For the year ended 31st December, 2000

1. General

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited (hereafter collectively referred to as the "Stock Exchanges").

The Group is engaged in the provision of transponder capacity.

2. Significant accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of an associate and is capitalised as part of the Group's investment in the associate and amortised on a straight-line basis over its useful economic life, not exceeding two years on acquisition. No goodwill is amortised during the year because the related acquisition was effective close to 31st December, 2000.

On disposal of an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal of the associate.

2. Significant accounting policies (continued)

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are stated at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Associate

An associate is an enterprise over which the Company is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

Revenue from transponder utilisation agreements is recognised on a straight line basis over the period of the agreements. The excess of lease rental revenue recognised on a straight line basis over lease rentals received and receivable from customers in accordance with the contract terms is shown as unbilled lease rental receivable.

Revenue from the sale of transponder capacity under transponder purchase agreements is recognised over the 50 month warranty period provided to the purchasers. Depreciation on that portion of the satellite cost allocated to transponders sold under transponder purchase agreements is provided on a straight line basis over the 50 month warranty period.

Deposits received in advance in connection with the leasing and sale of transponder are deferred and shown as customer deposits.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Rentals under transponder utilisation agreements are generally billed quarterly in advance. Such amounts received in advance and amounts received from the sale of transponder capacity under transponder purchase agreements in excess of amounts recognised as revenue are recorded as deferred revenue. Deferred revenue which will be recognised in the following year is classified under current liabilities and amounts which will be recognised after one year are classified as non-current.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure for maintenance and repairs is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

For the year ended 31st December, 2000

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost of property, plant and equipment, other than assets under construction, over their estimated useful lives, on a straight line basis, at the following rates per annum:

Satellites:		
AsiaSat 2:	transponders leased under transponder utilisation agreements	8%
	transponders sold under transponder purchase agreements	24%
AsiaSat 3S		6.25%
Tracking facilities		20%
Furniture, fixtures and fittings		20% - 33%
Office equipment		25% - 33%
Motor vehicles		25%
Plant and machinery		20%

Assets under construction are not depreciated until construction is complete and the assets are put into use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Deferred loan origination costs

Loan origination costs of the Company were deferred and were amortised on a straight line basis over a period of 7 years from 1st July, 1996, being the original repayment term. From 1st January, 1999 the remaining balance of the deferred loan origination costs as at 1st January, 1999 was amortised on a straight line basis over a period of 3 years from 1st January, 1999 to 31st December, 2001, being the revised repayment period.

During the year, the bank loans were fully repaid and accordingly, the remaining loan origination costs were fully written off.

2. Significant accounting policies (continued)

Provision for maintenance cost of transponders sold

The estimated future costs of maintaining the transponders sold under transponder purchase agreements, after the 50 month warranty period provided to the customer, are accrued on a straight line basis over the warranty period and are released to the income statement on a straight line basis over a period of 104 months.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the income statement. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the income statement to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated into Hong Kong Dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

Cash equivalents

Cash equivalents are defined as short - term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

For the year ended 31st December, 2000

3. Turnover

	2000	1999
	HK$'000	HK$'000
Turnover comprises:		
Rental income from leasing satellite transponder capacity	**956,049**	707,666
Sales of satellite transponder capacity	**41,308**	99,141
	997,357	806,807

The turnover of the Group, analysed by geographical location of customers, was as follows:

	2000	1999
Greater China, including Hong Kong and Taiwan	**581,638**	485,952
United States of America	**83,434**	44,202
British Virgin Islands	**65,815**	15,447
Singapore	**33,591**	28,519
Others	**232,879**	232,687
	997,357	806,807