

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED



INTERIM REPORT 2003

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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 satellite fleet.

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 report the Group's unaudited interim results for the six months ended 30th June, 2003.

While the year to date has been as difficult as we had anticipated, the highlight of the first half was the successful launch, in April, of our most powerful pan-Asian satellite, AsiaSat 4. Its deployment reinforces AsiaSat's market leadership, and places the Company in a good position to benefit from the recovery when it occurs.

It should be noted, that the results of AsiaSat 4 will be incorporated into the Company accounts only from the second half of the year, as the satellite did not commence commercial service until July.

Operationally, softness in the worldwide transponder markets continued in the first half of 2003, and this was reflected in pricing pressure, lower demand for transponder capacity and the decline in revenue. In the prevailing conditions, however, we believe that containing the revenue reduction to 5% is a creditable result.

In this context, it is also of note that as customers upgrade from analogue to the much more powerful digital format, both existing and new customers require less transponder capacity to relay their signals. In the past, the reduction in capacity was compensated for by the increase in demand. However, in today's market, the spare capacity created as customers digitalise, is not being taken up by new requirements. While the digitalisation of AsiaSat's television channels is nearly complete, with 97% of our television channels digital as at 30th June, 2003, this ongoing process is expected to slow growth for some time.

The 14% decline in profit is particularly disappointing, but does not accurately mirror the achievements of the first six months. Shareholders will be aware that, during the year, corporate profit tax in Hong Kong was increased and, for AsiaSat, the resulting adjustment was responsible, largely, for the disproportionate decline in profit.

Overall, however, in addition to the faultless launch of AsiaSat 4, the Company has had a solid year to date in testing circumstances. We have made a number of operational advances that build on our range of services, quality and reliability, and these developments are reported on below.

Importantly, we have an exceptionally high quality client base and have been able to maintain our number of clients and our sphere of influence. AsiaSat is thus well positioned for the market recovery.

CHAIRMAN'S STATEMENT

INTERIM RESULTS

Turnover for the first half of 2003 amounted to HK\$456 million (2002: HK\$479 million), a decline of 5%. The profit attributable to shareholders was HK\$240 million (2002: HK\$280 million), a reduction of 14%. The steeper decline in profit was due to an additional provision for deferred tax for both current and prior years as a result of the increase in the Hong Kong tax rate from 16% to 17.5% effective from 1st April, 2003, which accounted for half of the decline. Cost of services and administrative expenses decreased by 4% to HK\$156 million (2002: HK\$163 million). The decrease in expenses was achieved largely through the recovery of, and lower provision for, bad and doubtful debts. With the exception of satellite in-orbit insurance and marketing promotion expenses, the Group was able to contain its costs. The Group's EBITDA (earnings before interest, tax, depreciation and amortisation) margin remained high at 85% (2002: 84%).

During the period, the Group achieved a net cash inflow of HK\$12 million after paying capital expenditure of HK\$115 million and dividends of HK\$172 million. At 30th June, 2003, the Group reported a cash balance of HK\$418 million. The Group is debt free, and has a term loan facility of US\$250 million available at its disposal.

DIVIDEND

The Board has declared an interim dividend for 2003 of HK\$0.08 per share (2002: HK\$0.06). This dividend is payable on 18th November, 2003 to shareholders on the share register as of 16th October, 2003. The share register will be closed from 9th to 16th October, 2003, both days inclusive.

OPERATIONS REVIEW

In-orbit Satellites

During the period, the Group's in-orbit satellites, AsiaSat 2 and AsiaSat 3S, and their systems, continued to perform well and experienced no disruptions. AsiaSat 3S continues to serve as the satellite platform for one of the largest television viewerships in the world.

The Company's new satellite, AsiaSat 4, (reported on below), became commercially operational in July and thus will be recategorised from 'Satellite under Construction' to 'Satellite in Operation' in the second half.

AsiaSat 4 Launch

The launch of AsiaSat 4 from Cape Canaveral, Florida, U.S.A, on 11th April, 2003 and its subsequent deployment, were totally successful. After an initial delay caused by weather conditions, the Boeing 601 HP satellite was launched by a Lockheed Martin Atlas IIIB rocket at 8:47p.m. U.S. Eastern Time (Hong Kong Time: 8:47a.m. on 12th April, 2003).

AsiaSat 4 reached its final geostationary (GEO) orbital location of 122 degrees East, some 36,000 kms above the Equator on 24th April, 2003. Subsequently all communications reflectors and solar panels were successfully deployed, and the satellite commenced commercial service in July.

CHAIRMAN'S STATEMENT

AsiaSat 4 Launch (continued)

AsiaSat 4 is a state of the art satellite employing flight-proven technology. It carries 28 C-band and 16 Ku-band transponders to provide regional coverage over more than 40 countries and regions spanning from New Zealand to Pakistan. In addition, it carries four Hong Kong BSS (Broadcast Satellite Service) transponders covering Hong Kong and part of southern China. The new satellite is capable of providing advanced services including DTH television, broadband and IP solutions, and telecommunications services such as private networks for business and rural telephony.

Transponder Utilisation

At 30th June, 2003, the overall utilisation rate of AsiaSat 2 was 60% (31st December, 2002: 66%), and that of AsiaSat 3S was 62% (31st December, 2002: 62%). The combined utilisation rate of the two satellites was 61% (31st December, 2002: 64%), a marginal decline of 3%.

Market Review

A recovery in the global transponder market has been slow in coming, although there has been some growth seen in the U.S. and Europe associated with the Iraq War. AsiaSat, however, was not positioned to benefit from this.

In Asia, there remains considerable oversupply, especially, in the Ku-band market, and the business environment is challenging for regional television operators. The effect of SARS on the region's businesses was also harmful, new entrants remain reluctant to proceed, and funding is difficult to attract.

It is our view, however, that the Regional C-band market could be the first to recover, principally because the oversupply is not as pronounced in that sector. With AsiaSat 4's high quality C-band capacity, the Company is thus, again, well positioned.

In the first half of 2003, the Group secured several new contracts. These included Hong Kong's TVB 8 and TVB Xing He 24-hour Mandarin language channels on AsiaSat 3S enabling them to offer more channel options to the 1.2 billion Chinese viewers across the footprint.

As at 30th June, 2003, the Group had contracts on hand worth HK\$3.8 billion (31st December, 2002: HK\$4.0 billion), and a major portion of this amount will be recognised over the next few years.

BUSINESS DEVELOPMENT

Associate Company

At 30th June, 2003, the Group had an interest of 45.3% in SpeedCast Holdings Limited ("SpeedCast"). SpeedCast provides three major services: broadband, multimedia and corporate broadcast. The two-way Internet broadband service has continued to grow at a satisfactory rate since the initial launch in September 2002.

CHAIRMAN'S STATEMENT

Associate Company (continued)

For the first six months of 2003, SpeedCast more than doubled its turnover, and again reduced its loss, by 19% to HK\$21 million (2002: HK\$26 million).

The Group's share of the loss, including amortisation on goodwill, was HK\$12 million. After accounting for the rental income on the transponder capacity leased to SpeedCast as the Group's contribution to its share capital, I am pleased to report that the net effect to the Group was neutral.

The performance of SpeedCast is encouraging, and the Group views our participation in the company as a strategic and long-term investment.

Tai Po Satellite Earth Station

Further progress has been made at our new Earth Station, and completion is on schedule for January 2004.

The project is currently undergoing finishing works and pre-opening government inspections before the start of our own testing and commissioning during August.

The 52,743 sq. ft. building in Hong Kong's New Territories, underlines our commitment to our customers to deliver the widest range of services, and the best possible quality and reliability.

The Earth Station will duplicate many of our existing circuits and facilities now provided by the Stanley Earth Station, thus increasing the integrity of our services. It will also enable us to broaden significantly the range of value-added services we offer.

OUTLOOK

Sluggishness persists in the worldwide transponder markets generally, but against this background, AsiaSat is performing well and, most importantly, is building for the future.

The driving forces behind satellite demand remain television distribution and private network telecommunications. Both require broad coverage over large geographic areas, at a fixed cost. Satellites provide, and will continue to provide, the preferable solution over and above anything offered by cable systems for these types of applications, and this is particularly relevant to the fragmented and disparate Asia Pacific region.

For the rest of 2003, we do not expect that the Asian satellite market will improve until the general economics of the region start to grow once again. There is little evidence that this will occur this year.

If such a recovery were to materialise sooner than expected, it would be likely that any revenue growth achieved for the remainder of 2003 would be more than offset by the depreciation and in-orbit insurance for AsiaSat 4.

CHAIRMAN'S STATEMENT

OUTLOOK (CONTINUED)

Looking a little further ahead, however, we believe that the rationale for using satellites remains robust, and that the growth of television, radio and Internet content distribution, corporate networks and remote communication will flourish as markets recover. AsiaSat is committed to its leadership role and to investment in outstanding people, and in new products and services. The Company is, thus, well placed, and we are confident in future growth as markets recover.

DIRECTORS AND STAFF

Our management and staff are responsible for AsiaSat's reputation for quality and excellent service delivery. I wish to thank the Board of Directors and all the employees of the Group for their support, dedication and hard work during this difficult period.

Mi Zengxin

Chairman

Hong Kong, 21st August, 2003