Operating licences

During the year, the Company was awarded two operating licences that will facilitate new opportunities and business growth. In January 2000, AsiaSat received an External Fixed Telecommunication Network Services (EFTNS) Licence and, in June, a Broadcasting Satellite Service (BSS) Licence, both from Hong Kong's Office of the Telecommunications Authority.

Under the EFTNS licence, the Company is able to provide uplinking services for television broadcasting, Internet/multimedia backbone, international telephone trunking, rural telephone and two-way interactive broadband Internet/multimedia services to customers in Hong Kong and other Asian countries. These services are yet to be developed and represent potential future earnings for the Company.

The BSS licence allows the Company to operate the four BSS channels assigned to Hong Kong at 122°E. These will allow broadcasters to provide direct-to-home (DTH) television programmes in Hong Kong in 2002 after the launch of AsiaSat 4.

The Company does not anticipate generating any immediate benefits from these licences, however, they are crucial for AsiaSat's future development.

Associate company

At the time for our interim results, it was reported that the Company had entered into a joint venture to form PHOENIXNET HOLDINGS LTD., a company incorporated in Cayman Islands, which wholly owns SpeedCast Limited (formerly known as PhoenixNet Limited), a company incorporated in Hong Kong ("SpeedCast"). The joint venture is offering a broadband service via satellite to provide high speed Internet access, multimedia content distribution and corporate broadcast services.

AsiaSat's partners in SpeedCast, Tech System Limited, Telecom Venture Group and Yahoo! Inc., each brings specific expertise to the venture. AsiaSat's core contribution is satellite capacity and the use of its multimedia platform for a fixed time period. AsiaSat owns approximately 36.5% of SpeedCast.

SpeedCast launched its broadband and multimedia services in April and October 2000 respectively and the market response has been encouraging.

SpeedCast made a loss of HK$117 million from its inception (September 1999) to 31st December, 2000. Approximately two-thirds of the loss was due to the amortisation of the transponder capacity, platform software and subscriber management/billing systems contributed by the founding shareholders. AsiaSat's share of loss amounted to HK$44 million. However, if the rental on the transponder capacity and the multimedia platform leased to SpeedCast as contribution for AsiaSat's share capital in SpeedCast were to be taken into account, the net effect to AsiaSat would be a loss of HK$12 million.

In the short term, AsiaSat does not anticipate a return from the joint venture, and considers it as a strategic investment. The Company anticipates only a minor dilution of its profit as a result of its investment in SpeedCast.

AsiaSat 4

After completing the design of AsiaSat 4, following the award of the BSS licence, the Company placed an order with Boeing Satellite Systems International, Inc. (formerly Hughes Space and Communications International, Inc.) for a Boeing 601HP (formerly HS601HP) satellite. The construction time is approximately 20 months, with a provisional launch date in April 2002. The satellite is on schedule for completion in March 2002.

The Company also procured a launch service with Lockheed Martin Commercial Launch Services, Inc. for an Atlas IIIB launch vehicle scheduled for the second quarter of 2002. Currently there are no known issues affecting this vehicle.

AsiaSat 4 will have 28 C-band and 16 Ku-band transponders with regional coverage in addition to the 4 BSS Hong Kong transponders. The satellite is planned to be in service in the middle of 2002 from the 122°E orbital slot.

Outlook

The rapid growth that we experienced in 2000 is unlikely to continue this year. However, with deregulation taking place in some countries in the region, we are seeing new projects emerge. We anticipate that these developments will drive demand for transponder capacity, particularly for high power Ku-band for video and new applications, such as high speed Internet, broadband multimedia and DTH services. We believe the Company is well placed to take advantage of these opportunities.

Peter Jackson

Chief Executive Officer

Hong Kong, 6th March, 2001

AsiaSat provides bandwidth for

printing and publishing applications

No matter where you are, AsiaSat's satellites

seamlessly connect voice and data

communications across Asia