For the year ended 31st December, 2003

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and its subsidiaries (collectively "the Group") has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) 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.

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 goodwill in 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 estimated useful life of the satellite.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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 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.

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%
AsiaSat 4	6.67%
Leasehold land	Over the term of the lease
Buildings	4%
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 subsequently reverses, 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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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, 2003

4. TURNOVER AND SEGMENT INFORMATION

Turnover:

The Group's turnover is analysed as follows:

	2003	2002
	HK$'000	HK$'000
Income from provision of satellite transponder capacity	**880,375**	936,114
Sales of satellite transponder capacity	**15,858**	14,636
	896,233	950,750

Geographical segments:

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

Year ended 31st December, 2003

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Australia	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover							
External sales	**323,187**	**212,847**	**71,164**	**40,351**	**37,598**	**211,086**	**896,233**
Result							
Segment result	**189,983**	**125,120**	**41,833**	**23,720**	**22,101**	**124,086**	**526,843**
Other operating income							**848**
Interest income							**4,945**
Profit from operations							**532,636**
Finance costs							**(3,029)**
Share of results of associates							**(15,625)**
Impairment loss recognised in respect of goodwill of associates							**(1,896)**
Profit before taxation							**512,086**
Taxation							**(87,598)**
Profit for the year							**424,488**

4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Other Information

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Australia	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	**56,013**	**36,890**	**12,334**	**6,993**	**6,516**	**36,585**	**155,331**
Depreciation of property, plant and equipment	**80,154**	**52,789**	**17,650**	**10,008**	**9,325**	**52,351**	**222,277**
Write-back of allowance for bad and doubtful debts	**(2,264)**	**(1,491)**	**(499)**	**(283)**	**(263)**	**(1,479)**	**(6,279)**

Year ended 31st December, 2002

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Australia	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover							
External sales	341,224	212,103	73,282	40,351	39,040	244,750	950,750
Result							
Segment result	226,454	140,763	48,634	26,779	25,909	162,429	630,968
Other operating income							39
Interest income							6,423
Profit from operations							637,430
Share of results of associates							(13,679)
Profit before taxation							623,751
Taxation							(69,062)
Profit for the year							554,689

For the year ended 31st December, 2003

4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Other Information

	Hong Kong	Greater China, including Taiwan	United States of America	British Virgin Islands	Australia	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	163,895	101,876	35,199	19,381	18,752	117,557	456,660
Depreciation of property, plant and equipment	59,804	37,174	12,844	7,072	6,842	42,896	166,632
Allowance for bad and doubtful debts	3,378	4,397	725	399	386	2,423	11,708

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

	2003	2002
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Salary and other benefits, including directors' remuneration	**55,214**	63,606
Contributions to retirement benefits scheme	**4,011**	4,104
Total staff costs	**59,225**	67,710
Auditors' remuneration	**679**	635
Allowance for bad and doubtful debts	**—**	11,708
Depreciation of property, plant and equipment	**222,277**	166,632
and after crediting:		
Write-back of allowance for bad and doubtful debts	**6,279**	—
Gain on disposal of property, plant and equipment other than transponders	**76**	39

For the year ended 31st December, 2003

6. FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Cost of raising bank borrowing facilities	**6,951**	8,337
Less: Amount capitalised in assets under construction	**(3,922)**	(8,337)
	3,029	—

7. DIRECTORS' EMOLUMENTS

	2003 HK$'000	2002 HK$'000
Fees:		
Executive	**—**	—
Non-executive	**—**	134
Independent non-executive	**475**	400
	475	534
Other emoluments:		
Executive		
Salaries and other benefits	**7,831**	8,095
Contributions to retirement benefits scheme	**698**	698
Performance related incentive payments	**—**	2,900
	8,529	11,693
Total emoluments	**9,004**	12,227

For the year ended 31st December, 2003

7. DIRECTORS' EMOLUMENTS (CONTINUED)

Their emoluments were within the following bands:

	No. of directors	
	2003	2002
Nil to HK$1,000,000	**11**	13
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,000,001 to HK$5,500,000	**—**	1
HK$6,500,001 to HK$7,000,000	**—**	1
	13	15

In addition to the remuneration listed above, the Group made payments to SES GLOBAL S.A. ("SES GLOBAL") and a subsidiary of CITIC Group ("CITIC", formerly known as China International Trust and Investment Corporation), the substantial shareholders of the Company throughout the year, amounting to HK$475,000 (2002: HK$400,000) and HK$525,000 (2002: HK$400,000) respectively, for certain Non-Executive Directors representing SES GLOBAL and CITIC.

For the year ended 31st December, 2003

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2002: two) were Directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003	2002
	HK$'000	HK$'000
Salaries and other benefits	**8,268**	8,053
Contributions to retirement benefits scheme	**687**	687
Performance related incentive payments	**—**	2,286
	8,955	11,026

Their emoluments were within the following bands:

	No. of employees	
	2003	2002
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$3,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**—**	1
HK$4,000,001 to HK$4,500,000	**—**	1
	3	3