

## CHAIRMAN'S STATEMENT

I am pleased to report that the Group achieved a good result in the difficult market conditions that dominated the year 2001. The final figures for the period under review were only marginally below those of the prior year, and this reflects the hard work of our staff, and underlines the commitment by our customers to place a high value on the Group's reliability and superior service, even in a soft market.

The prudent approach we adopted in 2001 proved to be correct as uncertainty kept many customers on the sidelines. As a result, broadcasting and broadband applications were limited, but there continued to be steady demand in the VSAT (Very Small Aperture Terminal) Private Network sector.

The year 2001 was very difficult, but it is of note that, on a like-with-like basis before the recognition of deferred revenue in the Ku-band sales for the year 2000, turnover for 2001 exceeded that of 2000. Much credit must go to our team for this excellent performance.

### **Financial results**

Turnover for the year ended 31st December, 2001 was HK\$969 million (2000: HK\$1,003 million), a decline of just 3%. Excluding the amount amortised from 1996 Ku-band sales that ended in May 2000, the turnover from operations in 2001 marginally exceeded that realised in 2000. Profit attributable to shareholders for the year was HK\$563 million (2000: HK\$576 million), a reduction of 2% from the previous year. Earnings per share were HK\$1.44 (2000: HK\$1.48), a reduction of 3%.

The Group continued to benefit from strong cash flow from its operations. During the year, the cash inflow marginally exceeded the cash outflow including the capital expenditure of approximately HK\$600 million. At the end of 2001, the Group was debt free.

### **Dividend**

At the forthcoming Annual General Meeting, your Directors will recommend a final dividend of HK\$0.14 per share (2000: HK\$0.14 per share). This together with the interim dividend of HK\$0.06 per share (2000: HK\$0.06 per share) gives a final dividend for the year of HK\$0.20 per share (2000: HK\$0.20 per share), maintained at the same level as last year.

### **Operations review**

#### **IN-ORBIT SATELLITES**

The Group's satellites continued to operate well throughout the year with no interruptions to service. At the end of 2001, the Group was able to maintain its overall transponder utilisation rate at 65% (2000: 64%) even in the weak market.

#### **SATELLITE UNDER CONSTRUCTION - ASIASAT 4**

The launch of AsiaSat 4 aboard an Atlas IIIB rocket from Cape Canaveral, Florida, is planned for mid 2002. Although delay is possible, this would not adversely impact our financial position.



AsiaSat enables companies to communicate regionally across secure dedicated VSAT (Very Small Aperture Terminal) private networks.

### **Market review**

#### **SUPPLY, DEMAND AND COMPETITION**

In the current economic conditions, C-band capacity still appears to be tightening, but Ku-band capacity is in excess. Overall, however, supply of transponders in the region continues to exceed demand and this is expected to remain so until economies improve.

Viewing this as a temporary cycle, the Company has resisted following the market trend of substantial reduction in rates and has only moderately adjusted its rates in response to the competition. Furthermore, a strategy of limited short-term leases and a focus on strategic customers has allowed us to remain competitive.

#### **MARKET REGULATION**

The regulatory environments in a number of key Asian countries continue to confuse the market. In China the satellite industry has undergone a restructuring, and more changes are expected. Additionally, the implications of the proposed centralised platform are still unclear. However, as this platform is directed only towards the local distribution of foreign programmes in certain hotels and foreign compounds, it is not anticipated to have a significant impact on the Group. India's broadcast bill, legalising the use of Ku-band for DTH (Direct-to-Home), has yet to produce demand for Ku-band transponders. These regulatory issues in Asia's key markets, coupled with economic uncertainty, continue to hinder market recovery.

### **Business development**

#### **STRATEGY FOR GROWTH**

The Company maintains its two-pronged growth strategy: organic growth, and growth through acquisition and partnerships. The Group's joint venture SpeedCast, continues to develop and adapt to the changing broadband market. This company is not expected to make any contribution in the short-term and, in 2001, the Group's effective share of its loss was HK\$13 million (2000: HK\$12 million).

The Company continues to investigate other strategic opportunities that would support and enhance its core satellite business.

In anticipation of future growth, and to accommodate new satellites, the Group has purchased a plot of land at the Tai Po Industrial Estates in Hong Kong. The land will be used to build a new satellite control centre that will also allow the Group to offer to its customers additional services. These will include uplink, technical support and other value added services. The new centre is expected to be complete in the second half of 2003.

SPACE TRAINING CENTRE...

HOW DO YOU  
KEEP SO TUNED IN  
TO ALL THE WORLD  
EVENTS, ORBY?

IT'S EASY, JUSTIN. USING  
IP MULTICAST ON ASIASAT I DON'T  
MISS A BEAT. CORPORATE INFO, NEWS,  
MOVIES AND ENTERTAINMENT, THE WORKS!

GRADUATION DAY...

AsiaSat's high-powered satellite fleet offers quality point to multi-point delivery of multimedia content from around the world.

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### ***Outlook***

We entered the year 2002 with caution. Fortunately, some 80% of our 2001 revenue is already contracted for 2002, and this provides some comfort. Unless clear signs of economic improvement appear, we expect that it will be difficult to achieve any significant growth, or even to maintain the same level of results as in 2001. Although we believe that the year 2002 will be a difficult year for growth, we do expect that it will be a year of opportunity. The Board is confident in the future of satellites in Asia and believes that the Company is well positioned to capitalise upon the economic recovery of the region.

### ***Directors and staff***

I wish to acknowledge the excellent work of our management and staff in the past year and the very creditable results that they achieved. I convey my thanks to Board of Directors and all the employees for their support, dedication and hard work.

### **Romain Bausch**

*Chairman*

Hong Kong, 14th March, 2002