reservations or are undecided on a future IMT deployment, most countries have issued licenses for some kind of BWA operation. These services are currently being implemented in several countries. Should this trend continue, C band satellite services for all satellite operators will be seriously disadvantaged. Hong Kong is one exception where OFTA, after conducting analyses and field trials, concluded that, due to the interference from BWA with satellite reception, the two services could not co-exist. OFTA therefore decided for the time being, not to issue BWA licenses in this band. Should this decision later be changed, interference with satellite reception also in Hong Kong could occur, including AsiaSat s two earth stations in Hong Kong. If BWA networks are deployed in mainland China in areas neighboring Hong Kong, there could be the same impact on satellite reception in Hong Kong. China is one of the countries that has started a limited deployment of BWA networks in C band.

Other National Regulatory Schemes. Our customers are regulated by regulatory authorities in the countries in which they operate. Many of our customers must have authorization from the countries in which such customers are located in order to uplink to and communicate by means of our satellites. Although we do not believe these regulatory schemes prevent us from pursuing our business, there can be no assurance that such licenses and approvals are or will remain sufficient in the view of national regulatory authorities and that these authorities will not discourage or prevent potential customers from utilizing transponders on our satellites.

The laws of certain countries require television broadcasters and satellite telecommunication users providing services in such countries to use state-owned or locally-owned satellites. Punitive withholding taxes are often applicable to payments made under non-domestic satellite contracts. These legal requirements prevent us and other satellite companies from competing freely and fairly to provide transponder capacity to these potential customers. There can be no assurance that other countries in the Asian region, including countries in which we already have customers, will not impose similar requirements to use state-owned or locally-owned satellites in the future. The imposition of such requirements could adversely affect our results of operations and financial results. See Information on the Company Competition under Item 4.

We could be adversely affected by changes in laws and regulations, or in the interpretation and application of existing laws and regulations, relating to taxation or licensing fees in countries that may assert jurisdiction over our activities, including countries where customers of ours are located or where signals transmitted by our satellites are received. See Operating and Financial Review and Prospects Taxation under Item 5.

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International Telecommunication Union. AsiaSat s use of orbital slots and radio frequency is subject to the regulations of the International Telecommunication Union (ITU). Countries are required by treaty to make a filing of their proposed use of satellite orbital slots for geostationary satellites with the Radiocommunication Bureau of the ITU. When a conflict or potential conflict is noted, nations are obligated to negotiate in an effort to coordinate the proposed uses and resolve any interference concerns. The Radiocommunication Bureau, however, has no formal dispute resolution mechanism, and if countries cannot agree on a resolution, a satellite system will not obtain full interference protection as afforded under international law. See Information on the Company Regulation International Telecommunication Union.

Political, Economic and Other Regional Risks

AsiaSat is a Hong Kong company. Substantially all of AsiaSat s revenues are derived from its operations conducted in the Asian region. In 2005, 2006 and 2007, approximately 61.9%, 57.6% and 52.9%, respectively, of AsiaSat s revenues, were derived from customers from Greater China, which includes mainland China, Hong Kong, Macau and Taiwan. Furthermore, during 2005, 2006 and 2007, approximately, 25.7%, 24.3% and 24.1%, respectively, of AsiaSat s revenues were attributable to transponder utilization agreements with STAR, a Hong Kong company. As a result, our financial condition and results of operations may be influenced by the political situation in the Asian region and by the general state of the economies in such region.

China. General economic conditions in China could have a significant impact on our financial prospects. The economy of China has been changing dramatically with a gradual reduction in the role of state economic plans in the allocation of resources, pricing and management of assets and an increased reliance on market forces. Any slowdown in economic growth or return to non-market policies could adversely affect business in China.

We may also be adversely affected by changes in the political and social conditions in China, and by changes in laws, regulations and governmental policies, with respect to broadcast media, telecommunications services, inflationary measures, currency conversion or the rates and methods of taxation, among other things. While the Chinese government is expected to continue its economic reform policies, many of the reforms are new or experimental and may be refined or changed. Also see - Risk of Not Successfully Renewing Existing Transponder Capacity Agreements or Not Renewing Them on Terms Similar to Their Current Terms or Customers Switching to Other Providers of Satellite Transponder Capacity.

Almost all payments under AsiaSat s transponder utilization agreements are made in US Dollars. Since China has extensive foreign exchange controls, the ability of Chinese companies to convert Renminbi (the currency of China) into foreign currency and to purchase foreign currency is subject to various Chinese laws and regulations. China s current or future foreign exchange controls could adversely affect the ability of our customers in China to make payments to us in US Dollars.

Hong Kong. Hong Kong is a Special Administrative Region of China. Although the Basic Law, which governs China s relationship with Hong Kong, provides that Hong Kong will have a high degree of legislative, judicial and economic autonomy, there can be no assurance that the our financial condition and results of operations will not be adversely affected as a consequence of the exercise of China s sovereignty over Hong Kong. In addition, political and social developments in China have from time to time adversely affected the Hong Kong economy.

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SARS, Avian Flu or Similar Occurrence. Our business could be adversely affected by the re-emergence of Severe Acute Respiratory Syndrome (or SARS) or the development of a possible pandemic such as the avian influenza or a similar type of regional occurrence. Restrictions on travel resulting from these possible events could adversely affect the Company s ability to market and service new and existing customers throughout the Asian region. In addition, sick employees or other employees who fear contracting such illness could decide to not report for work. Our results of operations could be adversely affected to the extent that SARS, avian influenza or a similar type of regional occurrence harms the economy in, or otherwise negatively affects, China or the Asian region generally.

Limitations on Warranties and Insurance

Pursuant to AsiaSat s satellite construction contracts with Lockheed Martin for AsiaSat 2, Boeing Satellite Systems, International, Inc., or Boeing (formerly known as Hughes Space and Communications International, Inc.) for AsiaSat 3S and AsiaSat 4, and Loral for AsiaSat 5, AsiaSat is the beneficiary of certain limited performance-based, operational warranties on its satellites. However, the limited contractual warranties do not cover a substantial portion of the risk inherent in satellite launches or satellite operations. Furthermore, there has been a general rise in the cost of insurance following a series of satellite failures. In addition, while the cost of insurance has increased, insurance coverage has decreased as a result of the increase in satellite in-orbit failures and the terrorist events on and after September 11, 2001.

AsiaSat has in-orbit insurance coverage for AsiaSat 3S and AsiaSat 4 and plans to obtain such coverage for AsiaSat 5. AsiaSat s in-orbit insurance must be renewed annually. AsiaSat 2 is no longer insured for in-orbit failures. See Information on the Company Satellites AsiaSat 2 .

There are circumstances in which AsiaSat s insurance will not fully reimburse AsiaSat for its expenditures with respect to launching a replacement satellite (for example, if the cost of replacement exceeds the sum insured), and the insurance will not compensate AsiaSat for business interruption and similar losses (including, among other things, loss of market share, loss of revenue and incidental and consequential damages) which might arise from the failure of a satellite launch and launch of a replacement satellite or a failure of a satellite to perform to specifications. For a description of the amounts and coverage of AsiaSat s launch, in-orbit and liability insurance, see Information on the Company Insurance under Item 4.

Risks Related to U.S. Export Controls

The United States tightly restricts the export of commercial communications satellites and satellite-related components and technology. U.S. export control policy toward Hong Kong and AsiaSat is affected by U.S.-PRC relations, which can vary from time to time. AsiaSat has sourced all its satellites in the United States, including the new AsiaSat 5. Although we have obtained approvals from the State Department for our satellites, there can be no assurance that U.S. policy will not change in ways that will have a negative effect on the export of future satellites, including the timing of such export, nor can there be any assurance that future U.S. sourcing by us will be unimpeded by U.S. export restrictions. The State Department s approval is required when there is a change in ownership of the satellites. In April 2007, in connection with a proposed transaction in which we would be taken private, the State Department indicated to GE that it viewed the proposed transaction as causing a significant change of control of a party owning and controlling previously exported satellites that would require its approval and it

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was not prepared to grant such approval in the context of that transaction. We have since voluntarily delisted our ADSs from the NYSE, with such delisting becoming effective on February 28, 2008. Were the State Department to have any concerns in the future over our shareholder base, it might have an adverse effect on our ability to conduct our business.

Risk of Loss of Rights to Orbital Slots

In addition to the frequency bands currently used in the three primary positions of 100.5 degrees East, 105.5 degrees East, and 122.2 degrees East, in which our satellites currently operate, China has filed requests with the ITU on behalf of AsiaSat for a number of other frequency bands in the same orbit locations and for enhanced operating parameters in the current frequency bands. These filings are at different stages in the application process. AsiaSat may not be able to maintain its right to operate satellites in its primary positions, or to obtain rights to launch and operate satellites with enhanced parameters or additional frequency bands, or to fully use the allocated frequencies because of the limitations imposed by coordination agreements with other satellite systems, and any of these developments may have an adverse effect in our operations and financial results. See Information on the Company Satellites Orbital Slots and Use of Frequencies and Information on the Company Satellites AsiaSat 4 under Item 4.

Potential Future Leverage

AsiaSat may incur borrowings under a loan facility in the future. Such a loan facility may contain covenants, including financial covenants, which could prevent us from undertaking certain acquisitions and purchases that may be necessary for our growth. See Operating and Financial Review and Prospects Liquidity and Capital Resources under Item 5.

Risk of Not Being Able to Hire and Retain Technology Specialists in the Satellite Industry

Our continued success depends substantially on our ability to hire, retain and motivate highly skilled technology specialists. Because the number of people with such skills is limited, satellite operators compete vigorously for their services. The potential consequences of our loss of, or our inability to attract, key workers could include delays or inability to launch, monitor or control satellites, with a consequent reduction in sales and profits. Alternatively, we may have to offer more attractive remuneration packages than our competitors, which would increase our personnel expenses and could reduce our margins.

Item 4. Information on the Company.

History and Development of the Company

We are an exempted company organized under the Companies Act 1981 of Bermuda, or the Companies Act, as amended. We were incorporated on May 10, 1996. Our registered office is located at Canon s Court, 22 Victoria Street, Hamilton, HM12, Bermuda (phone: 441-295-2244) and our principal place of business is located at 19th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, in Hong Kong.

Organizational Structure

We are the parent company of AsiaSat. AsiaSat holds a 100% interest in SpeedCast Holdings Limited, or SpeedCast, a 49.0% interest in Beijing Asia and an 80.0% interest in Skywave TV Company Limited, or Skywave TV, as at 31 December 2007. See Notes 9 and 10 to our consolidated financial statements.

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Acquisitions, Investments and Joint Ventures

In April 2006, AsiaSat entered into a construction contract with Loral for the design and construction of AsiaSat 5. In May 2006, AsiaSat entered into a launch contract with Sea Launch Limited Partnership, or Sea Launch, to provide launch services related to the launch of AsiaSat 5 from the Baikonur Space Center in Kazakhstan. The total consideration payable under the two contracts, together with an estimate of insurance costs, was approximately HK$1,404.0 million (US$180.0 million), of which HK$321.6 million was paid in 2007. See Satellites AsiaSat 5, Business Overview and Additional Information Material Contracts under Item 10.

On August 31, 2007, AsiaSat entered into share purchase agreements with Tech System Limited and Yahoo! Inc., respectively, to purchase their respective shareholdings of 23.39% and 1.26% in SpeedCast for approximately US$2.96 million (HK$23.07 million) in cash. Upon completion of the purchase, AsiaSat s ownership of SpeedCast increased from 47.36% to 72.01% and SpeedCast became a consolidated subsidiary of AsiaSat s.

On October 25, 2007, AsiaSat entered into a share purchase agreement with TVG Phoenixnet Investment Limited to purchase its shareholding of 27.99% in SpeedCast for approximately US$3.36 million (approximately HK$26.19 million) in cash. That transaction closed on November 30, 2007 and SpeedCast became wholly owned by AsiaSat.

Change in Major Shareholder and Mandatory General Offer

On 29 March 2007, GE became our shareholder with a beneficial interest in approximately 34.0% of the issued share capital of the Company. CITIC remained as the other major shareholder with a beneficial interest in approximately 34.7% of the issued share capital of the Company. The two major shareholders hold their beneficial interests indirectly through Bowenvale and have equal voting rights in the Company through their joint control of Bowenvale.

Upon completion of a tender offer on June 26, 2007, CITIC and GE increased their combined beneficial ownership in the Company to 74.43%, with the remaining 25.57% held by the public. As a result, CITIC and GE beneficially own 37.59% and 36.84%, respectively, of our issued share capital.

The deposit agreement dated September 28, 2001, entered into between us, BoNY and the holders of ADRs from time to time, was terminated as of February 28, 2008. On January 28, 2008, our voluntary delisting of the ADSs on the NYSE became effective. We will consider, when we become eligible to do so, an eventual deregistration under the Exchange Act.

Business Overview

We, through our wholly owned subsidiary, AsiaSat, are a leading provider of high quality satellite transponder capacity in Asia. Our satellites are positioned over the Asian landmass and offer our customers comprehensive coverage of approximately two-thirds of the world s population. We operate three satellites AsiaSat 2, AsiaSat 3S and AsiaSat 4.

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AsiaSat 2 was launched in 1995 and began commercial service in January 1996. AsiaSat 3S was launched from the Baikonur Cosmodrome in the Republic of Kazakhstan and began commercial service in 1999. AsiaSat 3S has a similar C-band footprint coverage to AsiaSat 2. Together, these two satellites provide coverage to more than 50 countries, with approximately 3.3 billion people, from Siberia to Australia and from Japan to the Middle East.

AsiaSat 4, launched from Cape Canaveral, United States in April 2003, is located at the 122.2 degrees East orbital slot and began commercial service on July 1, 2003. AsiaSat 4 is a high power satellite having C-band coverage and power substantially similar to AsiaSat 2 and AsiaSat 3S. Because AsiaSat 4 has a more easterly location, its C-band coverage favors the Pacific-Rim, Australia and New Zealand to a greater degree than previous AsiaSat satellites. The Ku-band coverage of AsiaSat 4 is designed to meet the requirements of both broadcast satellite services (BSS) frequencies and fixed satellite services (FSS) frequencies for maximum flexibility. In June 2000, we received a Telecommunication License from OFTA allowing AsiaSat to operate four of the twelve BSS frequencies and the FSS frequencies on AsiaSat 4. In April 2005, we obtained the right to make available the remaining eight BSS frequencies on AsiaSat 4. See Services and Customers Expanded Services and Other Businesses. Because AsiaSat 4 is located at a relatively new orbital slot without an existing customer base and viewership, AsiaSat can currently offer its customers the option to utilize AsiaSat 4 s high powered transponder capacity at a lower cost than the rate demanded for capacity on AsiaSat 2 and AsiaSat 3S. AsiaSat 3S demands a higher rate for its transponder capacity because it has the largest viewership base of any commercial satellite in the Asian region.

The construction of our new satellite, AsiaSat 5, which is to replace AsiaSat 2 at the orbital location of 100.5 degrees East, is on schedule. The AsiaSat 5 satellite is currently under construction by Loral and will replace AsiaSat 2 at the orbital location of 100.5°E. The launch of AsiaSat 5 aboard a Zenit-3SLB rocket on the Land Launch system by the launch service provider, Sea Launch Company, L.L.C., was delayed due to the lack of availability of a launch vehicle and is now expected to occur in early 2009. The launch will take place in Baikonur Cosmodrome in Kazakhstan. AsiaSat 5, built on an SS/L 1300 series satellite platform, will carry twenty-six C-band and sixteen Ku-band transponders, and have an estimated operational life of fifteen years. AsiaSat 5 s C-band footprint will offer more powerful pan-Asian coverage than AsiaSat 2. Its Ku-band coverage will consist of three high-power beams, two of which will cover East Asia and South Asia, and an in-orbit steerable beam that can be positioned to provide service anywhere within AsiaSat 5 s geographic coverage.

We have leased a plot of land at the Tai Po Industrial Estates, or the Tai Po Site, to support the growth of our business. The Tai Po Site houses a satellite control center, the Tai Po Satellite Earth Station, that allows AsiaSat to offer its customers additional and improved services. These services include uplink, technical support and other value added services. For a general discussion on earth stations, see Competition Hong Kong Regulation

As of December 31, 2007, the utilization rate for each of AsiaSat 2, AsiaSat 3S and AsiaSat 4 was approximately 43.7%, 62.2% and 39.5%, respectively, with an average of 48.6 % under transponder utilization agreements and transponder purchase agreements.

We provide transponder capacity primarily to the broadcasting, telecommunications (including private communication networks), Internet and multimedia markets. AsiaSat has entered into separate transponder utilization agreements with over 100 customers from various countries and regions, including Australia, British West Indies, China, Hong Kong, India, Korea, Kuwait, Pakistan, Singapore, Taiwan, the United Kingdom, the United States and Vietnam.

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In 2005, 2006 and 2007, approximately 61.9%, 57.7% and 52.9%, respectively, of our revenues were derived from customers from Greater China, which includes mainland China, Hong Kong, Macau and Taiwan.

We believe that both AsiaSat 2 and AsiaSat 3S are the leading satellites for regional television programming distribution in Asia based on the number of viewers watching programming distributed on these satellites. Our largest customer, STAR, is a Hong Kong-based international satellite television broadcasting company that broadcasts to the Asian region via these two satellites.

Services and Customers

During the last three years, our revenues were derived from the following markets:

	2005	2006	2007
Broadcasting (video)	65.7%	67.8%	67.1%
Telecommunications, Internet and Multimedia	34.3%	32.2%	28.8%
Broadband Access Services			4.1%

Total revenue from our five largest customers in each of the years ended December 31, 2005, 2006 and 2007 was HK$345.8 million, HK$391.4 million and HK$367.2 million, respectively, which represented 39.3%, 42.1%, and 39.1% respectively, of total revenue. Revenues from our largest customer represented 25.7%, 24.3% and 24.1% of total revenue for the years ended December 31, 2005, 2006 and 2007, respectively.

Broadcasting

Local, national and international broadcasters use satellite transponder capacity for television programming distribution, contribution operations (i.e., the transmission of video feeds from one location to another) and ad hoc services such as the transmission of special events and live news reports from the scene of the event. The largest market for broadcasting services is the full-time leasing of transponder capacity by programmers to distribute programming to television stations, cable operators, master antenna systems and homes directly.

STAR offers a bouquet of digital services, including both subscription and free-to-air television, that, according to STAR, reaches more than 300 million viewers across the Asian region.

STAR entered into capacity agreements for transponders on AsiaSat 3S. In February 2004, we entered into an agreement with STAR to provide facilities at the Tai Po Site to house STAR s back up play out, broadcast and radio frequency equipment for downlinking and uplinking to AsiaSat 3S, and other related services. STAR also utilizes AsiaSat 2 C-band capacity to provide primarily backup capacity for programming.

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Our results from operations could be adversely affected by the loss of STAR as a customer or if STAR failed to perform its obligations in accordance with the terms of its transponder utilization agreements. There can be no assurance that STAR will enter into additional transponder utilization agreements with us, either for AsiaSat 3S or other satellites, upon the expiration of existing transponder utilization agreements. See Key Information Risk Factors Reliance Upon Significant Customer under Item 3.

AsiaSat currently is not subject to any exclusivity arrangement with any of its customers. Other broadcasters on its satellite fleet using its transponders include Pakistan TV, Associated Press Television News, the Ministry of Information of Kuwait, Voice of America, Deutsche Welle of Germany, TV5, RAI of Italy, RTVE of Spain, RTPi of Portugal, RTR Planeta of Russia, Fashion TV, LUXE.TV, E! Entertainment Television Inc., TRACE, TVB Pay Vision of Hong Kong, the European Broadcasting Union, Zee TV, Sahara TV, Turner Broadcasting System, Sun TV, Bloomberg TV, NOW TV, Muslim TV, MATV, Channel NewsAsia and Reuters TV.

In addition, governmental bodies seek to use satellites to expand their coverage to remote and underdeveloped regions of their countries that would otherwise be under served. The signals are received at rebroadcast centers and retransmitted to viewers.

Telecommunications, Internet and Multimedia

Our telecommunications services include the provision of transponder capacity for private communications networks for data and voice communications and for communications service providers in Asia. We believe that there will continue to be opportunities in Asia to market transponder capacity to certain end users that, due to poor telecommunications infrastructure or high costs of local public networks, desire to operate their own private networks for data and voice transmission. These are often large multinational companies or agencies such as financial news providers, newspapers, banks, paging companies, airlines, oil companies and stock exchanges.

China represents one of the world s largest potential markets for satellite communications. Private communications networks in China are numerous and growing. Organizations in China in such businesses as banking, securities, publishing and oil have established private networks utilizing AsiaSat s satellites to link remote sites with their headquarters.

AsiaSat s Chinese telecommunications customers include the People s Bank of China, the Shanghai Stock Exchange, the People s Daily, CITIC Guoan Information Industry Company Limited and China Petrochemical Corporation. In addition, Chinese ministries and agencies have entered into transponder purchase agreements to use transponders on AsiaSat s satellites.

AsiaSat s telecommunications customers also include Vietnam Telecom International, Reach, PCCW Global, Associated Press, Reuters, the International Air Transport Association, Korea Telecom, Teleport Access Services and Pakistan Telecom.

Customers including Telstra Corporation Limited use AsiaSat s satellites to offer broadband (which refers to the provision of high speed data over a single communications channel), Internet and multimedia services.

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Broadband Access Services

In 2007, we completed the acquisition of SpeedCast, which was formed in 1999 principally to provide high speed Internet, multimedia content delivery, and corporate broadcast services such as data packages delivery and Internet streaming. SpeedCast has established a multimedia platform that enables distribution of Internet services and other multimedia content. Customers may use this format when distributing content on the AsiaSat satellite system. SpeedCast has also launched on-line music distribution, on-line multimedia services and a streaming encryption system.

Expanded Services and Other Businesses

AsiaSat has launched digital broadcast platforms on AsiaSat 2 that offer one-stop shop services, including satellite capacity and signal turnaround facilities to broadcast customers from Europe and the Middle East for their services to Asia and Australia. The turnaround facilities are supplied by teleport partners in Cyprus and Israel that are able to receive signals from European and Middle East satellites and uplink the signals to AsiaSat 2.

OFTA granted AsiaSat a Fixed Carrier Services, or FC, license in May 2004. An FC license allows license holders to uplink broadcasting programs and to provide public telecommunication services linking Hong Kong and other countries either on their own business initiatives, or for and on behalf of their customers via satellites. AsiaSat s FC license has enabled AsiaSat to provide a one-stop service to its customers, including high-quality satellite transponder capacity, uplinking or downlinking broadcasting programs, and telecommunication services to audiences or operators outside Hong Kong.

In 2000, AsiaSat was granted a telecommunication license from OFTA, the Telecommunication License, allowing certain BSS frequencies to be incorporated into the payload of AsiaSat 4 at the 122.2 degrees East orbital position. AsiaSat was subsequently granted the right to make available four BSS frequencies on AsiaSat 4 by OFTA. These BSS frequencies were assigned to Hong Kong by the WRC 97 of the ITU. The 2000 World Radiocommunication Conference (WRC-2000) later revised these assignments and further assigned eight more frequencies to Hong Kong.

OFTA granted AsiaSat the right in April 2005 to make available the additional eight frequencies on AsiaSat 4. In light of the possibility of obtaining a license for these additional frequencies, AsiaSat 4 had been built to implement these frequencies by switching transponders from FSS Ku-band. These frequencies are designated for satellite broadcasting uses and are receivable in Hong Kong and surrounding areas with very small antennas. They can be used to provide DTH satellite broadcasting services, which refers to a satellite service that delivers television programming directly to consumer homes using a small antenna and related equipment. Adding the BSS frequencies onto AsiaSat 4 enables AsiaSat to offer high power and wide coverage for broadcasting services in Hong Kong and the surrounding areas. The main difference between the BSS and the FSS in AsiaSat s case is that BSS gives access to additional spectrum. Moreover, while the FSS frequency bands are used for a multitude of services, the BSS frequency bands are normally used only for television applications and with much more standardized parameters.

In April 2004, our subsidiary Skywave TV applied for a non-domestic television program service license, which was granted for 12 years by the Broadcasting Authority of Hong Kong in May 2004, in order to use the BSS frequencies on AsiaSat 4 to provide DTH satellite broadcasting services.

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In November 2004, we entered into an agreement with two strategic partners pursuant to which each of these strategic partners made an in-kind contribution equal to HK$3.0 million in return for a 10% interest in Skywave TV. See Acquisitions, Investments and Joint Ventures . Skywave TV has set up a low cost regional DTH service, providing selected programming to the markets of Macau, Hong Kong, Taiwan and to subscribers in Southern China licensed to receive foreign television services. This DTH service commenced trial services in December 2004 and uses the four initial BSS transponders on AsiaSat 4. By installing a very small dish, viewers can enjoy a wide range of programming.

In March 2004, the Company formed the joint venture Beijing Asia to provide corporate data networks and services in China using VSAT technology. Beijing Asia commenced operation in October 2004 and is providing technical services and equipment installation for the construction and operation of a trial network to connect remote sites in rural China using VSAT technology. As of December 31, 2007, the Company s investment in Beijing Asia has been fully written off. Such write-off was made after the Company s consideration of the performance and long term business outlook of Beijing Asia. See Acquisitions, Investments and Joint Ventures . Auspicious Colour Limited, a wholly owned subsidiary of ours was established in March 2005 and was granted a non-domestic television program service license on September 17, 2005 from the Broadcasting Authority of Hong Kong. Auspicious Colour Limited was set up to provide a one-stop service that combines the provision of satellite capacity and uplink service to broadcasters.

Satellites

The global communications market has historically been shared among three major transmission technologies fiber optic and coaxial cable, microwave systems and satellites. Satellites have been, and continue to be, used for global communications applications. Each of these transmission technologies has advantages over the other two in specific market segments.

Although satellites initially were used for point-to-point long distance telephone and television transmissions and continue to be used for these applications, fiber optic cables have proven to be a more cost effective transmission method for high volume point-to-point applications. Today, most trans-oceanic transmissions are delivered via submarine fiber optic and coaxial cables, which are ideally suited to carry large amounts of traffic between two points. In developing countries, satellites carry a significant portion of point-to-point traffic due to the lack of terrestrial fiber optic and coaxial network. However, as more fiber optic and coaxial networks are established, less of this traffic will be delivered via satellite. In many countries, satellites are also used to supplement terrestrial transmission networks for the distribution of television and radio programming.

Geostationary satellites are located in-orbit approximately 22,300 miles above the Equator. When positioned in geostationary or geosynchronous orbit, a satellite appears to hover over the same spot on the earth because it is moving at a rate that matches the speed of the earth s rotation on its axis. These high powered satellites have the ability to cover up to approximately 42% of the earth s surface at one time. With broad coverage capabilities, these satellites are well suited for point-to-multipoint applications (principally television broadcasting, private communication network, Internet and multimedia services). Satellites are commonly used for distribution of video and audio signals to cable operators and local television and radio stations for redistribution. In DTH applications, a high powered geostationary satellite allows video transmissions to be received directly from the satellite to homes using very small dishes.

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A satellite can be accessed by an uplink for the transmission of a satellite circuit extending from the earth to the satellite from virtually anywhere within its coverage area. This flexibility makes satellites ideal for private communications networks. Due to the high cost of local telecommunications services or the lack of an adequate local telecommunications infrastructure, an organization may wish to operate its own network. A VSAT network, connecting a large number of widely dispersed locations via satellite, is an efficient and cost effective method for many organizations to maintain communications with a network of offices spread over a large geographic area.

Because of the simultaneous coverage of a wide area, satellites are also attractive for certain types of mobile applications where no terrestrial alternatives exist or where alternative solutions are very limited and/or expensive. One such example is maritime mobile networks. By use of a stabilized antenna platform, regular VSAT services can be offered to ships and off-shore installations, providing broadband connections, connection to the public switched (telephone) network (PSN), TV reception and the like. Existing services provided through specialized satellites in other frequency bands are seen to be very limited in the bandwidth that can be offered and are also very expensive. Worldwide, regular FSS satellites are therefore seen increasingly to provide services to cruise ships, seismic survey ships, ferries and other commercial ships. With the emergence of smaller terminals, private yachts and other smaller vessels are now making use of FSS satellite links.

Satellite transponders receive signals from the uplink earth stations and then change the frequency of, amplify and transmit the signals to the downlink earth stations. Transponder subsystems include low-noise receivers, frequency converters, channel amplifiers, high power amplifiers, input/output multiplexers, various switches and other electronic components.

Communications satellites are of varying quality and usefulness depending on:

- footprint, or coverage area,
- orbital location,
- transponder power (EIRP),
- interference from adjacent satellites,
- transponder bandwidth,
- frequency band and
- other features, such as beam switching and linearizers.

A beam represents one of the coverage patterns offered by a satellite. A steerable beam allows the area of coverage to be changed based on market demand. The footprint of a satellite refers to the geographic area covered by a satellite, the outer edge of which defines area beyond where the quality of communication degrades below an acceptable commercial level due to the spacecraft antenna pattern, power of the signal and curvature of the earth. The primary transponder characteristic is downlink power, which is expressed in terms of EIRP. EIRP means equivalent isotropic radiated power and is a measure of radiated radio frequency power of each transponder. Transponder bandwidth, expressed in terms of megahertz or MHz, a unit of frequency equal to one million cycles per second, is a range of frequencies that can pass over a given transmission channel. The greater the bandwidth, the more information that can be sent through the circuit in a given amount of time. Greater transponder bandwidth also requires more power per transponder and/or use of larger earth station antennas if the entire transponder bandwidth is to be used to its full potential.

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C-band and Ku-band in the context of satellite communications are portions of the radio frequency spectrum assigned for satellite transmission, and are approximately in the 3 to 7 and 11 to 15 gigahertz (or GHz) ranges, respectively. GHz is a measure of frequency equal to one billion cycles per second. While Ku-band frequencies suffer from fading caused by rain, they are more suitable for small antenna applications than C-band frequencies. Ku-band is generally used for the same purposes as C-band. To compensate for fading caused by rain, Ku-band transmitters generally have higher power margins than C-band transmitters. Higher power, which permits the use of small antennas, makes Ku-band transmission more suitable for DTH television.

The following table sets forth certain satellite specifications in relation to AsiaSat 2, AsiaSat 3S, AsiaSat 4 and AsiaSat 5, which is planned to be launched in 2009. For a discussion on certain risks related to satellites, see Key Information Risk Factors Risk of Launch and In-orbit Failure, Loss, Reduced Performance and Satellite Defects , Key Information Risk Factors Limited Life of Satellites and Key Information Risk Factors Risk of Loss or Damage to Satellites, Ground Based Satellite Control Equipment or Satellite Stations from Acts of War, Terrorism, Electrostatic Storm, Space Debris and Other Natural Disasters under Item 3.

Summary Satellite Data

	AsiaSat 2	**AsiaSat 3S**	**AsiaSat 4**	**AsiaSat 5**
Region covered:				
C-band	Asia, Middle East, CIS and Australia	Asia, Middle East, CIS, Australia and New Zealand	Asia, Middle East, CIS, Australia and New Zealand	Asia, Middle East, CIS, Australia, North East Africa
Ku-band	China, Japan, Hong Kong, Taiwan and Korea	East Asia Beam (from Japan to Kazakhstan), South Asia Beam (from Bangladesh to the Middle East), Australia Beam (steerable)	China Beam, Australia Beam (Australia and New Zealand (steerable)), Hong Kong BSS Beam (steerable)	China Beam, South Asia Beam (inter alia, India, Pakistan and Bangladesh) and Steerable Beam
Launch date	November 28, 1995	March 21, 1999	April 11, 2003	2009 (estimated)
Manufacturer	Lockheed Martin	Boeing	Boeing	Loral
Model	Series 7000	BSS601HP	BSS601HP	FS 1300
Stabilization	Three Axis Stabilized	Three Axis Stabilized	Three Axis Stabilized	Three Axis Stabilized
Number of Transponders	33	44	48	40
C-band	20 @ 36 MHz	28 @ 36 MHZ	28 @ 36 MHZ	24 @ 36 MHZ
	4 @ 72 MHz			2 @ 72MHz
Ku-band	9 @ 54 MHZ	16 @ 54 MHZ	10 @ 54 MHz (FSS/BSS (2 transponders))	16 [(2)] @ 54 MHz
			6 @ 33 MHz (FSS/BSS)	
			4 @ 33 MHz (BSS)	
Maximum	40 dBW (C-band)	41 dBW (C-band)	41 dBW (C-band)	42 dBW (C-band)
EIRP	53 dBW (Ku-band) [(1)]	53 dBW (Ku-band)	53 dBW (FSS Ku-band) 56 dBW (BSS Ku-band)	54 dBW (Ku-band)
Payload	FSS	FSS	BSS / FSS	FSS

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Summary Satellite Data

	AsiaSat 2	AsiaSat 3S	AsiaSat 4	AsiaSat 5
Power output	55 W_TWTAs (C-band) 115 W_ TWTAs (Ku-band)	55 W_TWTAs (C-band) 140 W_TWTAs (Ku-band)	55 W_TWTAs (C-band) 140 W_TWTAs (Ku-band)	65 W_TWTAs (C-band) 150 W_TWTAs (Ku-band)
Estimated Useful Life	13 years	16 years	15 years	15 years
Estimated end of useful life	2010	2015	2018	2024

(1) AsiaSat 2 has experienced power reductions in its Ku-band transponders in relation to their design specifications. See AsiaSat 2.
(2) AsiaSat 5 will have 16 Ku-band transponders, but thermal design and reduced generated power over the life of the satellite may require a reduced number of active transponders towards the end of life of the satellite.

AsiaSat 2

AsiaSat 2 is located in the geostationary orbit at 100.5 degrees East. It was designed and produced by Lockheed Martin and is a series 7000 model satellite. It was launched on November 28, 1995 by a Long March 2E launch vehicle under a contract with China Great Wall Industry Corporation. AsiaSat 2 commenced commercial service in January 1996.

AsiaSat 2 is equipped with twenty 36 MHz C-band and four 72 MHz C-band transponders with a maximum signal power of 40 dBW. It is also equipped with nine 54 MHz Ku-band transponders with a maximum signal power of 53 dBW. However, at the time of the launch, AsiaSat 2 experienced a Ku-band power reduction at certain points of its coverage area. Since 2002, the back-up command receiver on AsiaSat 2 (a component used to communicate with and control the satellite) has experienced intermittent outages. AsiaSat 2 can operate normally on its primary command receiver. The satellite uses linear polarized beams, with the C-band and Ku-band having distinct coverage areas. For the C-band transponders, there are four spare amplifiers for each polarization of 12 C-band transponders in two separate 12 for 16 (12 working/16 total) redundancy ring configurations. For the Ku-band transponders, there are three spare amplifiers connected in a 9 for 12 (9 working/12 total) single redundancy ring configuration. In December 2003, AsiaSat 2 experienced two related short duration service outages. These outages caused no permanent damage to AsiaSat 2 and AsiaSat s engineers took the appropriate action to restore AsiaSat 2 s service. As a result of these outages, some customers moved to other AsiaSat satellites, while three customers utilizing capacity representing in the aggregate less than one C-band transponder moved to a competitor s satellite. These outages were the first break in service of an AsiaSat satellite in our history. In February 2005, one of the two bus power transformers on AsiaSat 2 (which provides low voltage to the satellite) changed to off status. While this change of status does not necessarily indicate a failure of the transformer, it is impossible for us to verify the integrity of this transformer. AsiaSat 2 can operate normally with only one bus power transformer. See Key Information Risk Factors Risk of Launch and In-orbit Failure, Loss, Reduced Performance and Satellite Defects under Item 3.

AsiaSat 2 has C-band coverage over virtually the entire Asian region, with a footprint stretching from Russia to Australia and from Japan to the Middle East and parts of Africa. The footprint of AsiaSat 2 covers approximately two-thirds of the world s population. AsiaSat 2 s C-band

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footprint provides coverage over a large area with a single beam. The nine Ku-band transponders provide coverage over China, the Korean peninsula and Japan.

AsiaSat 2 has an estimated useful life of 13 years, indicating that the estimated end of its useful life will be in 2010.

In June 2000, Lockheed Martin obtained a Technical Assistance Agreement from the State Department to provide technical data and services for in-orbit anomaly support for AsiaSat 2 until December 31, 2009. See Regulation Export Regulations.

As a result of a number of reported mechanical failures of Lockheed Martin series 7000 satellites, the same model as AsiaSat 2, the in-orbit insurance rate for AsiaSat 2, without exclusions of coverage, increased significantly. We have decided not to procure in-orbit insurance for AsiaSat 2 given the low book value of AsiaSat 2 and our cash position. In the event of a failure resulting in a total loss of AsiaSat 2, we would incur a loss equal to the net book value of AsiaSat 2 at the time of the total loss as well as in respect of disruption of services carried out on AsiaSat 2.

AsiaSat 3S

In 1997, AsiaSat launched AsiaSat 3 from the Baikonur Cosmodrome in Kazakhstan. AsiaSat 3 failed as it did not reach its orbital slot and was replaced, following the successful launch in March 1999, by AsiaSat 3S.

AsiaSat 3S is located in the geostationary orbit at 105.5 degrees East. AsiaSat 3S was constructed by Boeing and is a BSS-601HP model satellite. AsiaSat 3S was launched from the Baikonur Cosmodrome in Kazakhstan and commenced commercial service in 1999.

AsiaSat 3S has multiple beam coverage and is equipped with twenty-eight 36 MHz C-band transponders with a maximum signal power of 41 dBW. It is also equipped with sixteen 54 MHz Ku-band transponders with a maximum signal power of 53 dBW. AsiaSat 3S has transponder power output of 55 Watts for C-band and 140 Watts for Ku-band. It has an estimated useful life of 16 years, indicating that the estimated end of its useful life will be in 2015.

The footprint for AsiaSat 3S is similar to the footprint of AsiaSat 2 with two additional Ku-band beams designed to meet market demands. The C-band footprint stretches from Japan to the Middle East and from Russia to Australia. The footprint provides high powered service to the growing market areas in the Greater China region, Japan and Korea and Southeast Asia. It covers about two-thirds of the world s population.

The 16 Ku-band transponders can be allocated to two fixed beams and a steerable beam. The first beam is an East Asia beam that includes coverage from Japan to Kazakhstan. The second beam is a South Asia beam that has coverage from Bangladesh to the Middle East. In order to compensate for rain fade, which may occur in certain countries in this region, AsiaSat has designed the coverage to direct higher power in heavy rain areas. The steerable Ku-band beam allows a smaller, highly concentrated beam to be moved to any market region in the coverage area. This beam could, for example, be placed over Australia or over a specific region in Asia. Of the 16 Ku-band transponders on AsiaSat 3S, eight transponders are fixed on East Asia and eight are switchable among the three beams so that up to 16 transponders may be used for the East Asia beam, up to eight transponders may be used for the South Asia beam and up to four transponders may be used for the steerable beam.

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In February 2001, Boeing obtained a Technical Assistance Agreement from the State Department to provide technical data and services for in-orbit anomaly support and off-site support services for AsiaSat 3S until December 31, 2009. We will arrange for such support to be continued upon the expiry of the above agreement to cover the end of the useful life of the satellite, but there can be no assurance that such arrangement can be put in place with Boeing. See Regulation Export Regulation.

In both November 2004 and March 2005, a transponder on AsiaSat 3S was deliberately interrupted by signals carrying Falun Gong-related content. As a result, we were forced to shut down the respective transponder s transmission for a short period of time on November 26, 2004 and March 14, 2005. These breaks in service affected normal programming of certain customers satellite television channels. We view these deliberate interruptions as harmful interference as such term is defined in the constitution of the ITU, and accordingly, we have requested that OFTA report these incidents to the Radiocommunications Sector of the ITU through the relevant authority in China. Since then, there have been a few other occasions of harmful interference detected. For a general discussion on the ITU, see Regulation International Telecommunication Union. Also, see Risk Factors Risk of Losing Satellite Service Revenues if Other Satellites or Signals Interfere with the Company s Transmissions.

AsiaSat 4

AsiaSat 4 was launched on an Atlas IIIB launch vehicle on April 11, 2003 from Cape Canaveral, Florida. AsiaSat 4 commenced commercial service on July 1, 2003 and is operational at 122.2 degrees East.

AsiaSat 4 was constructed by Boeing and is a BSS-601HP model satellite. AsiaSat 4 is the most powerful member of AsiaSat s satellite fleet carrying 28 C-band and 20-Ku-band transponders. Its footprint covers approximately two-thirds of the world s population. AsiaSat 4 s pan-Asian C-band footprint covers more than 40 countries and regions spanning from New Zealand to the Middle East. Its Ku-band coverage consists of two high-power focused beams for East Asia (Greater China), a steerable beam that can be pointed towards any desired location (e.g. Australia), as well as a BSS beam for DTH services in Hong Kong and the adjacent South China region (reaching from Shanghai/Taiwan to the Vietnamese border). AsiaSat 4 is designed to provide advanced satellite services including DTH television, broadband and IP solutions, and telecommunications services such as private networks for business and rural telephony (which refers to the construction and operation of telephones and telephonic systems). It has an estimated useful life of 15 years, indicating that the estimated end of its useful life will be in 2018. AsiaSat 4 is equipped with four on-board Xenon Ion Propulsion Systems (XIPS) thrusters two on the north side and two on the south side. In October 2006, one thruster on the north side failed. There is no impact to the estimated useful life of AsiaSat 4 with this anomaly. However, if the remaining thruster on the north side also fails in the future, there will be a reduction of the useful life of AsiaSat 4 by several years. The exact magnitude of reduction depends on if and when the north side thruster fails. Under the AsiaSat 4 construction contract with Boeing, Boeing agreed to provide off-site support services for the life of the satellite. On July 5, 2000, Boeing obtained a Technical Assistance Agreement from the State Department to provide technical data for AsiaSat 4 until December 31, 2010. On July 20, 2000, Boeing obtained another Technical Assistance Agreement from the State Department to provide in-orbit anomaly

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support for AsiaSat 4 until December 31, 2010. We will arrange for such support to be continued upon the expiry of the above agreement to cover the end of the useful life of the satellite, but there can be no assurance that such arrangement can be put in place with Boeing. See Business Overview and Regulation Export Regulation.

AsiaSat previously had a dispute with Shin Satellite in relation to Shin Satellite s right to operate a satellite from 120 degrees East. As part of a comprehensive agreement to limit potential mutual interference between AsiaSat 4 and the IPStar satellite operated by Shin Satellite, the responsible administrations of China, OFTA and the Administration of the Kingdom of Thailand (regulator and ITU notifying administration for Shin Satellite) agreed to increase the orbital separation between IPStar and AsiaSat 4. Both satellites were required to change orbital locations, with AsiaSat 4 shifting from 122 degrees East to 122.2 degrees East. For a general discussion on regulations, see Regulation Hong Kong Regulation and Regulation International Telecommunication Union.

AsiaSat 5

On April 28, 2006 and May 8, 2006, AsiaSat entered into a construction contract and a launch contract, respectively, for the commissioning of AsiaSat 5. Under the terms of the construction contract, Loral, the construction contractor, shall complete the construction of AsiaSat 5 within 25 months after April 28, 2006. The launch contractor, Sea Launch, shall provide services associated with the launch of AsiaSat 5 from the Baikonur Space Centre in Kazakhstan. Under the terms of the launch contract, the launch services shall be completed upon the launch of AsiaSat 5, which was originally scheduled to take place between July 1, 2008 and December 31, 2008. The launch date has been extended because of the limited availability of a launch vehicle and is now expected to occur in early 2009.

AsiaSat 5 is a new satellite based on the well proven Space Systems/Loral 1300 satellite bus. It will carry 26 C-band and 16 Ku-band transponders and is intended to replace AsiaSat 2 at the orbital location of 100.5 degrees East. (AsiaSat 5 has the capability of operation across all of the available 16 Ku-band transponders and 26 C-band transponders. However, the power and thermal design of AsiaSat 5 may be just sufficient for 14 Ku-band transponders and 26 C-band transponders at the end of the satellite s useful life.) It will replace all current functions of AsiaSat 2 in both C and Ku-bands and will provide enhanced EIRP performance and additional coverage at Ku-band. This additional coverage consists of a dedicated antenna for South Asia plus a steerable antenna that can be pointed to other parts of Asia or Australia. AsiaSat 5 is expected to have an estimated useful life of 15 years after launch.

The C-band payload of AsiaSat 5 will be similar to that of AsiaSat 2 other than certain performance upgrades. The Ku-band coverage for China will be significantly improved, and additional coverage will also be provided for South Asia, including India, Pakistan, Bangladesh and parts of the Middle East. The steerable antenna will allow Ku-band capacity to be deployed in a manner consistent with the market demand anywhere in Asia.

Additional Orbital Slots and Use of Frequencies

China has filed on behalf of AsiaSat applications with the ITU for additional spectrum capacity and enhanced characteristics in the current frequency bands for all three orbital slots where AsiaSat s satellites are currently operating. See Regulation. The current capacity has significant frequency and geographic coverage constraints resulting from the coordination process, but allows efficient operation of all current satellites as well as AsiaSat 5. No assurance can be given that the additional capacity will be obtained by AsiaSat.

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AsiaSat has the option to co-locate additional satellites in the orbital slots located at 100.5 degrees East, 105.5 degrees East and 122.2 degrees East in order to provide additional capacity or enhanced performance in these locations and to support the existing satellites with redundant capacity. See Key Information Risk Factors Risk of Loss of Orbital Slot under Item 3 and Satellites AsiaSat 4.

Transponder Capacity or Utilization Agreements

A typical transponder capacity agreement, also known as transponder utilization agreement, for AsiaSat 2, AsiaSat 3S and AsiaSat 4 has a term of three years or more, requires utilization fees to be paid quarterly or semi-annually in advance and provides for renewal options. Generally, AsiaSat s transponder utilization agreements require payment in US Dollars. Typically, the customer may terminate the transponder utilization agreement at any time during the term of the agreement without further obligation if AsiaSat fails to provide a fully operational transponder or by giving advance notice to AsiaSat. Upon termination (other than for cause), the customer is obligated to pay AsiaSat termination fees based on the remaining contract period and the specific contractual terms. In addition, the transponder utilization agreements generally provide for a specified reduction in the utilization fees if transponder service is interrupted for reasons not caused by the customer or by outages due to the effects of the sun or other reasons beyond the control of AsiaSat. If such service interruptions continue without correction and AsiaSat is unable to provide suitable alternative capacity, the customer is entitled to terminate the transponder utilization agreement without further obligation to AsiaSat. Under the terms of the transponder utilization agreements, AsiaSat generally is not liable for the lost profits or other indirect or consequential damages of any customers.

AsiaSat entered into transponder purchase agreements with ministries or agencies of China under which the customer obtains the right to use Ku-band capacity on AsiaSat 2, AsiaSat 3S and AsiaSat 4 for the life of the transponder. The terms of these transponder purchase agreements are substantially the same as those found in transponder utilization agreements, except for certain differences such as the term of a transponder purchase agreement is for the entire useful life of a satellite and payment for the entire period of use is typically completed by the commencement of the second year of the term of the agreement.

Customer Technical Qualifications and Support

Before uplink communication with its satellite is permitted, AsiaSat s customers are required to meet AsiaSat s strict engineering performance and operations specifications. The purpose of these requirements is to confirm that the customer s equipment operates within AsiaSat s specifications in order to minimize interference with other customers on the same satellite or users on neighboring satellites. AsiaSat s engineers advise the customer with respect to the adjustments required to be made to the customer s equipment in order to minimize interference.

AsiaSat provides technical support to its customers. AsiaSat helps customers determine and evaluate their equipment configuration, carrier modulation, bandwidth and power requirements, design their networks and calculate link budgets.

AsiaSat s Carrier Monitoring System (CMS) was designed and implemented by AsiaSat to monitor and measure communications parameters from AsiaSat s Tai Po Satellite Earth Station.

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The CMS is also used to assist in customer earth station qualification and analysis of anomalies. The CMS measures power, frequency, bandwidth, carrier-to-noise ratio and other communications performance characteristics.

Insurance

AsiaSat has satellite in-orbit insurance for AsiaSat 3S and AsiaSat 4 and plans to obtain such coverage for AsiaSat 5. AsiaSat 2 is no longer insured for in-orbit failures. See Satellites AsiaSat 2 . There can be no assurance that AsiaSat will be able to obtain insurance in the future on terms satisfactory to AsiaSat. See Key Information Risk Factors Limitations on Warranties and Insurance under Item 3.

There are circumstances in which AsiaSat s insurance will not fully reimburse AsiaSat for its expenditures with respect to launching a replacement satellite, such as when the cost of the construction and launch of a replacement satellite exceeds the aggregate amount of coverage provided by AsiaSat s insurance policy. The amount of AsiaSat s insurance also will not compensate it for business interruption and similar losses (including, among other things, loss of market share, loss of revenue and incidental and consequential damages) which might arise from a full or partial launch failure or a failure of a satellite to perform to specifications. In addition, AsiaSat s insurance policies include standard commercial satellite insurance provisions and customary exclusions including, among other things, exclusions from losses resulting from

- military or similar actions,
- terrorism,
- laser, directed energy, or nuclear anti-satellite devices,
- insurrection and similar acts or governmental action to prevent such acts,
- governmental confiscation, nuclear reaction or radiation contamination or
- willful or intentional acts of AsiaSat or its contractors.

Satellite in-orbit insurance covering a specified period after launch of a satellite is typically purchased together with launch insurance. Subsequent satellite in-orbit insurance is typically purchased on an annual basis. Satellite in-orbit insurance, which has historically cost less than three percent of the insured value of a satellite on an annual basis, provides protection against partial or total loss of a satellite s communications capability, including loss of transponders, power or ability to control the positioning of the satellite and reduction in the useful life of the satellite.

AsiaSat renewed in-orbit insurance for AsiaSat 3S and AsiaSat 4 in the amount of HK$608.4 million (US$78 million) and HK$1,146.6 million (US$147.0 million), respectively, at a combined cost of approximately HK$35.5 million (US$4.2 million) for the twelve month period beginning March 21, 2008. The policy for AsiaSat 3S and AsiaSat 4 contained standard commercial satellite insurance provisions and customary exclusions. In the case of AsiaSat 4, it also contains an exclusion for losses in the event of a failure of XIPS (Xeon Ion Propulsion System) on the satellite. A failure of the XIPS system could result in a reduction of the satellite s life to less than 15 years. During the time when insurance for XIPS is unavailable, AsiaSat has an alternative arrangement in place to cover the risk of an XIPS failure. Such arrangement will allow AsiaSat to purchase a replacement satellite for AsiaSat 4 at a pre-agreed price adjusted based on the timing of the XIPS failure. The replacement satellite would be delivered in-orbit before the end of life of AsiaSat 4. See Key Information Risk Factors Limited Life of Satellites under Item 3.

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Sales and Marketing

Our sales and marketing department, which had 32 employees (including two general managers) as of December 31, 2007, is divided into two groups, one of which serves China and the other serves the remainder of the world. Our senior executive officers, including the Chief Executive Officer and Deputy Chief Executive Officer, are directly involved in marketing to key broadcasting and telecommunications customers. Marketing activities include customer visits, selected trade events and presentations at industry conferences.

Employees

As of December 31, 2007, the number of our permanent employees increased to 142 from 102 as of December 31, 2006. The increase came primarily from the acquisition of SpeedCast in 2007. Among these total 142 permanent employees, 9 were in management, 41 were in engineering and operations and 32 were in sales and marketing. The remaining 43 employees were from SpeedCast and the other 17 employees were engaged in administrative, accounting, legal, regulatory and clerical activities. We have 114 employees in Hong Kong (including 1 employee for Skywave TV and 29 employees for SpeedCast), 14 employees in Beijing and 14 employees of SpeedCast in Malaysia. We believe our relations with our employees are good. See Directors, Senior Management and Employees Employees under Item 6.

Share Award Scheme

On August 22, 2007, the Board approved the establishment of a restricted share award scheme, or the Share Award Scheme, having previously approved the creation of such a scheme in principle in 2005. The objective of the Share Award Scheme is to enhance our competitiveness in attracting and retaining the best senior staff for the development of our business. Under the Share Award Scheme, Shares will be granted to our eligible employees or any eligible employees of our subsidiaries. Any Shares so granted will vest after a certain period or lapse under certain circumstances as set out in the rules of the Share Award Scheme. The number of Shares to be awarded under the Share Award Scheme shall not exceed 3% of our total issued Shares as of August 22, 2007. We have appointed Equity Trust (Jersey) Limited to be the trustee to purchase and hold the shares granted upon trust to facilitate the servicing of the Share Award Scheme for the benefit of our eligible employees.

Competition

AsiaSat was founded in the late 1980s to serve the Asian regional satellite communications market. While global satellite communications demand was satisfied by Intelsat, Ltd. (the company formed in connection with the privatization of the former International Telecommunications Satellite Organization, an intergovernmental cooperative of more than 140 member nations that owned and operated a global communications satellite system) and several Asian countries that had developed domestic satellite communications, there was no supplier of Asian region-wide satellite communications. Since the launch of AsiaSat s first satellite in 1990, a number of international, regional and domestic satellite operators have entered the Asian regional market. Our primary market is Asian intra-regional broadcasting and telecommunications.

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International, Regional and Domestic Systems

The business in which we operate is highly competitive. The satellite services we provide are used by customers primarily for point-to-multipoint communication (principally television broadcasting, private communication network, Internet and multimedia). We compete with several international, regional and domestic satellite companies operating in the Asian region. Many of these competitors have long-standing customer relationships and are substantially larger in fleet size, and have financial resources that are substantially greater, than ours. We believe that our ability to compete with these businesses depends on our existing customer relationships and the quality of our customer service, our reputation as a reliable operator of commercial satellites and the technical advantages of our satellites.

Restrictions on Foreign Ownership

In many cases customers are required by the laws of their countries to use a state-owned or locally-owned satellite system for domestic communications. These legal requirements prevent us and other regional satellite companies from competing freely and fairly to provide transponder capacity to these potential customers. In addition, AsiaSat currently has entered into transponder utilization agreements for full transponders or partial transponders with various purely domestic users in several countries. These customers could be lost if monopolies were granted to state-owned or locally-owned satellite systems. Many of the domestic systems are planning to add at least some regional transponders targeting areas outside of their countries to their next generation of satellites. See Key Information Risk Factors Risk of Limited Market Demand and Increasing Competition Competing Systems and Satellites under Item 3.

Other Satellite Systems

Other existing and proposed organizations are competing or might consider competing in the Asian regional market. Some existing competitors offer low-cost, high performance transponders which compete directly with AsiaSat s satellites, while other potential competitors offer low-cost, low-performance transponders which do not compete directly with AsiaSat s high-performance transponders. New organizations face significant barriers to entry including scarcity of orbital slots and high cost of entry.

Fiber Optic Systems

Fiber optic systems have been widely installed within the region for point-to-point trans-oceanic communications. In addition, point-to-point fiber optic connections between cities in Asia are common. As fiber optic coverage increases, the competitiveness of satellites for point-to-point communications will diminish.

Transponder Oversupply

The supply of transponders in the region continues to exceed the demand for transponders. We believe that this imbalance cannot be corrected until the achievable growth in demand as driven by global economic growth and new applications and services are not overridden by the increase in new capacity. See Key Information Risk Factors Risk of Limited Market Demand and Increasing Competition under Item 3.

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Regulation

The international telecommunications industry is highly regulated. Satellite services are subject to international space law while broadcasting and telecommunications services are subject to international and national law. The principal international law relating to the use of outer space is the Outer Space Treaty. Countries that are party to the Outer Space Treaty or to other treaties or conventions regulating outer space activities are responsible for fulfilling their own obligations under these treaties or conventions. This often results in the adoption by member countries of domestic laws to regulate the activities of their own subjects in order to enable the country concerned to comply with its international obligations.

Hong Kong Regulation

As an operator of privately owned satellites, AsiaSat is subject to the regulatory authority of Hong Kong through AsiaSat s principal regulator, OFTA.

AsiaSat s satellite operations are principally regulated by the Outer Space Ordinance (Chapter 523 of the Laws of Hong Kong) (the Outer Space Ordinance). The Outer Space Ordinance applies to all Hong Kong nationals and entities incorporated under the laws of Hong Kong, including AsiaSat. This prohibits any such person from, among other things, launching or procuring the launch of a satellite, or operating a satellite, without obtaining an appropriate license. The Outer Space Ordinance stipulates that any such license shall describe the activities authorized by it and also provides that licenses may be granted subject to conditions specified therein. The conditions may include, among other things, basic orbital parameters (which include requirements to obtain advance approval for any intended deviations and to notify any unintentional deviation), requirements to avoid interference with the activities of other users of outer space and requirements not to cause actions which may give rise to liabilities on the part of China and Hong Kong. Breach of any such conditions can give rise to a right of revocation of the relevant license.

In Hong Kong, while the granting of the Outer Space License has to be endorsed by the Chinese authorities, the ultimate authority to grant other licenses and otherwise to administer the Outer Space Ordinance is vested in the Chief Executive of Hong Kong, acting in coordination with the Executive Council of Hong Kong. In practice, all relevant matters are dealt with on a day-to-day basis by and through OFTA. AsiaSat has the benefit of existing licenses covering current and future operation of each of AsiaSat 2, AsiaSat 3S and AsiaSat 4, subject to the conditions of the respective licenses. Each of these licenses was formally granted shortly before or after launch of the satellite concerned following a period of consultation between AsiaSat and OFTA.

In addition to the regulatory regime to which our outer space operations are subject, our earth station operations involve the operation and use of telecommunication apparatus at and from its earth stations at Stanley and Tai Po, Hong Kong. An earth station includes the antennas, receivers, transmitters and other equipment needed on the ground to transmit and receive satellite communications signals. Establishment, possession and use of such telecommunication apparatus our earth stations in Hong Kong are regulated by the Telecommunications Ordinance. AsiaSat has the benefit of licenses granted under the Telecommunications Ordinance covering all its TT&C operations (which refers to a land based facility that monitors and controls the position of the satellite in-orbit), as well as monitoring and testing functions, for each of AsiaSat 2, AsiaSat 3S and AsiaSat 4, subject to the terms and conditions of the respective

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licenses. The licenses require AsiaSat, among other things, to avoid harmful interference to other telecommunication apparatus operating within or outside Hong Kong and to ensure compliance with all relevant requirements of the International Telecommunication Convention (and any other international telecommunication agreements which may from time to time be acceded to by or on behalf of, or applied to, Hong Kong). Such licenses for AsiaSat 2 and AsiaSat 3S were formally granted contemporaneously with the grant of the licenses under the Outer Space Ordinance. In contrast, because we successfully won a bid for a Telecommunication License from OFTA allowing BSS frequencies to be incorporated into the payload of AsiaSat 4, the license for AsiaSat 4 under the Telecommunications Ordinance was granted prior to the completion of AsiaSat 4. See AsiaSat 4. For a further discussion on the Telecommunication License, the FC license and the non-domestic television program service license, see Services and Customers Expanded Services and Other Businesses.

The Telecommunications Ordinance also contains provisions for the taking of possession by the Hong Kong Government of telecommunications stations if the Chief Executive in Council is of the opinion that an emergency has arisen in which it is expedient for the public service that the Hong Kong Government should have control over telecommunications stations. In addition, the Telecommunications Ordinance contains provisions for the payment of compensation should such taking of possession occur.

Overseas National Telecommunications Authorities

Our customers in many of the countries covered by our satellites must have authorization from the countries in which they or their uplink facilities are located in order to use our satellites. Some countries also require licenses for receiving earth stations. The laws and regulatory requirements regulating access to satellite systems vary from country to country. Some countries have substantially deregulated satellite communications, making customer access to our satellites a relatively simple procedure, while other countries have maintained strict monopolistic regimes. The application procedure for access to satellite systems can be time-consuming and costly and the terms of the licenses vary among different countries. Although AsiaSat believes its customers presently hold the requisite licenses and approvals in all relevant countries, there may be instances of non-compliance of which AsiaSat is not aware. Although AsiaSat does not believe these regulatory schemes will prevent it from pursuing its business, there can be no assurance that such licenses and approvals are or will remain sufficient in the view of foreign regulatory authorities and that these authorities will not discourage or prevent potential customers from utilizing transponders on AsiaSat s satellites.

The laws of certain countries require television broadcasters and satellite telecommunication users providing services in such countries generally to use state-owned or locally-owned satellites. For example, in Japan, domestic broadcast using a foreign satellite is not permitted. In India, if suitable capacity is available from a local satellite operator, operations using a foreign satellite will not be permitted. The use of a foreign satellite is subject to the authorization of the Department of Justice of India.

There are no specific restrictions on satellite operators providing services in Australia. A radio communications license may be issued to a satellite operator specifically to authorize transmissions (a Space License) or one may be issued specifically to authorize reception of transmissions (a Space Receive License). The satellite itself must be either an Australian or foreign space object as determined by the Australian Communications and Media Authority (ACMA). AsiaSat s satellites are determined as foreign space objects by ACMA. When the

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space stations are licensed via the space segment, the operation of ubiquitous earth stations that are communicating with them may be authorized by another class license. AsiaSat has appointed an authorized nominated carrier for its Ku-band Australian transponders in Australia.

In Thailand, Shin Satellite s 8-year monopoly (which is part of a 30 year concession from the government) ended in 1999. At present, satellite activities in Thailand are authorized and controlled by the National Telecommunications Commission of Thailand.

China requires that all foreign satellite television broadcasters that have been licensed to be downlinked in China be uplinked to a state-owned satellite and multiplexed and downlinked to designated recipients and cable headends from that state-owned satellite. No such requirement applies to Chinese domestic satellite television broadcasters. Foreign satellite operators are required to provide transponder capacity to domestic companies that have been licensed to operate transponder capacity provision businesses or users approved by the Ministry of Information Industry. Foreign satellite operators are not allowed to provide transponder capacity to domestic users directly without the approval of the Ministry of Information Industry.

With respect to telecommunications, Chinese regulations stipulate that all matters relating to the lease or the procurement of the use of foreign satellite transponders are under the Ministry of Information Industry s jurisdiction. Domestic users must apply to the Ministry of Information Industry to lease or procure the use of such transponders.

These legal requirements may prevent us and other regional satellite companies from competing to provide transponder capacity to these potential customers. There can be no assurance that other countries in the Asian region, including countries in which we already have customers, will not impose similar requirements to use state or locally-owned satellites in the future. The imposition of such requirements could adversely affect our results of operations. See Risk Factors Risk of Not Successfully Renewing Existing Transponder Capacity Agreements or Not Renewing Them on Terms Similar to Their Current Terms or Customers Switching to Other Providers of Satellite Transponder Capacity under Item 3.

International Telecommunication Union (ITU)

The ITU was established in 1865 and became a specialized agency of the United Nations in 1947. The ITU is an organization of sovereign member states that aims at maintaining and extending international cooperation among all its member states for the improvement and rational use of telecommunications of all kinds. For this purpose, the ITU has developed and maintains international procedures and requirements for use of telecommunications as well as technical standards and recommendations. As of today, practically all countries in the world are members of the ITU.

The ITU is organized in three sectors: the Telecommunication Standardization Sector, the Radiocommunication Sector and the Telecommunication Development Sector. For satellite communications, most of the activities and regulations of relevance take place within the Radiocommunication Sector.

The objectives of the Radiocommunication Sector are to ensure rational, equitable, efficient and economical use of, and access to, the radio-frequency spectrum by all radio communication services and all countries. The main instrument of the Radiocommunication Sector is the Radio Regulations, which establishes procedures to be applied by member states. The Radio

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Regulations are updated regularly by World Radio Conferences. In between the sessions of the World Radio Conferences, the Radio Regulations Board, a group of elected members, develop Rules of Procedure on the application of the Radio Regulations and also consider other matters that cannot be resolved through a Rule of Procedure. The Radiocommunication Sector also carries out technical studies and develops recommendations and reports on radio communication matters to assist member states and users of the radio-frequency spectrum. The Radiocommunication Bureau was established to facilitate the work of the Radiocommunication Sector, in particular, to facilitate the technical studies, meetings and conferences and the application of the procedures contained in the Radio Regulations. The Radiocommunication Bureau has a group of permanent staff with its headquarters in Geneva, Switzerland.

The Radio Regulations allocates certain frequency bands for various kinds of satellite communication. Frequency bands are often allocated to several alternative services to be shared between them. It also contains procedures to be followed by its member states to ensure that in bringing into use radio communication systems, other users operating in accordance with these procedures are given the required protection.

Details of the ITU, its instruments and working methods can be found in the Constitution and Convention of the ITU, while radio communication matters are dealt with in the Radio Regulations.

Nations are required by treaty to make a filing of their proposed use of satellite orbital slots for geostationary satellites with the Radiocommunication Bureau. After filing an orbital slot request with the Radiocommunication Bureau, other nations are afforded the opportunity to inform the Radiocommunication Bureau of any potential conflicts with their own present or planned use of orbital slots. When a conflict or potential conflict is noted, nations are obligated to negotiate in an effort to coordinate the proposed uses and resolve any interference concerns. The Radiocommunication Bureau, however, has no formal enforcement mechanism, and if nations cannot agree on a resolution, a satellite system may not be entitled to the full interference protection afforded under international law.

The Hong Kong Special Administrative Region is mandated by China to file and coordinate applications made by Hong Kong companies for orbital slots with the Radiocommunication Bureau and to resolve interference concerns. The Chief Executive of Hong Kong has delegated these responsibilities to OFTA. Use of the orbital slots remains subject to the continuing oversight of OFTA and to a variety of regulations generally applicable to all satellite and radio licensees. OFTA has fulfilled its obligation to notify the Radiocommunication Bureau of the proposed use of the orbital slots for all of AsiaSat s filings, which include filings for AsiaSat 2, AsiaSat 3S, AsiaSat 4 and AsiaSat 5. After AsiaSat 2, AsiaSat 3S and AsiaSat 4 reached their orbital positions and commenced operations, AsiaSat notified OFTA, and OFTA in turn notified the ITU, that AsiaSat 2, AsiaSat 3S and AsiaSat 4, as applicable, were on station and operating as filed with the Radiocommunication Bureau, as coordinated and as authorized by OFTA. The key filings for the orbital locations of all of AsiaSat s satellites have been entered into or are waiting to be entered into the Master Register of the ITU. This concludes the process for the coordination of the orbital slots for AsiaSat 2, AsiaSat 3S and AsiaSat 4. Moreover, to add more flexibility for the utilization of the payloads of the current and future AsiaSat satellites in positions at 100.5 degrees East, 105.5 degrees East and 122.2 degrees East, additional filings have been submitted to, and are currently being coordinated with, the ITU.

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Export Regulation

In June 2000, Lockheed Martin obtained a Technical Assistance Agreement from the State Department to provide technical data and services for in-orbit anomaly support for AsiaSat 2 until December 31, 2009. In February 2001, Boeing obtained a Technical Assistance Agreement to provide technical data and services for in-orbit anomaly support and off-site support services for AsiaSat 3S until 31 December 2009. On July 5, 2000, Boeing obtained a Technical Assistance Agreement to provide necessary technical data to AsiaSat 4 until 31 December 2010. On July 20, 2000, Boeing obtained another Technical Assistance Agreement from the State Department to provide in-orbit anomaly support for AsiaSat 4. See Satellites -AsiaSat 4. In March 2006, Loral obtained a Technical Assistance Agreement from the State Department to provide technical data and services for the AsiaSat 5 program.

Property, Plants and Equipment

Land Facilities

Our executive offices are located in the Sunning Plaza in Causeway Bay, Hong Kong, or Sunning Plaza Premises. The lease covering the Sunning Plaza Premises commenced in April 2008 for a term of three years, renewable for another three years upon completion. The rental amount (excluding rates, air-conditioning and management charges) under the Sunning Plaza Premises lease is approximately HK$6.5million per year. We finance this cost from internal resources.

In March 2000, we opened a representative office in Beijing, China. Our Beijing office entered into a new lease for a period of four years beginning in June 2004. The lease amount is approximately HK$0.7 million per year. At the time of this report, we are in discussion for the signing of a new lease for the representative office in Beijing.

We entered into an agreement with respect to the lease of the Tai Po Site in Hong Kong to support the growth of our business. The Tai Po Site houses the Tai Po Satellite Earth Station, which is the center for coordination of all technical customer-related communication on our satellite, including station testing, outage and trouble shooting and real time scheduling of ad hoc broadcasting services traffic. These services also include uplink, technical support and other value added services. The Tai Po Satellite Earth Station became fully operational in December 2003, and the complex received its final occupation permit from the Hong Kong Building Authority in January 2004. The six full performance antennas (four of 7.3 meters, one of 6.3 meters and one of 11.3 meters) required for TT&C operations have been installed and are operational.

We also lease space from Reach Network (Hong Kong) Limited s (Reach) for a TT&C facility at their teleport located at Stanley on the south side of Hong Kong Island (Stanley TT&C Facility). This was earlier the only regular TT&C station for the AsiaSat satellites, but has after the establishment of the Tai Po Satellite Earth Station been used mainly as a back-up site.

We are not currently the subject of any actions or proceedings for environmental liabilities. As AsiaSat s satellites reach their end of life and are de-orbited, it is conceivable that we could be subject in the future to actions for environmental or other liabilities resulting from damage caused by these satellites.

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Satellite Control Facilities

The Tai Po Satellite Earth Station has been fully operational for more than four years and is now our primary TT&C facility. The Tai Po Satellite Earth Station is connected by dual, diversely routed leased lines to the Stanley TT&C Facility, which has seven full performance antennas (one of five meters, three of six meters, one of nine meters and two of eleven meters). The integrity of the delivery of the our services is achieved through duplicating at the Tai Po Earth Station our circuits and facilities provided at the Stanley TT&C Facility. The combination of Tai Po Satellite Earth Station and the Stanley TT&C Facility have provided a great deal of flexibility and redundancy in ensuring the integrity of the AsiaSat satellite fleet.

AsiaSat s technical personnel staff the Tai Po Satellite Earth Station 24 hours a day. There are no full-time employees of AsiaSat located at the Stanley TT&C Facility. Reach teleport technicians are responsible for the routine maintenance of the antennas and other equipment located at this facility.

Once a satellite is placed at its orbital location, it is controlled by the Tai Po Satellite Earth Station until the end of its in-orbit life. The TT&C subsystem for each satellite makes it possible for ground control to monitor the position of the satellite in-orbit. AsiaSat s engineers at the Tai Po Satellite Earth Station periodically correct a satellite s attitude and conduct east-west and north-south station keeping maneuvers, thus ensuring that AsiaSat s satellites maintain their proper orientation and orbital position. In addition, commands from the Tai Po Satellite Earth Station can control other functions of the satellite such as switching transponders in and out of service, position a steerable beam, control the charging and discharging of the batteries, activate back-up equipment and engage other control functions.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere herein.

Overview

We, through our wholly owned subsidiary, AsiaSat, are a leading provider of high quality satellite transponder capacity in the Asian region. As of December 31, 2007, we had three satellites in operation:

		Utilization Rates[1]			
	Position	2005	2006	2007	% Change
AsiaSat 2	100.5° East	40.1%	46.9%	43.7%	-6.8%
AsiaSat 3S	105.5° East	72.7%	74.2%	62.2%	-16.2%
AsiaSat 4	122.2° East	46.5%	48.4%	39.5%	-18.4%
System Utilization		54.0%	57.1%	48.6%	-14.9%

(1) There were 67 and 71 transponders, respectively, used on all AsiaSat satellites at year-end 2005 and 2006, and there were 61 transponders used on all AsiaSat satellites at year-end 2007. See Results of Operations Utilization Rates.

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Our revenue by industry segments consists of provision of satellite telecommunication systems for broadcasting and telecommunication and provision of broadband access services. The factors that drive demand for AsiaSat s satellite services across the Asian region include video distribution and the provision of telecommunications networks to users who need last mile connectivity over wide geographic coverage at a fixed cost. Satellites can provide this coverage where cable cannot, particularly across the widespread and disparate Asian region.

Factors Affecting our Results

Market Trends

In 2007, there was an increase in regional activity and demand for satellite services after several years of market stagnation. Such market stagnation was prolonged by a combination of very limited demand on one hand, and increased supply by new satellite launches, on the other. In addition, the satellite sector typically lags behind others in responding to overall shifts in the economy and, together, these factors hindered growth in the market and made it extremely competitive.

The adoption of High Definition (HD) technology in Asia in 2007, and the increase in satellite capacity that HD requires, continue to lag behind Europe and the United States. Nevertheless, during 2007, we experienced stronger demand from the television sector for the regional distribution of new television channels. The increase in such demand appears to be driven by the introduction, in many countries, of new distribution methods, including Direct To Home (DTH) satellite television and IPTV delivered by terrestrial broadband networks. These new and competing platforms require innovative and exclusive content to differentiate themselves from their competitors and appear, therefore, to be driving the expansion of the content industry.

As Asian markets develop, governments are recognizing that the television viewing public expects to have choice both in the content available and in its providers. The trend of general expansion, we believe, bodes well for the satellite industry both, directly, in the DTH market and, indirectly, in the distribution of content to these new platforms. The use of satellites to reach remote areas is continuing to grow as governments seek to improve the quality of life in these areas. The types of services provided in these remote areas include mobile phone and internet connections that link into main systems, which has also increased the demand for satellite capacity.

Even though the market stagnation started to change in 2007, we believe that concerns about the economy that have arisen in the United States and Europe in the latter part of 2007 and the early months of 2008 are likely to cause a dampening effect globally, which makes it difficult to predict what the market will be like in the near term.

Also, in the short term, while new DTH services appear to be planned for a number of important areas in the region over the next few years, restrictions on foreign ownership in certain jurisdictions prevent customers from using non-domestic satellites, which creates a barrier to

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entry by foreign and other regional satellite operators and discourages foreign investment. In the medium- to long-term, we expect additional markets for DTH services to open, in large part based on consumer demand and the inability of local satellite providers to meet that increased demand.

As the region develops, competing platforms will need a growing supply of content, which we expect will also drive the need for greater satellite capacity. We expect that operators will seek to differentiate themselves based on new applications and new technologies, each driving need for additional capacity, and will seek additional capacity for the 2008 Beijing Olympic Games. New technologies are expected to include HDTV, video-to-mobile, and service bundling.

New Satellite Capacity

In 2007, six new satellites that serve parts of the Asia Pacific were launched. This increase brought the total number of satellites covering the region to 81. Two of the new satellites are Chinese, two are from India, one is from Japan and one is from Australia. Together, they have added a total of 60 C-band transponders and 56 Ku-band transponders to the region. While much of this new capacity, particularly Ku band, is designated for national DTH systems and does not compete directly with AsiaSat s regional business, this added capacity does force other satellite operators operating in those markets to look for alternative markets to sell capacity. These operators compete directly with AsiaSat.

Growth Strategies

Future growth will be built on our commitment in providing our customers with the highest quality of products and services in the industry. This has been recognized in the awards for excellence that AsiaSat has received. With this in mind, AsiaSat is expanding to provide value added services from our Tai Po Site. The addition of an MCPC platform on AsiaSat 3S, to complement our existing AsiaSat 2 MCPC platform, will allow video customers to access the wide viewership of AsiaSat 3S in a more efficient and economical manner. Additionally, more services such as uplinking, fiber backhaul, shared VSAT and turnkey data services will be offered through our SpeedCast subsidiary, which also operates from Tai Po.

While satellite operator consolidation has been slow to materialize in Asia, AsiaSat continues to look for growth through possible acquisitions and organic growth. In some cases these growth objectives can best be achieved by partnerships with operators and service providers in the region.

Maintaining and growing our existing strong customer base is a key growth objective of ours. In 2007, AsiaSat s success in this area was based on winning new strategic customers and renewing existing customer contracts by maintaining our unmatched standards of delivery and service. Although we needed to bid for all new contracts, our high quality services enabled us to maintain our premium pricing over our competitors. As in previous years, AsiaSat continued to monitor the balance between contract length and lease rates, preferring to sign shorter term contracts in anticipation of increasing lease rates.

Acquisition

In the second half of 2007, we completed the acquisition of SpeedCast, which is engaged primarily in the provision of broadband access services.

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Other Recent Developments:

In June 2007, AsiaSat announced the signing of a collaboration agreement with IndiaSign Pvt. Ltd., India s leading broadcast services provider and systems integrator, to jointly launch a C-band MCPC platform on AsiaSat 2 s pan-Asian coverage beam. It will use a full 36 MHz C-band transponder and will provide customers with a comprehensive and lower-cost alternative to broadcasting video in a single channel per carrier configuration through India Sign s teleport in New Delhi.

In addition to eliminating customers needs to purchase their own MCPC platforms, the entire power of the transponder is used, thus enabling the deployment of smaller receiver dishes, resulting in savings to the end user. This will offer premier broadcasters a one-stop transmission solution to distribute television and radio services to cable and satellite networks, terrestrial stations, hotels and individual home viewers across Asia and Australia.

Our other initiatives include:

- a contract with US entertainment network E! Entertainment Television Inc. to distribute our network regionally through an MCPC platform on AsiaSat 2 s wide C-band beam operated from our Tai Po Earth Station;
- a lease with Al-Dawri & Al-Kass Sports Channel of Qatar for an Arabic language sports channel for the region;
- a lease with Total Media Limited of Pakistan for the use of C-band capacity on AsiaSat 3S to distribute WIKKID Plus. This is Pakistan s first indigenous children s channel, offering programmes across Pakistan and 50 other countries in AsiaSat 3S s footprint;
- a distribution contract for High Definition (HD) and Standard Definition (SD) versions of LUXE. TV that is operated by Satlink Communications Ltd. in the Middle East region across Asia via AsiaSat 2 s powerful C-band digital platform. LUXE.TV is the world s first international network focusing on luxury lifestyle that is fully produced in HD; and
- the launch of a full transponder C-band MCPC technology platform to provide video, audio, data and IP-based broadcast services on AsiaSat 3S at our Tai Po Earth Station.

Our Segments

Prior to 2007, we had one business segment, which was the provision of satellite telecommunication systems for broadcasting and telecommunication. As a result of the acquisition of SpeedCast, we currently have two business segments: satellite telecommunication systems for broadcasting and telecommunication and broadband access services.

Our Principal Line Items

Revenue

Sources. Substantially all of our revenues during the years under review were derived from payments made in respect of transponder utilization agreements and transponder purchase agreements for AsiaSat 2, AsiaSat 3S and AsiaSat 4 and were almost entirely payable in US Dollars. A small portion of our revenue during the year was contributed by SpeedCast, a wholly owned subsidiary that is primarily engaged in the provision of broadband access services. See Information on the Company Acquisitions, Joint Ventures and Investments under Item 4.

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AsiaSat s transponder utilization agreements and transponder purchase agreements in effect as of April 30, 2008 provided for total committed revenue (including a portion of the deposits received in prior periods and that will be recognized as revenue in the applicable future period) of HK$2,432.80 million (US$311.9 million). We expect that most of such committed revenue will be recognized over the remaining terms of the relevant agreements up to 2014, assuming that the agreements are not terminated earlier. See Information on the Company Transponder Utilization Agreements under Item 4. In 2007, approximately 2.6% of our revenue from the provision of transponder capacity was derived from transponder purchase agreements, and the remaining portion was derived from transponder utilization agreements.

Payments under transponder utilization agreements are negotiated with each individual customer and generally are influenced by various factors, including market conditions that drive demand, satellite performance capabilities and the reputation of AsiaSat as a reliable service provider. See Information on the Company Business Overview under Item 4. Generally, in the satellite transponder market, transponders with greater coverage, wider bandwidth, more viewers and higher power have commanded a premium price. These factors will impact our ability to increase charges for transponder capacity in future periods with respect to new and existing agreements.

Segment breakdown. Our primary industry segment is the provision of satellite telecommunication systems for broadcasting and telecommunication. The majority of our revenue is attributable to this business segment. Due to the contracted nature of our revenue stream, year-to-year fluctuations are driven by customer contract renewals and customer movements. See Information on the Company Business Overview, Information on the Company Services and Customers Broadcasting, Information on the Company Services and Customers Telecommunications, Information on the Company Services and Customers Multimedia and Internet and Information on the Company Services and Customers Expanded Services and Other Businesses under Item 4.

The following table shows a breakdown of revenue by the two business segments:

	Year ended December 31,					
	2005 (HK$)		2006 (HK$)		2007 (HK$)	
	(in millions, except for percentages)					
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Provision of Satellite Telecommunication Systems for Broad casting and Telecommunications	879.7	100.0%	929.9	100.0%	917.4	97.7
Provision of Broadband Access Services					38.2	4.0%
Intersegment Elimination					(16.4)	(1.7)%
Total Revenue	879.7	100.0%	929.9	100.0%	939.3	100.0%

(1) See Results of Operations Revenues.

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The following table shows the place of incorporation of our customers. However, due to the nature of our business, the places of incorporation of our customers are not reflective of their market activities as broadcasting and telecommunication consumers may be located outside the coverage area of AsiaSat s satellites.

	Year ended December 31,					
	2005 (HK$)		2006 (HK$)		2007 (HK$)	
	(in millions, except for percentages)					
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Hong Kong	341.7	38.8%	341.6	36.7%	323.3	34.4%
Greater China, including Macau and Taiwan	202.7	23.0%	194.8	21.0%	173.9	18.5%
United States	78.2	8.9%	79.8	8.6%	66.5	7.1%
Australia	27.9	3.2%	37.3	3.4%	48.2	5.1%
United Kingdom	49.4	5.6%	53.2	5.7%	50.5	5.4%
Others	179.8	20.5%	223.2	24.6%	276.9	29.5%
Total Revenue	879.7	100.0%	929.9	100.0%	939.3	100.0%

(1) See Results of Operations Revenues.

Revenue Recognition. We recognize revenues from all transponder utilization agreements on a straight line basis over the term of the agreements. As a result of the utilization fee escalation clauses in the transponder utilization agreements, in the early years of the term of any such agreement, revenues are recognized in respect of payments that are not yet due, and in the latter portion of the term of such agreement revenues recognized will be less than payments due under the contract terms. In the aggregate in 2005, there was recognition of revenues under the transponder utilization agreements in excess of payments due under those agreements in the amounts of HK$0.7 million. In 2006 and 2007, the total amount of payments due under the transponder utilization agreements was in excess of revenues recognized under those agreements in the amount of HK$3.5 million and HK$14.9 million (US$1.9 million).

We recognize revenue on the sale of transponder capacity under transponder purchase agreements on a straight-line basis from the date of delivery of the capacity until the end of the design life of the satellite.

Reliance upon a Significant Customer. In the years ended December 31, 2005, 2006 and 2007, approximately 25.7%, 24.3% and 24.1%, respectively, of our revenues were attributable to transponder utilization agreements with STAR. See Information on the Company Services and Customers and Key Information Risk Factors Reliance upon Significant Customer under Item 3.

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Expenses

The components of operating expenses are cost of services, selling, general and administrative expenses and depreciation. Significant components of cost of services include in-orbit insurance, staff costs, satellite operations and turnaround service charges. Significant components of selling, general and administrative expenses include staff costs, office rental expenses, provisioning for doubtful debts, marketing and promotion expenses, business travel expenses, listing expenses, professional fees and amortization of goodwill arising from an acquisition of affiliates.

Staff costs (and associated travel expenses) and office rental expenses are allocated by the Company between cost of services and selling, general and administrative expenses depending on the function of such staff and use of the office space. The cost of services category of operating expenses includes all operating expenses incurred for engineering and the operation of our satellites, including the proportionate amount of office rental expense for the office space used by our engineers and the operations department. All staff, travel and office space expenses not included in cost of services are allocated to selling, general and administrative expenses.

Operating expenses decreased to HK$182 million (US$ 23million) in 2007, from HK$207 million (US$ 27 million) in 2006.

Interest in Associates

We have accounted for our share of profit or loss arising from associates on an equity accounting basis. In the case of a loss, we reflect our share in the income statement with a corresponding write down of our investment in an affiliate. Once the investment has been written down to zero, we will not account for any further loss beyond the amount of the investment. In 2005, 2006 and 2007, we recorded a HK$3.9 million, HK$8.4 million and HK$11.1 million (US$1.4 million) loss, respectively, with respect to our investment in associates, which included amortization of goodwill and impairment loss. As of December 31, 2007, we had fully written off (or provisioned) our investment in Beijing Asia. Beijing Asia still continues its operations.

Taxation

We are subject to Hong Kong Profits Tax on our operations deemed to be located in Hong Kong. We are also subject to overseas tax on our operations in certain of the overseas jurisdictions. The Hong Kong profits tax rate was increased to 17.5% per annum with effect from April 2003. Hong Kong profits tax was previously charged at the rate of 16% per annum.

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

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The Indian tax authorities have assessed us for income tax as follows:

Assessments (HK$ in millions) (approximately)

Assessment Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
	20.0	23.0	22.0	14.0	29.0	38.0	50.0	58.0	46.0	300.0

We have filed appeals for each of the assessment years 1997-98 to 2005-06. No assessment has yet been made for the 2006-07 or 2007-08 assessment years. The Income Tax Appellate Tribunal, or the Tribunal, in an earlier appeal filed against the original assessment for the assessment year 1997-98 held that we are liable for Indian tax under certain circumstances. We do not believe that we are liable for the Indian tax as held by the Tribunal and filed an appeal against the Tribunal s decision. The tax authorities have also filed an appeal against the Tribunal s decision. Both appeals have been admitted by the High Court and are pending.

In order to obtain a stay of recovery proceedings, we made payments as follows and we recorded these payments as an asset as we believe that the amounts are recoverable:

Payment to Stay Recovery Proceedings (HK$ in millions) (approximately)

Assessment Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Total
	13.0	14.0	11.0	9.0	20.0	27.0	39.0	34.0	167.0

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 our customers to us 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 our customers, we cannot reasonably estimate the taxable income and therefore also cannot estimate the amount of Indian income tax for which we may become liable. Accordingly, no provision has been recognized for Indian income tax in financial statements. Furthermore, as stated above, we filed an appeal against the Tribunal s decision. The appeal has been admitted by the High Court and is pending before the High Court.

Results of Operations

Our revenues for 2007 amounted to HK$939.3 million, an increase of HK$9.4 million compared to that of 2006. Revenues for 2006 amounted to HK$929.9 million, and increase of HK$50.2 million over revenues of HK$879.7 million in 2005.

Operating profit increased from HK$420.5 million in 2005 to HK$517.5 million in 2006 and to HK$568.0 million in 2007. Operating profit as a percentage of revenues increased in 2007 to 60.5% from 55.6% in 2006, which in turn increased from 47.8% in 2005.

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain income and expense items in our consolidated statement of operations.

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	Year ended December 31,		
	2005	2006	2007
Revenues	100%	100%	100%
Cost of services	(47.6)	(44.2)	(42.9)
	52.4	55.8	57.1
Other gains net	4.9	10.0	11.7
Administrative expenses	(9.5)	(10.2)	(8.3)
Operating profit	47.8	55.6	60.5
Finance costs			
Share of results of associates (including goodwill amortization)	(0.5)	(0.9)	(1.2)
Impairment loss recognized in respect of goodwill of associates			
Profit before taxation	47.3	54.7	59.3
Taxation	(5.8)	(5.9)	(5.7)
Profit for the year	41.5	48.8	53.5

Revenues

Revenues in 2007 increased 1.0% to HK$939.3 million from HK$929.9 million in 2006, which in turn increased 5.7% from HK$879.7 million in 2005. The revenues in 2006 included a one-time receipt of HK$49.9 million for early termination of contracts, compared to HK$11.7 million for early termination in 2007. This was offset by the acquisition of SpeedCast during the second half of 2007, which contributed HK$38.2 million to revenues. Excluding the revenues reported in 2006 for early termination of contracts, underlying revenues in 2006 was essentially unchanged from 2005.

Utilization Rate. As of December 31, 2007, the overall total utilization rate of AsiaSat 2, AsiaSat 3S and AsiaSat 4 decreased 8.5% to 48.6% from 57.1% at the end of December 2006, which in turn increased from the overall total utilization rate of 54.0% as of December 31, 2005. See Overview. There were 67, 71 and 61 transponders utilized on all AsiaSat s satellites at year-end 2005, 2006 and 2007, respectively. This utilization rate did not include the transponder capacity used for occasional service on an ad-hoc basis and it was difficult for us to quantify this usage and translate it into equivalent transponders. The revenue generated from occasional service was HK$50 million in 2007, representing approximately 5% of revenue. The increases in the total utilization rates in 2006 and 2007 from the previous year was the result of the leasing of additional transponders to new and existing customers. See Key Information Risk Factors Risk of Technological Changes and Key Information Risk Factors Risk of Limited Market Demand and Increasing Competition under Item 3.

Utilization rates and the fees derived from our satellites are determined by the terms of our transponder agreements rather than the transponder capacity actually used by our customers at any given time. The fees derived from satellites for video broadcasting services varies depending, in part, on whether the satellite has an established viewer base. See Information on the Company Business Overview under Item 4.

Cost of Services. Cost of services in 2007 decreased 1.8% to HK$403.1 million (US$51.7 million) from HK$410.6 million, which in turn decreased 2.0% from HK$419.0 million in 2005. The reduction in 2007 was due primarily to savings in in-orbit insurance, partially offset by the inclusion of cost of services of SpeedCast. The decrease in 2006 was due mainly to savings in

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the premium on self-insuring AsiaSat 2 following the imposition of unacceptable exclusions upon renewal of the in-orbit insurance. See Key Information Risk Factors Risk of Loss or Damage to Satellites, Ground Based Satellite Control Equipment or Satellite Stations from Acts of War, Terrorism, Electrostatic Storm, Space Debris and Other Natural Disasters and Limitations on Warranties and Insurance under Item 3.

Administrative Expenses. Administrative expenses in 2007 decreased 17.8% to HK$77.7 million (US$9.9 million) from HK$94.6 million in 2006, which in turn increased 12.8% from HK$83.9 million in 2005. The decrease in 2007 was mainly due to a decrease in bad debt written off. The increase in 2006 was due primarily to an increase of headcount and salary revisions, and provisions for performance bonus, leave compensation and long-term incentives.

Other Gains - Net. Other gains consists primarily of interest income. Interest income in 2007 increased 17.8%% to HK$109.2 million from HK$92.7 million in 2006, which in turn increased 112.6% from HK$43.6 million in 2005. The increases in interest income in 2007 and 2006 were due to larger cash balances and higher interest rates on term deposits.

Profit Before Income Tax

Profit before income tax in 2007 increased 9.4% to HK$556.9 million (US$71.4 million) from HK$508.9 million in 2006, which in turn increased 22.2% from HK$416.5 million in 2005. The increase in 2007 resulted from higher revenues and higher interest income and decreases in cost of services and administrative expenses in 2007. The increase in 2006 resulted from higher revenues and higher interest income in 2006.

Income Tax Expense

Income tax expense in 2007 decreased 2.8% to HK$54.0 million (US$6.9 million) from HK$55.5 million in 2006, which in turn increased 8.2% from HK$51.3 million in 2005. A significant portion of our profit is treated as earned outside Hong Kong and is not subject to Hong Kong Profits Tax. Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. For the years 2005, 2006 and 2007, the effective tax rates were 12.3%, 10.9% and 9.7%, respectively.

Overseas tax is calculated at approximately 5% to 20% of the gross revenue earned in certain of the overseas jurisdictions. We currently have a tax dispute with the Indian tax authority. Further details are set out above under Taxation and in notes 24 and 32 to the consolidated financial statements.

Profit Attributable to Equity Holders of the Company

Profit for the year in 2007 increased 10.9% to HK$503.4 million (US$64.5 million) from HK$454.0 million in 2006, which increased 24.0% from HK$366.2 million in 2005. This increase was mainly attributable to a few one-time receipts with the balance coming from interest income. Reasons for 2005-06 were mainly attributable to one-time receipts with the balance coming from interest income.

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Liquidity and Capital Resources

Sources of Financing

Our principal use of capital during 2007 was the payment of dividends, profits tax, capital expenditure related to the construction of AsiaSat 5 and the acquisition of SpeedCast. These payments were financed through cash flow generated from operating activities.

Cash flow generated from operating activities was more than sufficient to meet these payments. We generated a net cash inflow of HK$309.0 million (2006: HK$343.9 million) and remained debt free in 2007.

The satellite business is highly capital intensive. Our ability to meet our future debt obligations, if any, will be dependent on a number of factors, including cash flow from operations, our ability to secure future financing, if needed, and the useful lives of our satellites. See Planned Capital Expenditures

Planned Capital Expenditures

We anticipate the need for additional capital to fund the construction and launch of AsiaSat 5.

The following table sets forth our planned major capital expenditures for the periods indicated. Actual capital expenditures may differ from the amounts indicated below (in millions):

	2008 HK$	2009 HK$	2010 HK$	2011 HK$	2012 HK$	Total HK$	Total US$
AsiaSat 5	340.1	394.2				734.3	94.1
AsiaSat 3S Replacement			390.0	624.0	936.0	1,950.0	250.0
Others	47.9	12.5	20.8	22.3	23.5	127.0	16.3
Skywave TV	0.4	1.0		1.0	0.5	2.9	0.4
SpeedCast	64.7	38.4	51.8	41.3	42.1	238.3	30.5
Total	453.1	446.1	462.6	688.6	1,002.1	3,052.5	391.3

AsiaSat 5 is currently under construction for launch in 2009 to replace AsiaSat 2 at the end of its useful life. The total costs for the construction and launch of AsiaSat 5 is estimated to be approximately HK$1,404.0 million (US$180.0 million). The planned capital expenditures indicated as Others in the table above consist of those planned for furniture and fixture, office equipment, equipment and building upgrade at the Tai Po site, motor vehicles, new business and test equipment and tools.

Contractual Obligations

As of December 31, 2007, we had various contractual obligations which are more fully disclosed in Note 34 to our consolidated financial statements. The following table aggregates our contractual obligations as of December 31, 2007:

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	Payments (or other obligations which may become due) by period (HK$ in millions)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Repairs and Maintenance and Capital Expenditure	795.4	403.2	392.2		
Operating Lease Obligations	23.7	6.8	16.9		
Total Contractual Obligations	819.1	410.0	409.1		
Asset Retirement Obligation	2.5	2.5			

AsiaSat leases its premises under non-cancelable operating leases. At December 31, 2007, commitments for future minimum lease payments which fall due in 2008, 2009 and subsequent years are HK$6.8 million and HK$16.9 million, respectively.

In the ordinary course of its business, AsiaSat enters into commercial commitments for various aspects of operations, such as repair and maintenance. However, we believe that those commitments will not have a material effect on our financial condition, results of operations or cash flows.

Cash Flows

We have generally financed our short-term working capital requirements from cash provided by operations. We have not borrowed any amounts for the last three years. We had cash and cash equivalents of HK$1,635.5 million, HK$1,979.5 million and HK$2,288.4million (US$293.4 million) as of December 31, 2005, 2006 and 2007, respectively.

Net cash generated from operating activities was HK$514.4 million, HK$698.5 million and HK$637.4 million (US$81.7 million) in 2005, 2006 and 2007, respectively. In 2006, the increased level of net cash provided by operating activities resulted primarily from one-off receipts of HK$50 million (US$6.4 million) . In 2007, the decreased level of net cash provided by operating activities resulted primarily from the reason stated above.

Net cash used in investing activities was HK$23.4 million, HK$218.0 million and HK$204.2 million (US$26.2 million) in 2005, 2006 and 2007 respectively. Expenditures on AsiaSat 5 were HK$297.4 million and HK$251.7 million in 2006 and 2007 respectively. Expenditures on other property and equipment were HK$23.7 million, HK$9.3 million and HK$9.6 million in 2005, 2006 and 2007, respectively.

Net cash used in financing activities was HK$136.6 million, HK$136.6 million and HK$124.3 million (US$15.9 million) in 2005, 2006 and 2007, respectively. In 2005, 2006 and 2007, net cash used in financing activities primarily consisted of dividend payments.

We have sufficient working capital to cover our planned capital expenditures and other operating needs. See Planned Capital Expenditures. We had working capital of HK$1,461.1 million at December 31, 2005, working capital of HK$1,770.9 million at December 31, 2006, and working capital of HK$2,049.9 million (US$262.8 million) at December 31, 2007.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or resources that are material to investors.

Exchange Rates

During the past three years, almost all of our revenues, all of our premiums for satellite insurance coverage and substantially all our capital expenditures were denominated in US Dollars. Our remaining expenses were primarily denominated in HK Dollars during these periods. As of December 31, 2007, almost all of AsiaSat s transponder utilization agreements, transponder purchase agreements and obligations to construct and launch satellites and to purchase TT&C equipment were denominated in US Dollars.

Inflation

Inflation has not materially affected our operations during the past three years.

U.S. GAAP Reconciliation

Our financial statements are prepared in accordance with HKFRS, which differs in certain material respects from U.S. GAAP. The following table sets forth a comparison of our net income and shareholders equity in accordance with HKFRS and U.S. GAAP.

	2005 HK$	2006 HK$	2007 HK$	2007 US$
		(in millions)		
Net income in accordance with:				
HKFRS	366.2	454.0	503.4	64.5
U.S. GAAP	358.8	446.3	496.0	63.6
Shareholders equity in accordance with:				
HKFRS	4,104.2	4,421.6	4,802.8	615.7
U.S. GAAP	4,138.9	4,448.7	4,822.5	618.3

Note 37 to our consolidated financial statements provides a description of the principal differences between HKFRS and U.S. GAAP as they relate to us and a reconciliation to U.S. GAAP of certain items, including net income and shareholders equity. Differences between HKFRS and U.S. GAAP that have a material effect on our Company s net income and shareholders equity as reported under HKFRS relate to capitalization of interest, borrowing costs and deferred taxation.

Recent U.S. Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an Interpretation of SFAS 109, Accounting for Income Taxes. FIN 48 was issued to clarify the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. Under FIN 48, the tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained upon examination by tax authorities. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The management has assessed that this interpretation has no impact on us as Indian tax and PRC withholding taxes are based on revenue, rather than income taxes to which FIN 48 is more appropriately applied.

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In September 2006, the FASB issued FAS 157, Fair Value Measurements. FAS 157 provides guidance on the measurement of fair value in US GAAP and expands fair value measurement disclosures. FAS 157 is applicable whenever other accounting pronouncements require or permit fair value measurements and does not expand the use of fair value in any new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, Effective Date of FASB Statement 157, which deferred the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for certain nonfinancial assets and nonfinancial liabilities. Examples of nonfinancial assets and liabilities to which the deferral would apply for us include (i) those acquired in a business combination and (ii) goodwill, indefinite-lived intangible assets and long-lived assets measured at fair value for impairment testing. The adoption of SFAS 157 is not expected to have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158). SFAS 158 requires companies to recognize in their balance sheets the funded status of pension and other postretirement benefit plans. Previously unrecognized items under SFAS No. 87, Employers Accounting for Pensions, and SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, will now be recognized as a component of accumulated other comprehensive income, net of applicable income tax effects. In addition, the measurement date (the date at which plan assets and the benefit obligation are measured) is required to be our fiscal year end. Presently, and subsidiaries do not have any defined benefit pension plans.

In February 2007, the FASB issued FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 (FAS 159). FAS 159 permits entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. We will apply this standard for annual periods beginning January 1, 2008. We are currently evaluating the potential impact that the adoption of FAS 159 will have on our consolidated financial statements.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business combinations (FAS 141R), which replaces FAS 141. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after an entity s fiscal year that begins after December 15, 2008. We have not completed our evaluation of the potential impact, if any, of the adoption of FAS 141R on our consolidated financial position, results of operations and cash flows.

In December 2007, Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (FAS 160). FAS 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity,

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but separate from the parent s equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008. We have not completed our evaluation of the potential impact, if any, of the adoption of FAS 160 on our consolidated financial position, results of operations and cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). The new standard is intended to help investors better understand how derivative instruments and hedging activities affect an entity s financial position, financial performance and cash flows through enhanced disclosure requirements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are currently in the process of evaluating the impact of adopting this standard

Critical Accounting Policies

Consolidated financial statements are prepared in accordance with HKFRS. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate these estimates and judgments, including those related to estimated useful lives of satellites, impairment losses on satellites, allowance for doubtful accounts, and contingent liabilities related to tax assessments from Indian tax authorities. These estimates and judgments on historical experience and other factors that are believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We identified below the accounting policies that are the most critical to its consolidated financial statements.

Useful Lives of In-Orbit Satellites. We have significant investments in satellites. The carrying value of our in-orbit satellites represented 52%,43.6% and 34.9% of our total assets as of December 31, 2005, 2006 and 2007 respectively. We estimate 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 what we had estimated, we would have a smaller depreciation expense. As a result, if our estimates of the useful lives of our satellites are not accurate or are required to be changed in the future, our net income in future periods would be affected.

Realizability of the Carrying Amounts of Long-Lived Assets. We are 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. The recoverable amount is the amount recoverable over the remaining lives of the assets through undiscounted future expected cash flows. If any such indication exists, we should estimate the recoverable amount of the long-lived assets. An impairment loss is recognized based on the excess of the carrying amount of such long-lived assets over their recoverable amounts. The impairment charge is calculated using the discounted present value of the cash flows expected to arise from the continuing use of long-lived assets and cash

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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 utilization agreements, or the Existing Agreements. Likewise, changes in estimated discount rates that result in lower recoverable amounts would result in an impairment loss being recognized.

Modifications to the terms of the Existing Agreements that results in shorter utilization period than previously agreed and/or those that result in the reduction in agreed rates will result in a lower recoverable amounts (if the discount rate used is not changed); which may, in turn, result in the carrying amounts exceeding the recoverable amounts, which in turn would result in an impairment loss being recognized.

Insurance. For each of our satellites, we obtain insurance covering launch and first-year in-orbit loss at a blended rate. The launch insurance is a one time charge and the in-orbit insurance is recurring in-nature. We capitalize a large portion of the insurance premium relating to the launch as a cost of satellite and amortize the cost over the life of the satellite on a straight-line basis. The small portion of the insurance premium relating to the first-year in-orbit is determined by reference to an indicative rate obtained through an insurance broker in an open market for satellites of similar type and configuration, and is recorded as part of cost of services after commissioning of the satellite. The in-orbit insurance cost usually represents 2% to 3% of the total amount insured for such satellite.

Allowance for Doubtful Accounts. We maintain allowance for doubtful accounts for estimated losses that result from the inability of our customers to make the required payments. We base our allowances on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. Our evaluation also includes the length of time the receivables are past due and the general business environment.

If changes in these factors occur, or the historical data we use to calculate the allowance for doubtful accounts as of year-end does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and our future results of operations could be adversely affected.

Contingency Related to Indian Tax Assessments. As of December 31, 2007, the Indian tax authorities have assessed us for tax of approximately HK$300.0 million (US$38.5 million). See Taxation. We did not recognize liabilities in connection with the foregoing assessments as we believe that the criteria for recognition of a loss contingency under the US SFAS 5, Accounting for Contingencies and Hong Kong Accounting Standard No. 37 Provisions, Contingent Liabilities and Contingent Assets (HKAS 37) were not met. SFAS 5 requires that an estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met: (a) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements; and (b) the amount of loss can be reasonably estimated. HKAS 37 states that a contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation: or (ii) the amount of the obligation cannot be measured with sufficient reliability.

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We cannot reasonably estimate the loss that will arise from the assessment since the information needed to calculate such loss (if any) is proprietary to our customers and was not provided to us. Further, we believe we have a reasonable likelihood of success with respect to our appeals against the Tribunal s decision. Therefore, we believe that the criteria for recognition of a loss contingency under HKAS 37 or SFAS 5 were not met. If we ultimately are held liable for such Indian tax, our future results of operations could be adversely affected.

New Accounting Standards

For a discussion on the newly adopted accounting standards, see Note 2 to our consolidated financial statements.

Research and Development

We do not incur any significant research and development expenditures.

Trend Information and Prospects

Due to the nature of our business with long-term commitments being made for the purchase of satellites and long-term contracts entered into by AsiaSat s customers, there are no immediate changes from one period to the next which impact AsiaSat s business. See Information on the Company Business Overview under Item 4. For a further discussion on trends and prospects, see Overview.

Item 6. Directors, Senior Management and Employees.

DIRECTORS AND SENIOR MANAGEMENT

Our directors, or the Directors, as of May 8, 2008 are set forth below.

Name	Age	Position	Date First Elected or Appointed Director of AsiaSat (or the Company)	Term of Office
Zeng Xin Mi (1)	57	Chairman (2006-2008) and Director	February 28, 2001	May 17, 2010
		Deputy Chairman (2005-2006) and Director		
Ronald J. Herman , Jr. (2)	45	Deputy Chairman (2007-2008) and Director	March 29, 2007	May 17, 2010
Peter Jackson	59	Director	May 10, 1996	May 8, 2011
William Wade	51	Director	May 10, 1996	May 8, 2011
Yu Cheng Ding (1)	42	Director	January 15, 1999	May 17, 2010
Wei Min Ju (1)	45	Director	October 12, 1998	May 8, 2011
Fai Wong Ko (1)	59	Director	March 11, 2004	May 17, 2010
John F. Connelly (2)	64	Director	March 29, 2007	May 17, 2010

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Name	Age	Position	Date First Elected or Appointed Director of AsiaSat (or the Company)	Term of Office
Mark Chen (2)	33	Director	March 29, 2007	May 17, 2010
Nancy Ku (2)	51	Director	March 29, 2007	May 17, 2010
Professor Edward Chen, G.B.S., C.B.E., J.P. (3)	63	Director	May 10, 1996	May 8, 2011
James Watkins (3)	62	Director	June 30, 2006	May 18, 2010
Robert Sze (3)	67	Director	May 10, 1996	May 8, 2011

(1) Appointed by CITIC.
(2) Appointed by GE.
(3) Independent.

Our executive officers as of May 8, 2008 are set forth below.

Name	Age	Position	Date First Elected or Appointed Officer of AsiaSat (or the Company)	Term of Office
Senior Management				
Peter Jackson	59	Chief Executive Officer	July 1, 1993	Indefinite
William Wade	51	Deputy Chief Executive Officer	April 15, 1994	Indefinite
Catherine Chang	40	Legal Counsel	January 1, 2003	Indefinite
Liqun Chen	57	General Manager, China	April 14, 1989	Indefinite
Ya Hui Chiu	58	General Manager, Operation	February 13, 1989	Indefinite
Roger Tong	46	General Manager, Engineering	March 3, 2008	Indefinite
Sabrina Cubbon	46	General Manager, Marketing	December 1, 1993	Indefinite
Sue Yeung	44	General Manager Finance and Administration and Company Secretary	January 1, 2007	Indefinite
SpeedCast Limited				
Pierre-Jean Beylier	38	Chief Executive Officer of SpeedCast Limited	July 1, 2004	Indefinite

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Directors

Our Board of Directors, or the Board, currently consists of 13 Directors. comprising 2 executive Directors, 8 non-executive Directors, and 3 independent non-executive Directors. Action can be taken by a majority of Directors present at a meeting at which a quorum is present. Attendance by six Directors, or such other number as determined by the Directors from time to time, constitutes a quorum. Our Bye-laws provide that any Director may call a board meeting. The Directors all hold office until the next annual meeting of shareholders and until their successors are elected and have qualified.

At the annual general meeting held on May 8, 2008, the terms of Peter Jackson, William Wade, Wei Min Ju, Professor Edward Chen and Robert Sze ended. In the same meeting, resolutions for their re-election were approved.

Executive directors

See Directors and Senior Management - Senior Management for information on Peter Jackson and William Wade.

Non-executive directors

Zeng Xin Mi was first appointed as a Non-executive Director of the Company on February 28, 2001. Since then, he acted as Deputy Chairman (2001-2002), Chairman (2003-2004) and Deputy Chairman (2005-2006) of the Board on a rotational basis biennially. For the current term (2007-2008), he acts as Chairman. He is an Executive Director and Vice President of CITIC . He is an Executive Director of CITIC Resources Holdings Limited, Chairman of CITIC USA Holdings Limited, CITIC Australia Pty Ltd, CITIC Resources Australia Pty Limited and Karazhanbaemunai JSC (KBM), and a Director of CITIC United Asia Investments Limited. He also holds executive management positions in several other subsidiaries of CITIC He has over 24 years experience in multi-national business, corporate management and various other industries.

Ronald J. Herman, Jr. was first appointed as a Non-executive Director of the Company on 29 March 2007. Since May 2003, he has been the President and CEO of GE Commercial Finance Equity and Vice President of General Electric Capital Corporation. Prior to this role, he spent 10 years, starting in January 1993, in GE s headquarters as the general manager of Mergers and Acquisitions. Mr. Herman has worked for GE for 24 years, his entire business career.

Yu Cheng Ding was first appointed as a Non-executive Director of the Company on January 15, 1999. He was the Assistant President of CITIC Securities Company Limited and was with the company from April 1998 to September 2004. CITIC Securities Company Limited is a subsidiary of CITIC engaging in securities and investment banking business. He has been an Independent Non-executive Director of SEEC Media Group Limited since June 2005. He holds a Master of Business Administration degree from the University of Pittsburg and a Doctor of Philosophy degree in Economics from Tsinghua University.

Wei Min Ju was first appointed as a Non-executive Director of the Company on October 12, 1998. He is a Director and the Chief Financial Officer of CITIC and also a Non-executive Director of China CITIC Bank, CITIC International Financial Holdings Limited, CITIC Ka Wah Bank and as Chairman of CITIC Trust and investment Co. Ltd. He served in various management positions in CITIC including Deputy Head and Head of the Finance Department. He has over 20 years of experience in finance and corporate management.

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Fai Wong Ko was first appointed as a Non-executive Director of the Company on March 11, 2004. He is the Deputy General Manager of CITIC United Asia Investment Limited, a wholly owned subsidiary of CITIC in Hong Kong and has over 20 years experience in banking and finance before joining CITIC.

John F. Connelly was first appointed as a Non-executive Director of the Company on March 29, 2007. He served with GE for over 38 years in a variety of positions. From 1992 to 2001 he served as Chairman and CEO of GE Americom, Inc., which was subsequently sold to SES. In 2001 he was named Vice Chairman of SES, a position he held until March 2007.

Mark Chen was first appointed as a Non-executive Director of the Company on March 29, 2007. He has been the Managing Director of GE Commercial Finance Equity, Asia Pacific since June 2006. Prior to this role, Mr. Chen held positions as an associate, assistant vice president, vice president and senior vice president in GE Commercial Finance Equity. Mr. Chen has worked for GE for seven years.

Nancy Ku was first appointed as a Non-executive Director of the Company on 29 March 2007. She is the President and CEO, Asia Pacific of Corporate Financial Services, GE Commercial Finance and has held this position since March 2006. Prior to this role, she was the Managing Director, Asia Pacific of GE Commercial Finance Equity. Ms. Ku has worked for GE for nine years.

Independent non-executive directors

Professor Edward Chen, G.B.S., C.B.E., J.P., has been an Independent Non-executive Director of the Company since May 1996. He was educated at Hong Kong University (Bachelor of Arts, Master of Social Science) and Oxford University (Doctor of Philosophy) and was President of Lingnan University in Hong Kong. He was a member of the Executive Council of Hong Kong from 1992 to 1997 and Chairman of the Consumer Council from 1991 to 1997. He is now Honourary Chairman of the Press Council, a Director of the First Pacific Company Limited which controls Philippine Long Distance Telephone Company and a Director of The Wharf (Holdings) Limited.

Robert Sze has been an Independent Non-executive Director of the Company since May 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a partner in an international firm of accountants with which he practiced for over 20 years and is a non-executive director of a number of Hong Kong listed companies.

James Watkins was appointed as an Independent Non-executive Director of the Company on June 30, 2006. He qualified as a solicitor in 1969 and was for 20 years a Partner in Linklaters, a leading international English law firm. From 1997 to 2003, he was a Director and General Counsel of the Jardine Matheson Group in Hong Kong. He is a non-executive director of a number of Hong Kong and overseas listed companies. He holds a degree in Law from the University of Leeds, United Kingdom. Mr. Watkins has been appointed as the Chairman of Remuneration Committee and a member of the Audit Committee since 30 June 2006. Mr. Watkins does not hold any other positions with the Company or any member of the Group.

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Senior Management

Peter Jackson has been an Executive Director and the Chief Executive Officer of the Company since May 1996, having served in that position with AsiaSat since July 1993 prior to the listing of the Company. He has over 30 years experience in the telecommunications field. Prior to his appointment as the Chief Executive Officer in 1993, he was employed by Cable & Wireless plc where he held engineering, marketing and management positions and was responsible for several satellite telecommunications ventures. He is a Non-executive Director of Daum Communications Group, a company that is listed in Korea. He has also served on the Board of the Cable & Satellite Broadcasting Association of Asia (CASBAA) in various positions since 1997 and is currently the Treasurer.

William Wade has been an Executive Director and the Deputy Chief Executive Officer of the Company since May 1996, having served in that position with AsiaSat since April 1994 prior to the listing of the Company. He has over 23 years experience in the satellite and cable television industry. He speaks Mandarin Chinese and holds a Bachelor of Arts (Honors) degree in Communications from the University of Utah and a Master of International Management degree from Thunderbird - School of Global Management.

Catherine Chang is the Legal Counsel and Assistant Company Secretary of the Company. She joined AsiaSat in 1994 and established the legal department to manage the legal affairs of the Company. Prior to joining the Company, she was a solicitor at Ebsworth & Ebsworth, an Australian law firm. She graduated from the University of New South Wales, Australia with a Bachelor s degree in Law and a Bachelor s degree in Commerce, majoring in Accountancy.

Liqun Chen is the General Manager, China, of AsiaSat, in which capacity he is responsible for marketing transponder capacity and managing customer relations in the China market. He was on secondment to AsiaSat from his employer, CITIC, since 1989 and became a permanent employee of AsiaSat in January 1997. He graduated with a Master degree in Business Administration from the University of Leuven in Belgium and a Bachelor of Science degree in Electronics and Industrial Automation from Tsinghua University, China.

Dr. Ya Hui Chiu is the General Manager, Operations, of AsiaSat and he is responsible for the maintaining and operating the Company s satellites. He has 24 years experience in telecommunications engineering and operations, with the last 20 years being in the satellite communications area. He received his Bachelor of Science degree from the National Taiwan University and his M. Phil and Ph.D. degrees from Yale University, all in physics.

Roger Tong is the General Manager, Engineering, of AsiaSat. He has just joined AsiaSat this year in March replacing Mr. Barry Turner who retired from this position. Mr. Tong has over 20 years of engineering experience in the satellite industry. He has worked in different countries including Hong Kong, China and Canada. Immediately prior to his joining of AsiaSat he was a Technical Consultant to Telesat Canada in which he was responsible for several satellite programs. Mr. Tong holds a Bachelor degree in Computer Engineering and a Masters degree in Engineering, both from the McMaster University in Canada. He also holds an MBA degree from the Wilfrid Laurier University also in Canada.

Sabrina Cubbon is the General Manager, Marketing, of AsiaSat and she is responsible for sales and marketing, business development, corporate affairs and market research of the Company. She has over 23 years of marketing experience in the telecommunications industry.

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Prior to joining AsiaSat in August 1992, she was employed by Case Communications, a Hong Kong company, between 1987 and 1992 as the Regional Manager, Asia-Pacific, responsible for the sales and marketing activities to multinational clients. She graduated from the University of Manchester, United Kingdom with a Masters degree in Electronic and Electrical Engineering, specializing in cryptography. She is also a Non-executive Director of our subsidiary, Skywave TV Company Limited.

Sue Yeung is the General Manager, Finance and Administration, and the Company Secretary of AsiaSat since January 1, 2007. She is a member of the Institute of Chartered Accountants in England and Wales. In 1993, she joined British Telecommunications (HK) Limited or BT and held various senior positions including as the Chief Financial Officer of Smartone in 1999, when BT acquired an equity interest in Smartone. Subsequently, she joined Wavecome Asia Pacific Limited, a company listed in Paris and NASDAQ, as the Regional Finance Director for the Asia Pacific region. Prior to joining AsiaSat, she was the Regional Chief Financial Officer of Pearson Education Asia Limited with the overall responsibilities of its Asian operations. She holds a Bachelor of Science Degree in Chemical Engineering from London University and is a fellow member of Hong Kong Institute of Certified Public Accountants.

SpeedCast Limited

Pierre-Jean BEYLIER, aged 38, has served since July 2004 as the Chief Executive Officer of SpeedCast Limited, a wholly owned subsidiary of SpeedCast and in turn an indirectly wholly owned subsidiary of the Company. Mr. Beylier has led the sales and marketing activities of SpeedCast Limited since 2000. He has over 15 years of international sales and marketing experience. Prior to the joining SpeedCast Limited, Mr. Beylier held various sales and marketing positions with Rhodia, a company listed in Paris, and gained experience in consumer marketing from working at Black and Decker France. He was graduated from the Lyon School of Management and holds a Master s Degree in Business Administration from the University of Southern California.

There is no family relationship between any director or executive officer and any other director or executive officer of the Company.

COMPENSATION

The aggregate compensation paid by AsiaSat to all our directors and officers for 2005, 2006 and 2007 was approximately HK$27.5 million, HK$40.2 million and HK$43.5, respectively. This compensation in 2007 included payments of HK$0.1 million, HK$0.4 million and HK$0.5 million to SES (a former major shareholder of the Company) and a subsidiary of each of GE and CITIC, respectively, our current major shareholders, for certain Non-Executive Directors representing SES, GE and CITIC.

Certain Service Agreements

Peter Jackson. Mr. Jackson was seconded to the Company by Cable & Wireless plc prior to June 1996, when he entered into a service agreement, or the Jackson Service Agreement, with us pursuant to which he became its Chief Executive Officer.

The Jackson Service Agreement was for an initial fixed term of three years. Following the initial fixed term, the Jackson Service Agreement may be terminated by either party giving not less than 12 months notice. Mr. Jackson currently is entitled to a gross annual salary of HK$2.7

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million per annum, together with a housing allowance including utilities of up to HK$1.5 million per annum, which up to December 31, 2005 was paid directly by us to the landlord. Mr. Jackson is also entitled to an additional annual bonus based upon our performance. Mr. Jackson is eligible to participate in the Share Award Scheme. He is also entitled to participate in our medical scheme and in our provident fund or any other AsiaSat pension scheme.

Under the terms of the Jackson Service Agreement, Mr. Jackson is restricted for a period of 12 months after the termination of his employment with us from competing with us, attempting to deal with or solicit any of our customers with whom he had dealings during the last 12 months of his employment or employing or attempting to entice away any of our senior employees. Mr. Jackson will not act in any capacity for Cable & Wireless plc under the terms of the Jackson Service Agreement.

William Wade. Mr. Wade was seconded to the Company by Hutchison Whampoa prior to June 1996, when he entered into a service agreement, or the Wade Service Agreement, with us pursuant to which he became our Deputy Chief Executive Officer.

The Wade Service Agreement was for an initial fixed term of two years. Following the initial fixed term, the Wade Service Agreement may be terminated by either party giving not less than six months notice. Mr. Wade is entitled to a gross annual salary of HK$2.1 million per annum, together with a housing allowance including utilities of up to HK$1.1 million per annum, which is paid directly by us to the landlord. Mr. Wade is also entitled to an additional annual bonus based upon our performance. Mr. Wade is eligible to participate in the Share Award Scheme. He is also entitled to participate in our medical scheme and our provident fund or any other AsiaSat pension scheme.

Under the terms of Mr. Wade s service agreement, he is restricted for a period of six months after the termination of his employment with us from competing with us, attempting to deal with or solicit any of our customers with whom he had dealings during the last six months of his employment or employing or attempting to entice away any of our senior employees. Mr. Wade will not act in any capacity for Hutchison Whampoa under the terms of the Wade Service Agreement.

BOARD PRACTICES

Our Board is vested with the broadest powers to perform all acts in our interest. The Board has adopted certain corporate governance guidelines, or the Guidelines, relating to Board membership, Board conduct and Board committee issues.

We have established an audit committee. The committee s primarily objective is to assist the Board in fulfilling its oversight responsibility with respect to (a) our accounting and financial reporting processes, including the integrity of the financial statements and other financial information provided by us to our stockholders, (b) our compliance with legal and regulatory requirements, (c) the independent auditors qualifications and independence, (d) the audit of our financial statements, and (e) the performance of our internal audit function and independent auditors. The audit committee shall (x) have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors for stockholder approval), (y) approve all audit engagement fees and terms and all non-audit engagements with the independent auditors, and (z) perform such other duties and responsibilities set forth under the Exchange Act and any other applicable independence and

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regulatory requirements. The audit committee shall also have the sole authority to review in advance, and grant any appropriate pre-approvals, of (i) all auditing services to be provided by the independent auditors and (ii) all non-audit services to be provided by the independent auditors as permitted by Section 10A of the Exchange Act, and, in connection therewith, to approve all fees and other terms of engagement. The audit committee shall also review and approve disclosures required to be included in Securities and Exchange Commission periodic reports filed under Section 13(a) of the Exchange Act with respect to audit and non-audit services.

The audit committee shall have three or more members who shall be independent non-executive directors unless an applicable exemption is available under the rules promulgated by the U.S. Securities and Exchange Commission. The quorum for the committee shall be two voting members. The chairman of the committee shall be appointed by the Board or, if it does not do so, the members of the audit committee shall elect a chairman by a vote of the majority of the voting members of the audit committee. The committee comprises Robert Sze (Chairman), Edward Chen, James Watkins, Wei Min Ju and Mark Chen. Wei Min Ju and Mark Chen have only observer status on the audit committee and are non-voting members nominated by CITIC and GE under an exemption to the independence requirement.

We have also established a remuneration committee. The committee is responsible for, among other things, considering and reviewing the remuneration packages of the executive directors and the emoluments of the non-executive directors prior to approval of award by the Board. The committee also reviews the remuneration packages of our employees. The committee shall have three members and the quorum for the committee shall be two. The chairman of the committee shall be an independent non-executive director and appointed by the Board. The committee comprises James Watkins (Chairman), Wei Min Ju and Nancy Ku.

We have also established a nomination committee. The committee is responsible for, among other things, identifying individuals qualified to become Board members, overseeing the evaluation of the Board and management, and developing and recommending to the Board a set of corporate governance guidelines applicable to us. The committee also develops a Chief Executive Officer succession plan. The committee shall have three members and the quorum shall be two. The chairman of the committee shall be an independent non-executive director and appointed by the Board. The committee currently comprises of Edward Chen (Chairman), Ronald J. Herman, Jr. and Zeng Xin Mi.

We have also established a business development committee. The committee is responsible for reviewing all corporate plans, budgets and any new and ongoing projects or ventures and make recommendations to the Board for consideration and approval. The committee shall have no executive powers. The committee shall have three members who shall be non-executive directors. The committee currently comprises of John F. Connelly (Chairman), Yu Cheng Ding and Fai Wong Ko.

The execution of the policies and decisions of the Board and the daily management of the Company are vested with the management that comprises of the Chief Executive Officer, the Deputy Chief Executive Officer and the General Managers in the functional areas of Engineering, Finance, Marketing and Operations, respectively. Furthermore, the Board mandates the management with the preparation and planning of our overall policies and strategies, as well as decisions reaching beyond the daily management, for discussion and decision by the Board. The management meets on a regular basis on daily business and reports to the Board at every board meeting.

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EMPLOYEES

As of December 31, 2007, we had 142 permanent employees, of which 9 employees were in management, 41 employees were in engineering and operations and 32 employees were in sales and marketing. The remaining 43 employees were from SpeedCast and the other 17 employees were engaged in administrative, accounting, legal and regulatory activities. We have 114 employees in Hong Kong, 14 employees in Beijing and 14 employees of SpeedCast in Malaysia.

We do not employ a significant number of temporary employees. We are not party to any collective bargaining agreement. We believe the relations with our employees are good.

On August 22, 2007, the Board approved the establishment of the Share Award Scheme having previously approved the creation of such scheme in principle in 2005. The objective of the Share Award Scheme is to enhance our competitiveness in attracting and retaining the best senior staff for the development of our business. Under the Share Award Scheme, our Shares will be granted to our eligible employees or any eligible employees of our subsidiaries. Any Shares so granted will vest after a certain period or lapse under certain circumstances as set out in the rules of the Share Award Scheme. We have appointed Equity Trust (Jersey) Limited to be the trustee to purchase and hold the shares granted upon trust to facilitate the servicing of the Share Award Scheme for the benefit of our eligible employees.

SHARE OWNERSHIP

Share option scheme

Pursuant to our share option scheme adopted on January 25, 2002, or the Share Option Scheme, the Board may grant options to any of our employees (including officers and directors) or any employees of our subsidiaries to subscribe for our Shares. The subscription price shall be such price as the Board may in its absolute discretion determine at the time of grant but the subscription price shall not be less than whichever is higher of (a) the closing price of the shares as stated in The Hong Kong Stock Exchange Limited s, or the Hong Kong Stock Exchange, daily quotations sheet on the date of grant; (b) the average closing price of the shares as stated in the Hong Kong Stock Exchange s daily quotation sheets for the five business days immediately preceding the date of the grant; and (c) the nominal value of a Share.

The completion of the Exchange Transaction on March 29, 2007 resulted in the formation of a new concert group thereby triggering an obligation to launch the unconditional Offers. The Offers for all our Shares and ADSs and outstanding options were launched on May 25, 2007 and closed on June 26, 2007. Upon closing of the Offers, AsiaCo received valid acceptances in respect of approximately 3.56 million share options, representing approximately 93% of the options under the Share Option Scheme.

All the share options issued under Share Options Scheme adopted were exercised, cancelled or lapsed following the completion of the Offers. Accordingly, there are no more outstanding share options as of December 31, 2007.

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Share Award Scheme

On August 22, 2007, the Board approved the establishment of the Share Award Scheme for the benefit of our eligible employees.

Pursuant to the rules of the Share Award Scheme, we have set up a trust for the purpose of administering the Share Award Scheme and holding the Shares awarded before the Shares are vested. We will pay cash to the trustee from time to time for the purchase and holding upon trust of the Shares awarded under the Share Award Scheme. Such Shares will then be transferred to the eligible employees upon vesting.

Subject to the rules of the Share Award Scheme, the Board shall determine from time to time the dates on which the Shares awarded under the Share Award Scheme for each grant are to vest in the relevant eligible employees. Initially, the Board determined that the Shares shall generally vest over a five year period in tranches of 25% each on every anniversary date of the grant date starting from the second anniversary date until the fifth anniversary date.

During 2007, a total of 821,584 Shares have been awarded to executive directors and employees at no consideration. The trustee has acquired 46,000 Shares at a total cost (including related transaction costs) of HK$686,000 during 2007. No Shares were vested during the year.

Movement in the number of Shares awarded and their related average fair value were as follows:

	2007	
	Average fair value per share	**Number of Award Shares**
At 1 January		
Awarded	15.00	821,584
At 31 December	15.00	821,584

Out of total of 821,584 Award Shares, 188,756 were awarded to the executive directors.

The remaining vesting periods of the Award Shares outstanding as at 31 December 2007 are from 0.5 year to 4.5 years.

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Item 7. Major Shareholders and Related Party Transactions.

MAJOR SHAREHOLDERS

The following table sets forth certain information regarding ownership of our voting securities as of May 31, 2007 by (i) all persons who are known by us to be the beneficial owner of more than five percent (5%) of any class of our voting securities and (ii) the total number of any class of our voting securities owned by our officers and directors as a group.

Name	Capacity	No. of ordinary shares in the Company	%
Bowenvale Limited	Beneficial owner	268,905,000	68.74
AsiaCo Acquisition Limited	Beneficial owner	22,269,695 *(1)*	5.69
Able Star Associates Limited	Interest in controlled corporation	291,174,695 *(1) & (2)*	74.43
CITIC Group	Interest in controlled corporation	291,174,695 *(1) & (2)*	74.43
GE Pacific-3 Holdings, Inc.	Interest in controlled corporation	268,905,000 *(3)*	68.74
General Electric Company	Interest in controlled corporation	291,174,695 *(1) & (3)*	74.43

(1) AsiaCo controls 5.69% of our voting rights. AsiaCo is a company owned as to 50% (voting interest) by Able Star (defined below), a wholly-owned subsidiary of CITIC Asia Limited, or CITIC Asia, which in turn is wholly-owned by CITIC Projects Management (HK) Limited, or CITIC Projects, a wholly-owned subsidiary of CITIC Group or CITIC, and 50% (voting interest) by GE Capital Equity Investments, Inc., or GE Equity, an indirectly wholly-owned subsidiary of GE.

(2) Able Star Associates Limited, or Able Star, controls 50% of the voting rights of Bowenvale. Able Star is wholly-owned by CITIC Asia which in turn is wholly-owned by CITIC Projects, a wholly-owned subsidiary of CITIC.

(3) GE Pacific-3 Holdings, Inc., or Pacific 3, controls approximately 45% of the voting rights of Bowenvale and other GE affiliates own another 5%. They are all indirect, wholly-owned subsidiaries of GE.

RELATED PARTY TRANSACTION

During 2007, GE became our major shareholder on acquiring approximately 36.84% of our issued share capital. CITIC, our founding shareholder, remains as the other major shareholder with approximately 37.59% of our issued share capital. As of 29 March 2007, SES S.A. (our then other major shareholder) ceased to have a shareholding in the Company, but together with its subsidiary, are still classified as related parties for the year ended 31 December 2007. The remaining 25.57% of the outstanding shares are held by the public.

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We have acquired an additional shareholding in SpeedCast during 2007 and SpeedCast became a subsidiary on August 31, 2007 and a wholly owned subsidiary on November 30, 2007.

Certain members of the Board also serve as directors and executive officers of our controlling shareholders. These individuals include Zeng Xin Mi, Wei Min Ju, and Fai Wong Ko in relation to CITIC and Ronald J. Herman, Jr., Mark Chen and Nancy Ku in relation to GE. See Directors, Senior Management and Employees under Item 6.

AsiaSat has entered into transactions from time to time with its current and former shareholders, their affiliates and other connected persons (as defined in the Listing Rules of the Hong Kong Stock Exchange). It is our policy that such transactions be effected on terms which we believe to be comparable to those ava