For the year ended 31st December, 2002

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. Adoption of statements of standard accounting practice/changes in accounting policies

In the current year, the Company and its subsidiaries (collectively "the Group") has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flows statement and an inclusion of a statement of changes in equity. The adoption of these new and revised standards has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. 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 arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of associates at the date of acquisition.

Goodwill arising on acquisitions is capitalised within the carrying amount of the associate and is charged to the income statement on a straight line basis over its useful economic life or at such time as it is determined to be impaired.

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

For the year ended 31st December, 2002

3. Significant accounting policies (continued)

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

INVESTMENTS IN ASSOCIATES

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition so far as it has not already been amortised, less any identified impairment loss.

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 on a straight line basis from the date of delivery of the transponder capacity until the end of the design life of the satellite.

Deposits received in advance in connection with the provision of transponder capacity are deferred and included in other payables.

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 are stated at cost less depreciation and accumulated impairment losses.

Buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the year ended 31st December, 2002

3. 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	8%
AsiaSat 3S	6.25%
Leasehold land	Over the term of the lease
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.

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.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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.

For the year ended 31st December, 2002

3. Significant accounting policies (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 other than Hong Kong Dollars 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.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution scheme and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

For the year ended 31st December, 2002

4. Turnover

The Group's primary reporting format for segment reporting purposes under SSAP 26 *Segment Reporting* is the geographical basis. However, 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.

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

Geographical Segments:

The following table provides an analysis of the Group's sales and result by geographical market:

Year ended 31st December, 2002

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Singapore	United Kingdom	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
External sales	**341,224**	**212,103**	**73,282**	**40,351**	**20,385**	**43,432**	**219,973**	**950,750**
Result								
Segment result	**224,802**	**139,736**	**48,279**	**26,584**	**13,430**	**28,613**	**144,920**	**626,364**
Other operating income								**39**
Bank interest income								**6,423**
Profit from operations								**632,826**
Share of results of associates								**(9,075)**
Profit before taxation								**623,751**
Taxation								**(69,062)**
Profit for the year								**554,689**

Other information

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Singapore	United Kingdom	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	**163,895**	**101,876**	**35,199**	**19,381**	**9,791**	**20,861**	**105,657**	**456,660**
Depreciation and amortisation	**61,457**	**38,201**	**13,199**	**7,267**	**3,671**	**7,822**	**39,619**	**171,236**
Allowance for bad and doubtful debts	**4,202**	**2,612**	**902**	**497**	**251**	**535**	**2,709**	**11,708**

For the year ended 31st December, 2002

4. Turnover (continued)

Year ended 31st December, 2001

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Singapore	United Kingdom	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
External sales	351,037	240,279	75,759	56,293	31,275	23,987	190,821	969,451
Result								
Segment result	238,472	163,230	51,466	38,242	21,246	16,295	129,632	658,583
Other operating income								9,604
Bank interest income								6,725
Profit from operations								674,912
Share of results of associates								(41,349)
Profit before taxation								633,563
Taxation								(70,564)
Profit before minority interest								562,999
Minority interest								(16)
Profit for the year								562,983

Other information

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Singapore	United Kingdom	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	215,252	147,337	46,455	34,518	19,177	14,709	117,009	594,457
Depreciation and amortisation	62,564	42,824	13,502	10,033	5,574	4,275	34,010	172,782
Impairment loss recognised in respect of investments in associates	2,220	1,520	479	356	198	152	1,207	6,132

For the year ended 31st December, 2002

4. Turnover (continued)

Business Segments:

	2002	2001
	HK$'000	HK$'000
Income from provision of satellite transponder capacity	**936,114**	956,695
Sales of satellite transponder capacity	**14,636**	12,756
	950,750	969,451

An analysis of carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the business segments is not presented as they cannot be allocated between business segments as the intention for use was not determined at time of acquisitions.

5. Profit from operations

	2002	2001
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Salary and other benefits, including directors' remuneration	**63,606**	55,564
Contributions to retirement benefits scheme	**4,104**	3,859
Total staff costs	**67,710**	59,423
Auditors' remuneration	**635**	585
Amortisation of goodwill arising on acquisitions of associates (included within administrative expenses)	**4,604**	6,132
Depreciation	**166,632**	166,650
Impairment loss recognised in respect of investments in associates (included within administrative expenses)	**—**	6,132
Allowance for bad and doubtful debts	**11,708**	—
and after crediting:		
Gain on disposal of property, plant and equipment other than transponders	**39**	98

For the year ended 31st December, 2002

6. Finance costs

	2002	2001
	HK$'000	HK$'000
Cost of raising bank loan facilities	**8,337**	8,422
Less: Amount capitalised in assets under construction	**(8,337)**	(8,422)
	—	—

7. Directors' emoluments

	2002	2001
	HK$'000	HK$'000
Fees:		
Executive	**—**	—
Non-Executive	**134**	—
Independent Non-Executive	**400**	400
	534	400
Other emoluments:		
Executive		
Salaries and other benefits	**8,095**	8,193
Contributions to retirement benefits scheme	**698**	664
Performance related incentive payments	**2,900**	1,135
	11,693	9,992
Total emoluments	**12,227**	10,392

7. Directors' emoluments (continued)

Emoluments of the Directors were within the following bands:

	No. of directors	
	2002	2001
HK$Nil to HK$1,000,000	**13**	12
HK$4,000,001 to HK$4,500,000	**—**	1
HK$5,000,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**—**	1
HK$6,500,001 to HK$7,000,000	**1**	—
	15	14

In addition to the remuneration listed above, the Group made payments to SES GLOBAL S.A. ("SES GLOBAL") and a subsidiary of China International Trust and Investment Corporation ("CITIC"), the major shareholders of the Company throughout the year, amounting to HK$400,000 (2001: HK$550,000) and HK$400,000 (2001: HK$400,000) respectively, for certain Non-Executive Directors representing SES GLOBAL and CITIC.

For the year ended 31st December, 2002

8. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2001: two) were Directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining three (2001: three) individuals were as follows:

	2002	2001
	HK$'000	HK$'000
Salaries and other benefits	**8,053**	7,996
Contributions to retirement benefits scheme	**687**	671
Performance related incentive payments	**2,286**	896
	11,026	9,563

Their emoluments are within the following bands:

	No. of employees	
	2002	2001
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	—
	3	3

For the year ended 31st December, 2002

9. Taxation

	2002	2001
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	40,624	32,189
Overprovided in prior year	—	(28,503)
Deferred taxation charge (note 21)	10,225	46,734
	50,849	50,420
Overseas tax	18,213	20,144
	69,062	70,564

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% of the estimated assessable profit for both years.

Overseas tax is calculated at 5% to 10% of the gross revenue earned in certain of the overseas jurisdictions.

Details of deferred taxation are set out in note 21.

The Group currently has a tax case with the Indian tax authorities. Details of this are set out in note 26.