CHAIRMAN'S STATEMENT

The Board announces the unaudited interim results of the Group for the six months ended 30th June, 2001.

The period under review saw the onset of the current global economic downturn, yet the Group was able to maintain a similar result as that achieved last year.

In the longer term, we expect strong potential growth to materialise as confidence in the region's economies returns. Placed strategically over the Asian landmass, AsiaSat satellites do not compete with undersea cables, but serve areas generally lacking in quality telecommunications infrastructure. Increasingly, satellites are used for applications where they have inherent advantages over terrestrial cable systems because of their ability to reach, simultaneously, all points within their beams. These applications include the distribution of television and multimedia content either directly to the customers or to local distribution networks. The rapid growth expected throughout the Asia Pacific region for these applications will give rise to an increasing demand for satellite capacity. The Group is confident that it is well placed to capitalise on these emerging opportunities from a position of strength.

INTERIM RESULTS

Turnover for the first half of 2001 decreased 7% to HK$477 million (2000: HK$513 million), due mainly to the comparative figure for 2000 including HK$41 million from the 1996 sale of Ku-band transponders on AsiaSat 2, that was fully recognised at the end of May 2000. Had the HK$41 million recognised in the year 2000 been excluded for the purpose of comparison, there would have been a marginal increase in the turnover for the first half of 2001. Profit attributable to shareholders also decreased 4% to HK$274 million (2000: HK$286 million), principally for the same reason.

CHANGES IN ACCOUNTING PRACTICE

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment.

Provisions

In accordance with SSAP 28 *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of provision for maintenance cost of transponders sold. This change in accounting policy has been applied retrospectively.

In prior years, the estimated future costs of maintaining the transponders sold under transponder purchase agreements, after the 50 months warranty period provided to the customers, were accrued on a straight line basis over the warranty period and were released to the income statement on a straight line basis over a period of 104 months.

Following the adoption of SSAP 28, the recognition of such provisions is no longer acceptable in the absence of a present obligation in respect of such costs. Therefore, provision for maintenance cost of transponders sold and retained earnings at 1st January, 2001 have been adjusted (see note 3 to the condensed financial statements). As allowed by SSAP 28, the Group has not adjusted the retained earnings at 1st January, 2000 and accordingly has not restated the comparative information on provision for maintenance cost of transponders sold.

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 *Segment Reporting*. Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

DIVIDEND

In view of the Directors' confidence in the future of the Group, the Board has declared an interim dividend for 2001 of HK$0.06 per share (2000: HK$0.06). This dividend is payable on 20th November, 2001 to shareholders on the share register as of 18th October, 2001. The share register will be closed from 11th October, 2001 to 18th October, 2001, both days inclusive.

OPERATIONS REVIEW

Satellite fleet

During the period, the Group's satellites and systems continued to operate well and experienced no failures or disruptions.

Transponder utilisation

At 30th June, 2001, the overall utilisation rate for AsiaSat 2 was 59% (2000: 73%) and for AsiaSat 3S, was 71% (2000: 60%). The decline in utilisation on AsiaSat 2 was due either to customers not renewing their transponder contracts, or their migration from analogue to digital.

Market review

Overall demand in the Asian transponder market declined in the first half of the year. We believe this was, to a large extent, the result of the global economic downturn. With the prevailing uncertainty continuing, existing broadcast and telecommunications operators are either contracting, or are reluctant to expand, their businesses until they see clear signs of recovery. In addition, new entrants are hesitant to invest as they await a turnaround.

The overall supply of transponder capacity in the region continues to outpace demand, particularly in Ku-band. The result has been keener competition and increasing downward pressure on prices.

Viewing this situation as temporary, AsiaSat has resisted following competitors' pricing down to current levels and has worked to maintain a premium rate. Although not immune from this pressure, AsiaSat has adopted a strategy of offering only short-term price reductions for selected contracts that are viewed as strategic in nature.

In the year 2001, approximately 20% of the revenue recorded in 2000 will be due for renewal. Not all contracts due so far in 2001 have been renewed, nor is it anticipated that all remaining contracts will be renewed or signed at the same rates. The contracts that were not renewed contributed to the drop in utilisation, mainly the C-band payload on AsiaSat 2, experienced in the first half of the year.

Although not renewing with AsiaSat, there was no evidence that customers who did not renew moved to our competitors. Rather, it appears most elected to reduce the amount of capacity leased in response to the general market conditions. Nevertheless, in the first half of 2001 the marketing of Ku-band transponders on AsiaSat 3S experienced some progress. At the end of June, a total of five Ku-band transponders had been leased on AsiaSat 3S.

As at 30th June, 2001, the Group had contracts on hand worth at HK$4.8 billion, a major portion of which will be recognised over the next few years.

BUSINESS DEVELOPMENT

Associate company

The business venture, SpeedCast (formerly known as PhoenixNet), in which the Group has a 36.5% interest, is developing as planned and has achieved some important milestones.

SpeedCast provides three major services: high-speed Internet, multimedia content delivery and corporate broadcast services such as data package delivery and Internet streaming.

As of 30th June, 2001, SpeedCast had signed up 36 leading ISPs (Internet Services Providers) in 14 countries with each ISP joining with advanced commitments. Currently there are approximately 500 high speed Internet subscribers.

SpeedCast unveiled its "News Channels over the Internet" service, BizTV, in June of this year, and the initial response from the market has been positive. SpeedCast has entered, or anticipates entering, into service contracts with a number of international broadcasting and financial entities in the near future.

For the first six months of 2001, SpeedCast incurred a loss of HK$62 million (2000: HK$57 million). Approximately two-thirds of the loss was due to the amortisation of the transponder capacity, platform software and subscriber management/billing systems. The Group's share of the loss amounted to HK$23 million (2000: HK$21 million). However, after accounting for the rental on the transponder capacity and the multimedia platform leased to SpeedCast as the Group's contribution for share capital, the net effect to the Group was a loss of HK$8 million (2000: HK$4 million).

In the near term, the Group does not anticipate any return from its participation in this joint venture. However, longer term, the prospects for SpeedCast are promising.

AsiaSat 4

Since the award of the satellite manufacturing contract to Boeing Satellite Systems International, Inc. (formerly Hughes Space and Communications International, Inc.) in September 2000, the construction has progressed according to schedule.

The launch vehicle, Atlas IIIB has also been progressing in accordance with schedule and there are no known issues affecting the progress of this rocket.

AsiaSat 4 will have 28 C-band and 16 Ku-band transponders with regional coverage in addition to 4 BSS Hong Kong transponders. The satellite is planned to be launched in the first half of 2002 to the orbital slot of 122 degrees East.

OUTLOOK

There have been no clear signs of economic recovery in the United States this year, despite a series of interest rate cuts. Furthermore, none of the major economic indicators show signs of recovery in the immediate future, and these factors have been reflected in the economies of most countries in the Asia-Pacific region. As a result, the year 2001 will be one of consolidation for AsiaSat after a year of rapid growth in 2000. The Group anticipates that in 2001 it will be very difficult to achieve growth, or even maintain the same levels achieved in 2000. However, the Board is confident in the future, and believes that the Group is well placed to take advantage of the recovery when it occurs.

DIRECTORS AND STAFF

I wish to thank the Board of Directors and all the employees of the Group for their support, dedication and hard work during this period of economic uncertainty.

Romain Bausch

Chairman

Hong Kong, 24th August, 2001

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIRECTORS' INTERESTS

As at 30th June, 2001, as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the following Directors have the following interests in the share capital of the Company:

(i) Shares

Mr. Peter Jackson had a personal interest in 123,500 shares in the Company.

(ii) Share options

Mr. Peter Jackson had a personal interest in 485,000 options, of which 335,000 are exercisable from 26th November, 1999 to 25th November, 2006 and 150,000 exercisable from 1st October, 2002 to 30th September, 2009, to subscribe for shares in the Company at an exercise price of HK$17.48 per share.

Mr. William Wade had a personal interest in 430,000 options, of which 316,000 are exercisable from 26th November, 1999 to 25th November, 2006 and 114,000 exercisable from 1st October, 2002 to 30th September, 2009, to subscribe for shares in the Company at an exercise price of HK$17.48 per share.

Other than as disclosed above, and as recorded in the register required to be maintained under Section 29 of the SDI Ordinance, none of the Directors or their associates, had any interests in any shares of the Company or any of its associated corporations as defined in the SDI Ordinance and, save as disclosed above, none of the Directors or their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDER

As at 30th June, 2001, the register required to be kept under Section 16(1) of the SDI Ordinance shows that the Company had been notified that the following company held an interest of 10% or more in the issued share capital of the Company:

Name	**No. of shares**	**%**
Bowenvale Limited	268,905,000	68.9

Notes:

(1) The interest of Bowenvale Limited ("Bowenvale") in 268,905,000 shares in the Company is attributed to Able Star Associates Limited ("Able Star") and SES Finance S.A. ("SES Finance").

(2) Able Star is a wholly-owned subsidiary of CITIC Asia Limited ("CITIC Asia"), which in turn is a wholly-owned subsidiary of CITIC International Holdings Limited ("CITIC International") which is a wholly-owned subsidiary of China International Trust and Investment Corporation ("CITIC"). Able Star, CITIC Asia, CITIC International and CITIC are each taken to be interested in such shares under Sections 8(2) and (3) of the SDI Ordinance.

(3) SES Finance is a wholly-owned subsidiary of Société Européenne des Satellites S.A. ("SES"). SES Finance and SES are each taken to be interested in such shares under Sections 8(2) and (3) of the SDI Ordinance.

(4) CITIC controls 50.5% of the economic interest and 50% of voting rights of Bowenvale whilst SES controls 49.5% and 50%, respectively.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRACTICE NOTE 19 OF THE LISTING RULES

Pursuant to paragraph 3.7.1 of the Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company discloses that the covenants relating to the loan facility of HK$1,950 million (US$250 million) for a term of five years require (a) CITIC and SES between them to maintain beneficial ownership of more than 75% of the ordinary issued share capital of Bowenvale Limited, which is a substantial shareholder of the Company; and (b) Bowenvale Limited to maintain beneficial ownership of at least 51% of the issued share capital of the Company.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.