

Operations Review

IN-ORBIT SATELLITES

The Group owns and operates three satellites, AsiaSat 2, AsiaSat 3S and AsiaSat 4. During the year, all the satellites and systems continued to operate well, with the exception of an outage of several hours on 24th December, and in the early morning of 26th December, 2003 on AsiaSat 2. This was caused by an unexpected perturbation disturbance in the pointing attitude of the satellite. However, all transmission services were restored by noon time of 26th December and our technical staff should be recognised for their proficiency in this work. The AsiaSat 2 satellite sustained no damage and continues to operate with no interruption of service.

AsiaSat's satellites are positioned over the Asian landmass and offer our customers comprehensive coverage of close to 70% of the world's population. Our satellite fleet provides point to multi-point, and distribution services throughout the geographically fragmented, and economically diverse Pan-Asian region. Our high-powered satellites, Asia-wide coverage, high calibre customer base, and our focus on providing outstanding customer service, allow us to maintain a premium position in the industry.

AsiaSat 2, launched in 1995, carries 24 C-band and 9 Ku-band transponders and orbits at 100.5°E. Its overall utilisation rate at 31st December, 2003 was 54% (2002: 66%). The decrease was due to some migration to the new AsiaSat 4 satellite.

AsiaSat 3S, launched in 1999 and positioned at the 105.5°E slot, carries 28 C-band and 16 Ku-band transponders. Its overall utilisation rate at 31st December, 2003 was 59% (2002: 62%). The decline was also due to some migration to AsiaSat 4.

AsiaSat 4, launched in April 2003 and positioned at the 122°E slot, carries 28 C-band and 20 Ku-band transponders, including a BSS (Broadcast Satellite Service) payload. Its overall utilisation rate at 31st December, 2003 was 10% (2002: N/A).

The total number of transponders leased and sold during the year remained at 49 (2002: 49 transponders).

ASIASAT 4

AsiaSat 4 is a Boeing 601HP satellite. Following its successful launch from Cape Canaveral, Florida, U.S.A. in April 2003, AsiaSat 4 commenced commercial operation in July 2003 and offers high quality and reliable transmission services from the orbital location of 122°E. This marks a new development in AsiaSat's regional satellite services with the provision of enhanced power and comprehensive Asia/Australasia coverage.

AsiaSat 4 is the latest and most powerful member of the AsiaSat's fleet. It has more than 10,000 watts of power and an operational life of over 15 years.

ASIASAT 4 (CONTINUED)

The state-of-the-art AsiaSat 4 is designed to provide advanced satellite services. With its orbital location at 122°E, AsiaSat 4 enjoys an expanded, high performance, coverage area over Australasia and East Asia. It is ideal for a wide range of satellite applications including DTH (direct-to-home) television, small antenna systems VSAT (Very Small Aperture Terminal) for private business networks, broadband and IP solutions. It is of note that two-way broadband, while currently a small market, represents a potential new growth area.

The addition of AsiaSat 4 to the existing AsiaSat 2 and AsiaSat 3S, now gives AsiaSat the region's most modern communications satellite fleet with complementary coverage, offering customers a wider choice of transponder capacity and greater flexibility for regional coverage, as well as the most comprehensive back up options.

TAI PO EARTH STATION

This new facility is built on a 13,638 square metre site at the Tai Po Industrial Estate in the New Territories of Hong Kong. It comprises a 5,711 square metre, two-level building and five full performance antennas, four of 7.3 metres and one of 11.3 metres, for tracking and monitoring AsiaSat's satellites, as well as providing other value-added services. A range of receive only antennas for system monitoring and system testing has also been installed.

The new Satellite Control Centre will be housed in the new Tai Po Earth Station, and manned 24-hour a day by a team of professional engineers. Once all the systems are installed the facility will duplicate the circuits and facilities currently provided by the Tracking, Telemetry & Control station in Stanley, thus, strengthening AsiaSat's service integrity and reinforcing our commitment to service reliability and quality.

The combination of the new facility and AsiaSat 4 enables AsiaSat to offer customers a unique and comprehensive range of additional value-added services including Ku-band uplink and back up services.

The construction of the Tai Po Earth Station was completed, and a temporary occupation permit was obtained, in August 2003. The final occupation permit was received in January 2004 from the Building Authority. All the antennas have been installed, with three already accepted and operational, and the remaining two to complete final adjustment in the second quarter of 2004.

OPERATING LICENCES

We obtained a BSS (Broadcast Satellite Service) licence from the OFTA (Office of the Telecommunications Authority) in 2002. This licence will enable us to operate the four BSS transponders on board AsiaSat 4. These transponders are intended to provide DTH television for reception by the public in Hong Kong.

Now that the Tai Po Earth Station and the installation of uplinking facilities have been completed, it is our intention to apply for a fixed carrier licence.

ASSOCIATE COMPANY

At 31st December, 2003, the Group had an interest of 45.3% in SpeedCast Holdings Limited ("SpeedCast"). SpeedCast provides three major services: broadband, corporate broadcast and multimedia. In 2003, SpeedCast increased its turnover to HK\$28 million (2002: HK\$12 million), a significant improvement of 133%. The increase was due largely to the sales of customer premise equipment, and provision of broadband, for two-way services. Consequently SpeedCast reduced its loss to HK\$40 million (2002: HK\$49 million), a reduction of 18%. The Group's share of loss, including amortisation of goodwill and impairment loss, was HK\$18 million (2002: HK\$14 million). After accounting for the rental income on the transponder capacity leased to SpeedCast there was a positive contribution of HK\$3 million (2002: HK\$6 million) to the Group. We are confident that SpeedCast will make further contributions in the years to come.

Peter Jackson

Chief Executive Officer

Hong Kong, 11th March, 2004