

Asia Satellite Telecommunications Holdings Limited



Interim Report 2005

Contents

- 1** Chairman's Statement
- 6** Corporate Governance
- 8** Other Information
- 12** Management Discussion and Analysis
- 16** Independent Review Report
- 17** Condensed Consolidated Balance Sheet
- 19** Condensed Consolidated Income Statement
- 20** Condensed Consolidated Statement of Changes in Equity
- 21** Condensed Consolidated Cash Flow Statement
- 22** Notes to the Condensed Consolidated Financial Information
- 47** Supplementary Information for ADR Holders
- 50** Shareholder Information

Asia Satellite Telecommunications Holdings Limited (the "Company") indirectly owns Asia Satellite Telecommunications Company Limited ("AsiaSat") and other subsidiaries (collectively the "Group") and 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. The Group owns and operates three satellites, which are located in prime geo-stationary positions over the Asian landmass and provide access to two-thirds of the world's population.

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.

www.asiasat.com



Chairman's Statement

A Difficult Market

The trading environment for the satellite sector in the first six months of 2005 continued to be dominated by intense competition and price pressure despite distinct indications of economic improvement in some Asia-Pacific markets. Nevertheless, we achieved a 14% improvement in the overall utilisation of our transponder capacity during the period, although it was not possible to achieve a corresponding increase in revenue.

The imbalance between supply and demand continues to drive acute price competition and this has affected and will continue to affect our performance. Fortunately, the Group has a blue-chip customer base with long-term contracts and is financially robust and debt free. We have strong confidence in the economic future of the region and we will continue to enhance our products and services as the market starts to improve. We are, thus, well positioned to grow and to consolidate our market leadership.

The Company's quality of management, performance and service were professionally recognised in May this year when AsiaSat was selected "Best Asian Satellite Carrier" in the 2005 Telecom Asia Awards by a panel of telecommunications experts, backed by financial analysis from research specialists, the Yankee Group. The criteria included financial performance, market leadership, technology innovation and corporate governance. I congratulate each member of management and staff for their outstanding performance and their dedication to quality.

Interim Results

The presentation of the financial results, specifically the comparison between the 2004 and 2005 figures, continues to be distorted by the inclusion of a one-time receipt in 2004 for the early termination of a transponder utilisation agreement.

Turnover for the first half of 2005 amounted to HK\$445 million (2004: HK\$551 million), HK\$106 million below that of the corresponding period in the prior year. Excluding the one-time contribution of HK\$107 million on the contract termination, turnover was maintained at the same level. The profit attributable to equity holders was HK\$185 million (2004: HK\$254 million), a decrease of 27%. Again, the effect of the one-time receipt distorted significantly the results of the underlying business.

Interim Results (continued)

Operating expenses in the first half of 2005 amounted to HK\$102 million (2004: HK\$112 million), a decrease of HK\$10 million, of which HK\$8 million was due to the provision for impairment of trade receivables made in the prior year.

The Group's EBITDA (earnings before interest, tax, depreciation and amortisation) margin declined to 77% (2004: 80%) as a result of the decrease in turnover. However, this figure remained high compared with our peer group.

During the period, the Group generated a net cash flow of HK\$96 million (2004: HK\$207 million) after paying capital expenditure of HK\$21 million and dividend of HK\$105 million. The decline in net cash flow was again due to the one-time receipt. At 30 June 2005, the Group reported a cash balance of HK\$1,331 million (2004: HK\$867 million). The Group has no debt.

Dividend

The Board has resolved to pay an interim dividend of HK\$0.08 (2004: HK\$ 0.08) per share. The interim dividend is payable on 15 November 2005 to equity holders on the share register as of 13 October 2005. The share register will be closed from 6 to 13 October 2005, both days inclusive.

Operations Review

IN-ORBIT SATELLITES

During the first six months of 2005, the Group's fleet of three in-orbit satellites, AsiaSat 2, AsiaSat 3S and AsiaSat 4 continued to perform well.

The fleet is located over the Asian landmass and forms the platform for one of the largest television viewerships in the world and provides AsiaSat customers with unparalleled coverage of two-thirds of the world's population.

AsiaSat 2, launched in November 1995, orbits at 100.5°E. It carries 24 C-band and 9 Ku-band transponders, and its overall utilisation rate at 30 June 2005 was 42% (31 December 2004: 36%). The increase was due to some migration to AsiaSat 2 from AsiaSat 3S, as well as expansion of existing customers.

AsiaSat 3S, launched in March 1999, is stationed at 105.5°E and carries a payload of 28 C-band and 16 Ku-band transponders. After some migration to AsiaSat 2, its overall utilisation rate at 30 June 2005 was 73% (31 December 2004: 73%).

IN-ORBIT SATELLITES (CONTINUED)

AsiaSat 4, launched in April 2003, is positioned at the 122.2°E slot and carries 28 C-band and 20 Ku-band transponders, including four Hong Kong BSS (broadcast satellite service) transponders. Its overall utilisation rate at 30 June 2005 was 39% (31 December 2004: 27%).

The total number of transponders on the Company's satellites leased and sold at 30 June 2005 was 65 (31 December 2004: 57), an increase of 14%, representing an overall utilisation rate of 52% (31 December 2004: 46%). This included the four BSS transponders provided for the DTH (direct-to-home) service.

EARTH STATIONS

Our Tai Po Earth Station has performed well since it took over the role as AsiaSat's principal control centre in late 2004. It has five full performance antennas, four of 7.3 metres and one of 11.3 metres, and is backed up by Stanley Earth Station that has seven antennas, one of 5 metres, three of 6 metres, one of 9 metres and two of 11 metres.

CONTRACTS WITH MAJOR CUSTOMERS

It is pleasing that, despite the significant oversupply in Asia Pacific and an extremely competitive environment, we successfully renewed several major contracts that expired in the first half of the year.

MARKET REVIEW

Overall, demand for transponder capacity remains sluggish even though there has been some activity in the region. While it would appear that pricing has stabilised for major customers, there are instances of competitors resorting to give-away pricing in certain markets.

We continue to see signs of economic improvement in the region, but the benefits are still not yet flowing through to the satellite sector. This is disappointing and we see little chance for improvement for the remainder of 2005.

As at 30 June 2005, the Group held contracts on hand worth HK\$3,124 million (31 December 2004: HK\$3,114 million), of which approximately HK\$399 million will be recognised in the second half of the current year. I am pleased to report that the Company has been able to maintain its backlog level in this market.

Business Development

In April 2005, we relocated the Group's head office to larger premises in The Lee Gardens at Causeway Bay in Hong Kong. We had outgrown our original offices and the new space provides expanded facilities and positions us well for future growth.

SUBSIDIARY

Skywave

Skywave TV Limited ("Skywave") in which the Company holds 80%, is engaged with its partners in establishing a low cost DTH platform to serve the markets of Hong Kong, Macau, Taiwan and Southern China. Skywave launched its services at the beginning of the year and currently offers a variety of some 36 programmes branded under Family Favourites, Premium Movies and Premium Sports.

For the first six months, Skywave incurred a loss of HK\$3 million, of which our share was HK\$2 million. This has been reflected in the consolidated accounts.

ASSOCIATE COMPANIES

SpeedCast

SpeedCast Holdings Limited ("SpeedCast") in which the Company holds 47%, provides broadband, multimedia and corporate broadcast services to customers in countries across Asia and beyond, and continued to improve its performance in a highly competitive market. For the first six months, SpeedCast achieved a turnover of HK\$38 million (2004: HK\$21 million), an increase of 81% over the same period last year and reduced its loss to HK\$1 million (2004: HK\$7 million).

During the half year, AsiaSat generated HK\$14 million as utilisation fees (2004: HK\$8 million) from SpeedCast by leasing capacity to the company.

Beijing Asia

Our joint venture in China, Beijing Asia Sky Telecommunications Limited ("Beijing Asia"), in which the Company holds 49%, is engaged in providing VSAT (very small aperture terminal) services in China. Beijing Asia started business in the last quarter of 2004 and, for the first six months of 2005, incurred a loss of HK\$4 million, of which our share was HK\$2 million.

Chairman's Statement

ADDITIONAL BSS TRANSPONDERS

The Company has been awarded the licence for eight additional BSS (broadcast satellite service) transponders at the 122.2°E orbital slot. AsiaSat 4 was designed to include these frequencies by switching transponders from the FSS (fixed satellite service) beam. The additional transponders combined with the four BSS transponders previously awarded make a total of 12. These will provide adequate capacity for Skywave to grow in the future if the DTH service proves to be successful. AsiaSat will be the sole provider of BSS capacity in Hong Kong and this places the Company well for the future.

NON-DOMESTIC TELEVISION PROGRAMME SERVICE LICENCE

The Company has submitted an application for another Non-domestic Television Programme Service Licence. To broaden our business scope, this licence, together with the Fixed Carrier Licence, will be used to provide bundled services to customers who need both space segment and uplink services from the Company.

Outlook

The outlook for the rest of 2005 remains unpromising and it will be difficult to maintain the results for the full year at the level achieved in 2004, for the reasons reported above. Nevertheless, we remain optimistic that there is a bright future for the satellite industry in Asia Pacific and in particular for AsiaSat as the market leader. Satellite communications bring enormous benefits to the fragmented markets of the region and this, combined with AsiaSat's recognised quality, will be the drivers of future growth.

Romain BAUSCH

Chairman

Hong Kong, 24 August 2005