For the six months ended 30th June, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 *Interim Financial Reporting* and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice 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 condensed financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 3).

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 (see below). This change in accounting policy has been applied retrospectively (see note 3).

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Following the adoption of SSAP 28, the recognition of such provision 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). 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.

3. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new/revised accounting policies described in note 2 is summarised below:

	Retained profits **HK$'000**
Balance at 1st January, 2000	
As originally stated	1,788,655
Derecognition of liability for final dividend for 1999	54,611
As restated	1,843,266
Balance at 1st January, 2001	
As adjusted for derecognition of liability for final dividend for 2000	2,341,509
Reversal of provision for maintenance cost of transponders sold	76,722
Taxation effect on reversal of provision for maintenance cost of transponders sold	(6,138)
As restated	2,412,093

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	Six months ended 30th June, 2001 **HK$'000**
Reversal of provision for maintenance cost of transponders sold	**(4,746)**

4. SEGMENT INFORMATION

The business and geographical segments of the operations of the Group are as follows:

	Six months ended 30th June			
	2001		2000	
	Turnover	**Contribution to profit from operations**	Turnover	Contribution to profit from operations
	HK$'000	**HK$'000**	HK$'000	HK$'000
Business segments:				
Rental income from leasing satellite transponder capacity	**474,690**	**327,702**	471,771	330,273
Sales of satellite transponder capacity	**2,190**	**1,512**	41,309	28,919
	476,880	**329,214**	513,080	359,192
Geographical segments:				
Greater China, including Taiwan	**117,194**		143,890	
Hong Kong	**174,894**		164,505	
United States of America	**37,887**		43,015	
British Virgin Islands	**29,205**		35,549	
Singapore	**16,815**		16,683	
Others	**100,885**		109,438	
	476,880		513,080	

Contribution to profit from operations by geographical segments has not been presented as the contribution to profit from operations in each geographical segment is substantially in line with the overall Group ratio of profit from operations to turnover.

5. PROFIT FROM OPERATIONS

	Six months ended 30th June	
	2001	2000
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Depreciation charges in respect of property, plant and equipment	**83,694**	85,118
Amortisation of goodwill	**3,066**	—

6. TAXATION

	Six months ended 30th June	
	2001	2000
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax	**32,539**	14,512
Deferred taxation (credit) charge	**(6,192)**	13,794
	26,347	28,306
Overseas tax	**9,952**	12,113
	36,299	40,419

A significant portion of the Group's profit is treated as earned outside of Hong Kong and is not subject to Hong Kong Profits Tax. Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period.

Overseas tax is calculated at 10% of the gross revenue earned in certain of the overseas jurisdictions.

The Group currently has a tax case with the Indian tax authorities. Details of this are set out in note 14.

7. DIVIDEND

On 22nd May, 2001, a dividend of HK$0.14 per share (1999: HK$0.14) was paid to shareholders as the final dividend for 2000.

The Directors have determined that an interim dividend for 2001 of HK$0.06 per share (2000: HK$0.06) should be paid on 20th November, 2001 to the shareholders on the register of members on 18th October, 2001.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June	
	2001	2000
	HK$'000	HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Profit attributable to shareholders	**274,007**	285,996
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**390,266**	390,218
Effect of dilutive potential ordinary shares (in thousands):		
Options	**N/A**	1,286
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**N/A**	391,504

No diluted earnings per share was computed for the six months ended 30th June, 2001 as the exercise price of the Company's outstanding share options was higher than the fair value per share.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired a parcel of land in Hong Kong at a consideration of approximately HK$26 million under a medium-term lease. This parcel of land will be used for constructing a satellite earth station.

In addition, the Group spent approximately HK$282 million (2000: Nil) on the construction of a new satellite, AsiaSat 4.

For the six months ended 30th, June 2001

10. TRADE AND OTHER RECEIVABLES

	30.6.2001	31.12.2000
	HK$'000	HK$'000
Trade receivables	**78,272**	76,075
Other receivables	**7,216**	6,294
Deposits and prepayments	**20,113**	37,324
	105,601	119,693

The Group does not normally provide credit terms to its trade customers and the Group usually bills its trade customers quarterly in advance in accordance with their agreements. The ageing analysis of trade receivables is stated as follows:

	30.6.2001	31.12.2000
	HK$'000	HK$'000
0 to 30 days	**38,429**	34,694
31 to 60 days	**7,659**	2,987
61 to 90 days	**8,014**	6,981
91 to 180 days	**15,283**	16,553
181 days or above	**8,887**	14,860
Total trade receivables	**78,272**	76,075

11. SHARE CAPITAL

Movements during the period in the share capital of the Company were as follows:

	Authorised	Issued and fully paid
	HK$'000	HK$'000
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2000	55,000	39,008
Shares issued on exercise of share options	—	19
Balance at 31st December, 2000 and 30th June, 2001	**55,000**	**39,027**

For the six months ended 30th, June 2001

12. RESERVES

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2000			
– as originally stated	1,303	1,788,655	1,789,958
– prior period adjustment (note 3)	—	54,611	54,611
– as restated	1,303	1,843,266	1,844,569
Share issued at a premium	3,311	—	3,311
Final dividend for 1999	—	(54,611)	(54,611)
Profit for the year	—	552,854	552,854
At 31st December, 2000			
– as adjusted for derecognition of liability for final dividend for 2000	4,614	2,341,509	2,346,123
– prior year adjustments (note 3)			
– reversal of provision for maintenance cost of transponders sold, net of taxation	—	70,584	70,584
– as restated	4,614	2,412,093	2,416,707
Final dividend for 2000	—	(54,637)	(54,637)
Profit for the period	—	274,007	274,007
At 30th June, 2001	**4,614**	**2,631,463**	**2,636,077**

13. CAPITAL COMMITMENTS

At 30th June, 2001, the capital commitments in respect of AsiaSat 4 and other assets are as follows:

	30.6.2001 HK$'000	31.12.2000 HK$'000
Contracted for but not provided in the financial statements	**468,847**	745,175
Authorised but not contracted for	**308,690**	313,639
	777,537	1,058,814

14. CONTINGENT LIABILITIES

At 30th June, 2001, the Group had significant contingencies as follows:

(a) Pursuant to a change effective from 1st April, 2001 in Indian tax regulations, the Group may be subject to an Indian income tax on revenues received by the Group in respect of lease payments for transponders used by the Group's customers for purposes of earning income from any source in India. The methodology for calculation of the income taxable in India and the additional tax expense that may be incurred by the Group is not yet clear. Since it is not possible to estimate the amount payable by the Group, no provision has been recognised in these condensed financial statements.

In addition, the Indian tax authorities have taken the position that the Group is liable for income tax under the same regulations as in force prior to 1st April, 2001. In accordance with this position, the Indian tax authorities have made assessments against the Group (including interest as of 21st March, 2001) totalling approximately HK$23.4 million (INR131 million) for the assessment year 1997-1998 and approximately HK$25.2 million (INR141 million) for the assessment year 1998-1999. No assessment has yet been made for the 1999-2000 or 2000-2001 assessment years. Based upon advice from its professional advisors, the Group does not believe that it is liable for the taxes assessed by the Indian tax authorities for the pre-1st April, 2001 period and has filed appeals for each of the assessment years 1997-1998 and 1998-1999. Since it is not considered probable that the Group will be required to make any settlement in respect of these assessments, no provision has been recognised in these condensed financial statements.

(b) Pursuant to the telemetry, tracking, control and monitoring licence granted by the Chief Executive in Council under the Telecommunication Ordinance (Chapter 106), the Group was granted a broadcasting satellite service ("BSS") licence (the "Licence") on 27th June, 2000 to maintain and operate a payload of four BSS channels onboard AsiaSat 4. Asia Satellite Telecommunications Company Limited, as the Licensee, has provided a performance bond of HK$5 million in favour of The Government of The Hong Kong Special Administrative Region as a condition of the grant of the Licence.

15. PLEDGE OF ASSETS

On 24th November, 2000, the Group signed an agreement for a US$250 million loan facility with a consortium of banks to finance the construction of AsiaSat 4. The loan facility is secured by an assignment of all rights, title, benefits and interest in the insurance and transponder receipts of satellites and a fixed and floating charge over the assets of the Group. In addition, the loan agreement contains certain financial covenants, which, among other things, requires the Group to maintain a certain level of net assets and cash flow ratios, restricts dividend payments, and the Group's amount of borrowings and liabilities.