For the six months ended 30th June, 2002

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 31 December 2001, except as described below.

In the current period, the Group has adopted, for the first time, the revised Statements of Standard Accounting Practice 15 *Cash Flow Statements* issued by the Hong Kong Society of Accountants ("SSAP 15 (Revised)"). The revised Standard has introduced revised disclosure requirements which have been adopted in these condensed financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Cash flow statements

In accordance with SSAP 15 (Revised) cash flows are classified under three headings: 'cash flows from operating activities', 'cash flows from investing activities' and 'cash flows from financing activities'. Interest and dividends, which were previously presented under a separate heading, should be classified on a consistent basis under either operating, investing or financing activities. Cash flows arising from taxes on income would typically be classified as operating activities, unless they can be separately identified with investing or financing activities.

In addition, cash equivalents are defined more restrictively as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. PRIOR PERIOD ADJUSTMENTS

In the Group's interim financial statements for the six months ended 30th June, 2001 issued on 24th August, 2001, an adjustment was made to reverse a provision established in earlier years for estimated future costs of maintaining transponders sold under transponder purchase agreements as a result of the introduction of SSAP 28 *Provisions, Contingent Liabilities and Contingent Assets*. In preparing the Group's annual financial statements for the year ended 31st December, 2001, the Group also had to prepare supplementary information for holders of its American Depositary Receipts. In producing this supplementary information, the Group had considered the accounting principles of United States Securities and Exchange Commission Staff Accounting Bulletin No. 101 on *Revenue Recognition in Financial Statements* issued in 2000. This requires revenue be deferred and recognised over the expected period during which specified services are provided. In the light of this guidance, the Group has reconsidered its accounting policy and concluded it would have been more appropriate to have always classified the provision made for the estimated future costs of maintaining transponders sold as deferred revenue. Accordingly, the adjustment made in the interim financial statements for the six months ended 30th June, 2001 was reversed in the annual financial statements for the year ended 31st December, 2001. In preparing these interim financial statements, comparative amounts for the prior period have been restated to achieve a consistent presentation. This has no effect on the results for both periods.

4. REVENUE

The Company operates in one business segment of provision of satellite transponder capacity. A summary of revenue by location of customers is analysed as follows:

	Six months ended 30th June	
	2002	2001
	HK$'000	HK$'000
Location of customers:		
Australia	**18,554**	4,106
Hong Kong	**171,914**	174,894
Greater China, including Taiwan	**103,729**	120,839
United Kingdom	**17,526**	8,639
United States of America	**38,402**	37,887
British Virgin Islands	**20,071**	29,205
Others	**108,587**	104,955
	478,783	480,525

4. REVENUE (CONTINUED)

Contribution to operating profit by geographical location of customers has not been presented as the contribution to operating profit in each market is substantially in line with the overall Group ratio of operating profit to turnover.

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between geographical segments. Accordingly, no geographical analysis of assets and liabilities has been presented.

5. PROFIT FROM OPERATIONS

	Six months ended 30th June	
	2002	2001
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Depreciation charges in respect of property, plant and equipment	**83,400**	83,295
Amortisation of goodwill arising from acquisition of associates (included within administrative expenses)	**2,826**	3,066

6. TAXATION

	Six months ended 30th June	
	2002	2001
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax	**25,141**	32,539
Deferred taxation credit	**(8)**	(6,192)
	25,133	26,347
Overseas tax	**9,100**	9,952
	34,233	36,299

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% (2001: 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, 2002, a dividend of HK$0.14 per share was paid to shareholders as the final dividend for 2001.

The Directors have determined that an interim dividend for 2002 of HK$0.06 per share (2001: HK$0.06) should be paid on 19th November, 2002 to the shareholders on the register of members on 17th October, 2002.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK$279,821,000 (2001: HK$278,050,000) and as the weighted average of 390,266,000 (2001: 390,266,000) ordinary shares in issue during the period.

The computation of diluted earnings per share presented for the six months ended 30th June, 2001 and 2002 does not assume the exercise of the outstanding options because the exercise price of the Company's options was higher than the average market price for the shares.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately HK$79,000,000 (2001: HK$282,000,000) and HK$31,000,000 (2001: HK$27,000,000) on the construction and acquisition of a new satellite, AsiaSat 4, and a satellite earth station, respectively.

10. TRADE AND OTHER RECEIVABLES

	2002 HK$'000	2001 HK$'000
Trade receivables	**121,418**	101,015
Other receivables	**10,121**	25,488
Deposits and prepayments	**52,130**	49,242
	183,669	175,745

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 its transponder utilisation agreements. The aged analysis of trade receivables is stated as follows:

	2002 HK$'000	2001 HK$'000
0 to 30 days	**70,200**	58,779
31 to 60 days	**11,314**	8,985
61 to 90 days	**4,233**	2,487
91 to 180 days	**19,097**	25,832
181 days or above	**16,574**	4,932
Total trade receivables	**121,418**	101,015

11. SHARE CAPITAL

	Authorised HK$'000	Issued and fully paid HK$'000
Ordinary shares of HK$0.10 each		
Balance at 31st December, 2001 and 30th June, 2002	**55,000**	**39,027**

There were no movements in the Company's share capital for both periods.

12. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payment paid under operating leases during the period:

	Six months ended 30th June	
	2002	2001
	HK$'000	HK$'000
Premises	**2,198**	2,261

At 30th June, 2002, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.6.2002	31.12.2001
	HK$'000	HK$'000
Within one year	**4,961**	2,120
In the second to fifth year inclusive	**7,095**	1,501
	12,056	3,621

Operating lease payments represent rentals payable by the Group for certain of its office and residential premises. Leases are negotiated for an average term of two years.

The Group as lessor

Income from the provision of satellite transponder capacity during the period was HK$478,783,000 (2001: HK$480,525,000). The satellites of the Group are held for provision of satellite transponder capacity. The satellite transponders have committed users for approximately next five years.

At 30th June, 2002, the Group had contracted with customers for the following future minimum lease payments:

	30.6.2002	31.12.2001
	HK$'000	HK$'000
Within one year	**741,562**	818,673
In the second to fifth year inclusive	**1,802,518**	2,076,839
After five years	**1,539,275**	1,656,174
	4,083,355	4,551,686

13. CAPITAL COMMITMENTS

At 30th June, 2002, the capital commitments in respect of AsiaSat 4 and other assets are as follows:

	30.6.2002	31.12.2001
	HK$'000	HK$'000
AsiaSat 4		
Contracted for but not provided in the financial statements	**176,787**	215,787
Authorised but not contracted for	**588,789**	629,022
A satellite earth station		
Contracted for but not provided in the financial statements	**90,042**	—
Authorised but not contracted for	**95,018**	215,598
	950,636	1,060,407

14. CONTINGENT LIABILITIES

At 30th June, 2002, 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 income from provision of satellite transponder capacity to the Group's customers for purposes of those customers carrying on business in India or earning income from any source in India.

The Indian tax authorities have previously made assessments against the Group (including interest as of 21st March, 2001) totalling approximately HK$21 million (INR131 million) for the assessment year 1997-1998 and approximately HK$23 million (INR141 million) for the assessment year 1998-1999. No assessment has yet been made for the 1999-2000, 2000-2001 or 2001-2002 assessment years.

The methodology for calculation of the income taxable in India and the additional tax expense that may be incurred by the Group is still not yet clear. As it is still not possible to estimate the amount payable by the Group, no provision continues to be recognised in these condensed financial statements.

14. CONTINGENT LIABILITIES (CONTINUED)

The Indian tax authorities have initiated tax recovery measures against the Group. The Group filed appeals for each of the assessment years 1997-1998 and 1998-1999. In order to expedite the legal proceeding in India, the Group has paid deposits totalling approximately HK$19 million (INR120 million) to the Reserve Bank of India. Although there is no certainty of the outcome of the appeals, based upon advice from its professional advisors, the Group continues to believe that it is not liable for the taxes assessed by the Indian tax authorities for the pre-1st April, 2001 period. Accordingly, no provision has been recognised in these condensed financial statements.

Should AsiaSat be unsuccessful in its assertion that it has no liability in respect of these earlier years, the related obligation (including interest after 21st March, 2001) would need to be recorded thereby reducing its income. Likewise, once the position for the period after 1st April, 2001 becomes clear, the liability, if any, for that period will also need to be recorded.

(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. AsiaSat, as the Licencee, 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 the existing 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. The loan facility has not been drawn down at 31st December, 2001 or 30th June, 2002.