

For the year ended 31st December, 2002

10. Dividends

	The Company	
	2002	2001
	HK\$'000	HK\$'000
Interim, paid - HK\$0.06 per share (2001: HK\$0.06)	23,416	23,416
Final, proposed - HK\$0.19 per share (2001: HK\$0.14)	74,151	54,637
Special, proposed - HK\$0.25 per share (2001: Nil)	97,566	—
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	195,133	78,053
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The final dividend of HK\$0.19 (2001: HK\$0.14) per share and the special dividend of HK\$0.25 (2001: Nil) per share have been proposed by the Directors and is subject to approval by the shareholders in the Annual General Meeting.

11. Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the year of HK\$554,689,000 (2001: HK\$562,983,000) and on weighted average number of 390,265,500 (2001: 390,265,500) shares in issue during the year.

No diluted earnings per share has been presented for either 2002 and 2001 as the exercise price of the Company's share options was higher than the average market price for shares for both 2002 and 2001.

For the year ended 31st December, 2002

12. Property, plant and equipment

	Satellites and tracking facilities								
	In operation	Under construction	Leasehold land	Buildings under development	Furniture, fixtures and fittings	Office equipment	Motor vehicles	Plant and machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group									
Cost									
At 1st January, 2002	3,628,442	1,222,191	26,968	634	9,066	5,420	2,762	1,690	4,897,173
Additions	637	396,673	—	58,564	86	258	442	—	456,660
Disposals	—	—	—	—	(1)	(41)	(250)	—	(292)
At 31st December, 2002	3,629,079	1,618,864	26,968	59,198	9,151	5,637	2,954	1,690	5,353,541
Depreciation									
At 1st January, 2002	1,938,971	—	437	—	8,105	4,297	1,571	1,468	1,954,849
Provided for the year	164,108	—	583	—	572	643	664	62	166,632
Eliminated on disposals	—	—	—	—	(1)	(39)	(250)	—	(290)
At 31st December, 2002	2,103,079	—	1,020	—	8,676	4,901	1,985	1,530	2,121,191
Net book values									
At 31st December, 2002	1,526,000	1,618,864	25,948	59,198	475	736	969	160	3,232,350
At 31st December, 2001	1,689,471	1,222,191	26,531	634	961	1,123	1,191	222	2,942,324

The leasehold land is situated in Hong Kong and held under medium term lease.

The net book value of the satellite and tracking facilities amounting to HK\$1,024,556,000 (2001: HK\$1,674,756,000) are held for use under transponder utilisation agreements.

Cost of property, plant and equipment includes borrowing cost capitalised during construction of satellites and tracking facilities of approximately HK\$48,950,000 (2001: HK\$40,613,000).

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13. Investments in subsidiaries

	The Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares in subsidiary companies, at cost	429,053	429,053

The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group reorganisation in 1996.

Details of subsidiary companies and a controlled partnership at 31st December, 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration/ principal place of operation	Class of share held	Percentage of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
AsiaSat BVI Limited	British Virgin Islands	Ordinary shares	100%	—	Investment holding
Asia Satellite Telecommunications Company Limited	Hong Kong	Ordinary shares	—	100%	Provision of satellite transponder capacity
Hanbury International Limited	British Virgin Islands	Ordinary shares	—	100%	Deposit holding
SAT Limited	Republic of Mauritius	Ordinary shares	100%	—	Inactive
Sornico Limited	Hong Kong	Ordinary shares	—	100%	Investment holding
The First Asian Satellite Leasing Limited Partnership (the "Partnership")	Hong Kong	N/A	—	1%	Satellite leasing

The Company continues to control the Partnership as it is a general partner and accordingly continues to consolidate it.

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14. Investments in associates

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	9,125	—
Goodwill (note a)	8,396	6,132
Impairment loss	—	(6,132)
	17,521	—

Details of the Group's associates as at 31st December, 2002 are as follows:

Name of entity	Place of incorporation/ registration/ principal place of operation	Class of share held	Percentage of nominal value of issued capital indirectly held by the Company	Principal activity
SpeedCast Holdings Limited	Cayman Islands	Ordinary	45.3%	Investment holding
SpeedCast Limited	Hong Kong	Ordinary	45.3%	Provision of Internet related services through satellite transponders

For the year ended 31st December, 2002

14. Investments in associates (continued)

(a) Included in investments in associates is goodwill arising on acquisitions of associates:

	The Group
	HK\$'000
Cost	
At 1st January, 2002	12,264
Arising on acquisitions during the year	13,000
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At 31st December, 2002	25,264
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Amortisation and impairment	
At 1st January, 2002	12,264
Charge for the year	4,604
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At 31st December, 2002	16,868
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Carrying value	
At 31st December, 2002	8,396
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At 31st December, 2001	—
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The goodwill is amortised over a period of 2 years.

15. Tax prepayment

During the year, tax prepayment amounting to HK\$19,305,000 (2001: Nil) was paid to the Government of India. For details, please refer to note 26.

For the year ended 31st December, 2002

16. Trade and other receivables

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Trade receivables	74,430	101,015
Other receivables	1,335	25,488
Deposits and prepayments	20,204	49,242
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	95,969	175,745
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The Group does not normally provide credit terms to its trade customers and as the Group usually bills its trade customers quarterly in advance in accordance with its agreement. The aged analysis of trade receivables is stated as follows:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	32,525	58,779
31 to 60 days	7,671	8,985
61 to 90 days	3,619	2,487
91 to 180 days	18,949	25,832
181 days or above	11,666	4,932
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Total trade receivables	74,430	101,015
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17. Deferred revenue

	The Group	
	2002	2001
	HK\$'000	HK\$'000
The maturity of deferred revenue is as follows:		
Within one year	158,937	160,050
More than one year, but not exceeding five years	140,019	113,101
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	298,956	273,151
Less: amount shown under current liabilities	158,937	160,050
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	140,019	113,101
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18. Share capital

	Authorised	Issued and fully paid
	2002 & 2001	2002 & 2001
	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each	55,000	39,027
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There were no movements in the share capital of the Company for both years.

For the year ended 31st December, 2002

19. Share option scheme

SCHEME ADOPTED ON 3RD JUNE, 1996

In accordance with the Company's share option scheme (the "1996 Scheme") adopted pursuant to a resolution passed on 3rd June, 1996, the Board of Directors of the Company may at their discretion grant options to all permanent, full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The primary purpose of the 1996 Scheme was to provide incentives to eligible employees.

The total number of shares in respect of which options may be granted under the 1996 Scheme (including options already exercised) was not permitted to exceed 10% of the issued share capital of the Company at any point in time. The maximum number of share options issued to any employee, based on the subscription price of the options, shall not exceed four times the annual basic salary (excluding bonuses and allowances) of that employee.

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$1 per each grant of share options. An option may be exercisable up to 50% on or after the third anniversary of the date of grant, up to 75% on or after the fourth anniversary and fully on or after the fifth anniversary but before the tenth anniversary of the date of offer unless the Board of Directors specifies other periods. The exercise price was determined by the Board of Directors, and was based on the average closing price of the shares for the five trading days immediately preceding the date of grant.

The 1996 Scheme was terminated on 25th January, 2002 pursuant to a resolution passed on that date.

SCHEME ADOPTED ON 25TH JANUARY, 2002

A new share option scheme (the "2002 Scheme") was adopted pursuant to a resolution passed on 25th January, 2002 for the primary purpose of attracting and retaining the best personnel for the development of the Company's businesses, and providing incentives to employees, Directors, consultants, agents, representatives and advisors, and promoting the long-term financial success of the Company. The 2002 Scheme will expire on 24th January, 2012.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the employees, including Directors, of the Company or any company that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company, to subscribe for shares in the Company. Options granted to a Director, Chief Executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-Executive Directors of the Company (excluding any Independent Non-Executive Director who is also the grantee).

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19. Share option scheme (continued)

SCHEME ADOPTED ON 25TH JANUARY, 2002 (CONTINUED)

At 31st December, 2002, the number of shares in respect of which options had been granted under the 2002 Scheme was 7,149,500 (2001: 3,556,500), representing 1.83% (2001: 0.91%) of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme, being 39,026,550 shares, without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-Executive Director of the Company, or any of their respective associates under the 2002 Scheme, and any other schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$1 per each grant of share options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 10 years from the date of grant. The exercise price is determined by the Board of Directors, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

No charge was recognised in the income statement in respect of the value of options granted in the year.

Total consideration received during the year from employees for taking up the options granted amounted to HK\$105.

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19. Share option scheme (continued)

The following table discloses details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

Share option scheme category	Option type	Outstanding at 1st January, 2002	Granted during 2002	Exercised during 2002	Cancelled during 2002	Lapsed during 2002	Outstanding at 31st December, 2002
1996	A	1,718,500	—	—	(1,718,500)	—	—
1996	B	1,838,000	—	—	(1,838,000)	—	—
2002	C	—	3,718,000	—	—	(125,000)	3,593,000
2002	D	—	1,718,500	—	—	—	1,718,500
2002	E	—	1,838,000	—	—	—	1,838,000
		<u>3,556,500</u>	<u>7,274,500</u>	<u>—</u>	<u>(3,556,500)</u>	<u>(125,000)</u>	<u>7,149,500</u>

Share option scheme category	Option type	Outstanding at 1st January, 2001	Granted during 2001	Exercised during 2001	Cancelled during 2001	Lapsed during 2001	Outstanding at 31st December, 2001
1996	A	1,718,500	—	—	—	—	1,718,500
1996	B	1,863,000	—	—	—	(25,000)	1,838,000
		<u>3,581,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,000)</u>	<u>3,556,500</u>

Details of the share options held by the Directors included in the above table as follows:

Share option scheme category	Option type	Outstanding at 1st January, 2002	Granted during 2002	Exercised during 2002	Cancelled during 2002	Lapsed during 2002	Outstanding at 31st December, 2002
1996	A	651,000	—	—	(651,000)	—	—
1996	B	264,000	—	—	(264,000)	—	—
2002	C	—	1,485,000	—	—	(125,000)	1,360,000
2002	D	—	651,000	—	—	—	651,000
2002	E	—	264,000	—	—	—	264,000
		<u>915,000</u>	<u>2,400,000</u>	<u>—</u>	<u>(915,000)</u>	<u>(125,000)</u>	<u>2,275,000</u>

Share option scheme category	Option type	Outstanding at 1st January, 2001	Granted during 2001	Exercised during 2001	Cancelled during 2001	Lapsed during 2001	Outstanding at 31st December, 2001
1996	A	651,000	—	—	—	—	651,000
1996	B	264,000	—	—	—	—	264,000
		<u>915,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>915,000</u>