

A solid year

As I commence my first year as Chairman of the Company, I am very pleased to report that the Group achieved solid results in the difficult operating conditions of 2002, increasing our number of customers, and reporting only a marginal decline in revenue and profit. Prior to a small provision for bad and doubtful debts, profit attributable to shareholders, in fact, exceeded last year. Furthermore, the Group is debt free.

Throughout 2002, we maintained our clear market leadership position, commenced building a new Earth Station, and prepared for the imminent launch of AsiaSat 4. These are no small achievements.

As we ride through this period of uncertainty, I believe that our Management and Staff can take much credit for the Group's performance against severe competition.

Sound financial results

Turnover for the year ended 31st December, 2002 was HK\$951 million (2001: HK\$969 million), a decline of 2%.

Profit attributable to shareholders for the year was HK\$555 million (2001: HK\$563 million), a reduction of 1% from the previous year after a HK\$12 million provision for bad and doubtful debts. Earnings per share were HK\$1.42 (2001: HK\$1.44), a reduction of 1%.

The Group continued to benefit from strong cash flow from its operations, and generated a net cash inflow of HK\$270 million (2001: HK\$27 million) after paying capital expenditure of HK\$449 million (2001: HK\$607 million). At the end of 2002, the Group was debt free.

Dividend

At the forthcoming Annual General Meeting, to be held on 16th May, 2003, your Directors will recommend a final dividend of HK\$0.19 per share (2001: HK\$0.14 per share). This, together with the interim dividend of HK\$0.06 (2001: HK\$0.06 per share), gives a total of HK\$0.25 per share (2001: HK\$0.20 per share), an increase of 25% compared with the prior year.

Special dividend

The Group has entered the 15th year of operation since its founding in 1988. Our first satellite, AsiaSat 1, was launched in 1990. Since then, the Group has, in terms of transponder equivalents, grown almost six times, from 24 transponders of 36 MHz, to the equivalent of 140. The Directors are very pleased that following this history of growth and solid performance, they are able to recommend, subject to the approval of shareholders at the forthcoming Annual General Meeting, payment of a special dividend of HK\$0.25 per share.

ORBY TING AND RICH WELLS, CEO OF ASIAN OIL, VISIT ASIASAT'S OFFICE BEFORE THE LAUNCH OF ASIASAT 4.



WELCOME!
I'M DELIGHTED YOU'LL
BE ATTENDING THE
ASIASAT 4 LAUNCH
MR. WELLS.

OUR OFFICES
HERE IN CAUSEWAY BAY
ARE THE ASIASAT
NERVE CENTRE...



...FROM HERE WE
PRESENTLY CONTROL THE
ENTIRE SATELLITE
FLEET.



WOW, TALK
ABOUT IMPACT, ASIASAT'S
SATELLITE TRANSMISSIONS
REACH NEARLY 70%
OF THE WORLD'S
POPULATION!

ASIASAT 4 EXPANDS HIGH-POWER COVERAGE OF AUSTRALASIA AND EAST ASIA, INCLUDING GREATER CHINA.

Operations review

IN-ORBIT SATELLITES

AsiaSat's in-orbit satellites continued to operate well throughout 2002 with no interruptions of service. At year end, the utilisation rate of our 36 MHz C-band transponders was maintained at 78% (2001: 79%); and the overall transponder utilisation rate of the satellite fleet was also maintained at 64% (2001: 65%), despite the highly competitive conditions and a weak market. The demand for Ku-band transponders remained soft.

ASIASAT 4

As this Annual Report goes to press, our new satellite, AsiaSat 4, is ready for launch on an Atlas IIIB rocket from Cape Canaveral, Florida. The satellite successfully completed all its testing by mid-February 2003, prior to its shipment from Boeing's manufacturing plant in Los Angeles, California, to its launch site.

AsiaSat 4 has 28 C-band and 16 Ku-band transponders that will provide regional coverage, and four Hong Kong BSS (Broadcast Satellite Service) transponders covering Hong Kong and Southern China. The satellite is scheduled to be in its final position at the 122°E orbital slot by the end of April 2003.

As indicated at the time of the Interim Report, the capacity available in the space insurance market had declined following a number of satellite losses and the events of 11th September, 2001. However, we have secured launch and first year in-orbit insurance for AsiaSat 4 at a very competitive rate.

Upon completion of AsiaSat 4, the Company will have incurred a total cost of approximately HK\$1,747 million (US\$224 million), including the insurance premium.

The new satellite will enable AsiaSat to provide higher power coverage with excellent elevation angles over the expanded areas of Australasia and Greater China. The added transponder capacity, combined with the benefits coming from our new Earth Station in Hong Kong, will further strengthen our market position and enable us to broaden our range of value-added services to our customers.

TAI PO SATELLITE EARTH STATION

Our new Earth Station, at the Tai Po Industrial Estate in Hong Kong's New Territories, is progressing on schedule and will be ready for operation in the second half of 2003.

This excellent new facility reinforces our commitment to customers to provide the highest quality signals combined with unmatched reliability. The Earth Station will duplicate many of the circuits and facilities currently provided by the Stanley Earth Station, thereby significantly increasing the integrity of our services. It should be noted that we have always achieved, and reported, uninterrupted service with our existing equipment and facilities, thus AsiaSat customers can have a high degree of confidence in the continuity of our services.

Furthermore, our new Earth Station will enable us to expand the range of services available to our customers. The facility comprises a 52,743 sq. ft., two-level building on a 139,932 sq. ft. site. Upon total completion in the second half of 2003, it will have four antennas initially, and will be staffed 24-hours a day by our own technical personnel.

ASIASAT'S TECHNICAL MANAGER, WEI SO-HAI, GUIDES THE VISITORS THROUGH THE SATELLITE CONTROL CENTRE.



OUR DEDICATED AND HIGHLY TRAINED STAFF CONTROL AND MONITOR EACH SATELLITE CONTINUOUSLY, 24/7.



NO WONDER ASIASAT'S SATELLITES HAVE GIVEN FAULTLESS SERVICE FOR 13 YEARS!

LEADING BROADCASTERS AND TELECOMMUNICATIONS PROVIDERS BANK ON ASIASAT'S UNMATCHED RELIABILITY AND QUALITY SERVICE.

SpeedCast

The Group's joint venture, SpeedCast incurred a much decreased loss of HK\$49 million (2001: HK\$119 million), a reduction of 59% and the Group's share of loss was reduced to HK\$9 million (2001: HK\$41 million) after reversing part of a provision made in the prior year.

Strategy for growth

It has been difficult to achieve growth in the prevailing economic climate. However, our strategy, to expand through organic growth, and growth through acquisition and partnerships, remains unchanged. The Company is financially robust and is well positioned to consider and seize any opportunities that arise, and to move ahead as soon as the economy recovers.

The new Earth Station, for example, will provide us with the opportunity to develop a broad range of value-added customer services, as will the increased capacity on AsiaSat 4, once the market recovers.

Outlook

The achievements in 2002, and the maintenance of our market position and financial result, despite the continuing weak market, are most encouraging for the future.

The factors that drive demand for AsiaSat's services, which have been outlined in the past, remain unaltered. They are television distribution, and the provision of telecommunications networks to users who need last mile connectivity over wide geographic coverage at a fixed cost.

Satellites can provide this coverage where cable cannot, particularly across the widespread and disparate Asia-Pacific region.

Global trends show that, despite continually falling cable prices, demand for satellite capacity used for private multi-point networks continues to rise, and we believe that this will remain the case in Asia Pacific.

Thus, the future for AsiaSat in the region is bright, and for this reason we will remain focused on broadcast, rather than point-to-point, communications. Set against this positive background, and with an increased client base, a new Earth Station, a new satellite, and no debt, AsiaSat is poised to expand as the market recovers.

Directors and staff

I congratulate the Management and Staff for maintaining the performance of the Group and for winning new customers in a highly competitive and challenging period. This has been achieved through their hard work and belief in our over-arching goal, which is to provide our customers with the best in quality and service. I would like to thank our former Chairman, Romain Bausch, who led the Group through a year full of challenges. I would also like to thank the Board of Directors and each and every member of Staff.

Mi Zengxin

Chairman

Hong Kong, 14th March, 2003