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## ASIASAT

***Asia Satellite Telecommunications Holdings Limited (the "Company"), which indirectly owns Asia Satellite Telecommunications Company Limited ("AsiaSat") and other subsidiaries, (together the "Group") is listed on the stock exchanges of Hong Kong (1135) and New York (SAT).***

***AsiaSat is Asia's premier provider of high quality satellite services to broadcasting and telecommunications markets with its three satellites, AsiaSat 1, AsiaSat 2 and AsiaSat 3S.***

***The Company's strategy is to maximise the return from its core business of satellite transmission services while exploring convergence opportunities in satellite related new growth industries.***

## CHAIRMAN'S STATEMENT

I am pleased to announce the Group's unaudited interim results for the six months ended 30th June, 2002, and to report that, despite the difficult conditions that prevailed and a provision for doubtful debts, the Group achieved a marginal increase in net profit.

Our expectation that 2002 would be a year of challenge for the satellite industry, and that growth would be difficult, is proving to be correct. Market confidence remains soft, and an economic recovery has not yet materialized, either regionally or globally. In addition, the recent demise of some of the world's largest telecommunications and Internet companies has fuelled an impression that the industry, as a whole, is in a downward spiral. This is not the case, and the perception is damaging and unduly negative.

The rate of growth has certainly decreased, and many telecommunications companies overestimated the potential for growth and overbuilt their capacity. In particular, in the international cable communications market, supply currently far outstrips demand, and prices for capacity continue to fall.

In these circumstances, the Group's strategy to concentrate on the provision of broadcast satellite services, and not to compete in the point-to-point telecommunications market, remains sound. The Group is, thus, relatively well placed to benefit from a market recovery.

### **INTERIM RESULTS**

Turnover for the first half of 2002 amounted to HK\$479 million, just below the result for the same period last year (2001: HK\$481 million restated). The profit attributable to shareholders, however, was marginally higher than last year at HK\$280 million (2001: HK\$278 million restated). This was a solid result since it was achieved after a provision for doubtful debts of HK\$8 million (2001: Nil). The provision, as a percentage of turnover, was less than 2%, which management considers to be tolerable in the current tough market conditions. Cost of services and administrative expenses, excluding the provision for doubtful debts, increased slightly by about 1% to HK\$155 million (2001: HK\$153 million restated). The Group's EBITDA (earnings before interest, tax, depreciation and amortisation) margin remained high at 84% (2001: 86%). The small decline from the prior year was caused solely by the doubtful debt provision.

During the period, the Group achieved a net cash inflow of HK\$229 million, and at 30th June, 2002, reported a cash balance of HK\$365 million and no debt. The Group has a term loan facility of US\$250 million available at its disposal.

### ***DIVIDEND***

In view of the solid result in the midst of an economic slowdown, the Board has declared an interim dividend for 2002 of HK\$0.06 per share (2001: HK\$0.06), maintained at the same level as last year. This dividend is payable on 19th November, 2002 to shareholders on the share register as of 17th October, 2002. The share register will be closed from 10th to 17th October, 2002, both days inclusive.

### ***OPERATIONS REVIEW***

#### ***In-orbit Satellites***

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

#### ***Transponder Utilisation***

At 30th June, 2002, the overall utilisation rate of AsiaSat 2 was 57% (31st December, 2001: 62%), and that of AsiaSat 3S was 68% (31st December, 2001: 67%). The combined utilisation rate of the two satellites was 63% (31st December, 2001: 65%).

#### ***Market Review***

Demand for transponder capacity for the broadcasting and telecommunications sectors in the Asian region remained soft. Several regional television operators are experiencing financial difficulties and others continue to be cautious in expanding their businesses. New entrants are either reluctant to invest, in view of the uncertain market conditions, or are unable to attract funding.

The supply of regional transponder capacity continues to exceed demand, especially for Ku-band in certain countries.

In the first half of 2002, however, the Group secured new contracts and renewed existing ones. There are still a number of contracts due for renewal in the remainder of the year. Regarding pricing, despite strong competition and soft demand, the Group has been able to maintain its price levels on C-band transponders, but has adopted a more flexible, short-term, pricing strategy for the over-supplied Ku-band market.

As at 30th June, 2002, the Group had contracts on hand worth HK\$4.1 billion (31st December, 2001: HK\$4.6 billion), and a major portion of this amount will be recognised over the next few years.

## **BUSINESS DEVELOPMENT**

### ***Associate Company***

During the period, the Group increased its interest in SpeedCast Holdings Limited ("SpeedCast") from 36.5% to 45.3% for US\$4 million, of which US\$2.5 million was in cash, and US\$1.5 million in transponder capacity.

SpeedCast provides three major services: high-speed Internet connectivity, multimedia content delivery and corporate broadcast services such as data package delivery, and Internet streaming. The business of SpeedCast is developing as planned, and the company continues to achieve significant milestones. In September this year, SpeedCast will be expanding its product line further through the launch of two-way connectivity services.

As of 30th June, 2002, SpeedCast was working with over 50 leading ISPs (Internet Services Providers) in 19 countries to acquire broadband Internet subscribers. Currently the company has over 600 enterprise customers subscribing to high-speed connectivity services. Additionally, in June 2002, SpeedCast enabled Microsoft Network (MSN) to effect the first pay-per-view live streaming event in Asia, providing the CDN (content distribution network) infrastructure for both the live MSN webcast and the on-demand content associated with this music event.

For the first six months of 2002, SpeedCast achieved a significantly reduced operating loss of HK\$26 million (2001: HK\$62 million), with approximately 46% of the loss being due to the amortisation of its transponder capacity and subscriber management/billing systems. In the current market conditions, SpeedCast fared well when compared with its peers.

The Group's share of the loss also reduced, to HK\$12 million (2001: HK\$23 million). However, under the Statement of Standard Accounting Practice 10 *Accounting for Investments in Associates*, the Group cannot recognise a loss more than its investment, excluding goodwill, which, in SpeedCast, was HK\$4 million. After accounting for the rental income on the transponder capacity and the multimedia platform leased to SpeedCast as the Group's contribution to its share capital, the net effect to the Group was neutral.

Our participation in SpeedCast is a strategic, long-term investment and, as originally contemplated, the Group does not expect a return from the joint venture in the near-term. However, longer-term, the prospects for SpeedCast remain promising.

### ***Satellites Under Construction***

#### ***AsiaSat 4***

AsiaSat 4, which is currently being built, has successfully completed its acoustic and vibration testing, and the first stage of the Spacecraft Thermal Vacuum testing (SCTV) will be completed by the end of August. According to the current production schedule and barring unforeseen events, the satellite is expected to be ready for shipment, from Boeing's manufacturing plant at Los Angeles, to Cape Canaveral in late October 2002.

AsiaSat 4 will have 28 C-band and 16 Ku-band transponders to provide regional coverage, in addition to four Hong Kong BSS (Broadcast Satellite Service) transponders covering Hong Kong and part of southern China. Depending on the confirmation of a launch date, the satellite is expected to be positioned in its orbital slot of 122° East in late 2002 or early 2003.

Construction of the Atlas IIIB launch vehicle is on schedule with its required hardware now in place, and the assembly of the individual stages of the rocket, complete.

The Company is currently in the process of securing insurance for the launch of AsiaSat 4, and we expect that this will be challenging. An unusually large number of losses resulting in claims by satellite operators over the last two years, coupled with the events of 11th September, have seen insurance rates escalating considerably. Additionally, the capacity available in the space insurance area has reduced, making it more difficult to secure coverage on large placements. Nevertheless, the Company is confident that launch insurance for AsiaSat 4 will be secured at acceptable terms.

As at 30th June, 2002, the Company had incurred a total cost of HK\$1,301 million (US\$167 million) on AsiaSat 4, which does not include the premium on the launch insurance yet to be placed.

The successful launch of AsiaSat 4 will enable the Group to provide higher power coverage with excellent elevation angles across the expanded areas of Australasia and the Greater China region. The additional transponder capacity will further strengthen our market position in expanding satellite services, including value-added solutions and broadband content delivery to the Asia Pacific region.

#### ***Tai Po Satellite Control Centre***

The construction of our new Control Centre is slightly ahead of schedule. The piling work has been completed and work on the substructure, underground drainage and services conduits will commence following the pile load testing. The electrical, mechanical and fire services sub-contractors have been appointed, and the Centre is expected to be complete, as planned, for occupation in the second half of 2003.

**OUTLOOK**

The longer-term outlook remains positive, despite current difficulties in the global market.

The primary drivers of the Group's satellite demand are television distribution and private network telecommunications — the users of both requiring coverage over large geographic areas, at a fixed cost. Satellites provide such a solution, and one that cannot be matched by cable systems. This is particularly so in the fragmented Asia Pacific region.

It is of note too, that despite falling prices for cable communication, the United States' market, which has one of the world's most developed and cheapest terrestrial networks, is also the largest user of satellite capacity for private multi-point networks. The significant growth potential for such networks in Asia remains unchanged.

Furthermore, relative to their Gross Domestic Product (GDP) levels, many Asian countries are poorly served in terms of their number of television channels. Potential growth in this sector is held back in many regional markets because of protection by governments of incumbent channels. Experience shows, however, that market forces will prevail, at which time the number of channels will multiply rapidly.

The combination of these factors is encouraging and supports the Group's strategy to remain focused on broadcast, rather than point-to-point, communication.

Given the prevailing current market conditions, the Group does not anticipate an improvement in the second half of 2002. Nevertheless, the Group is well positioned to capitalise on its strengths whenever Asian economies improve, and the regional satellite market recovers.

**DIRECTORS AND STAFF**

I wish to thank the Board of Directors, management and all the employees of the Group for their support, dedication and hard work during this tough period. It is our staff's enduring spirit to succeed that underpins the Group's strength and its confidence to achieve future growth.

**Romain Bausch**

*Chairman*

Hong Kong, 22nd August, 2002