

## THE INDIAN OCEAN TSUNAMI

Every nation affected by the devastating tsunami on 26th December, 2004 falls within the footprint of our satellites and the Directors, Management and Staff of AsiaSat express their heartfelt condolences to our customers and business associates there and to the people of each of those countries.

Indeed, in addition to the donations made by Staff and the Company, we have offered and continue to seek ways to provide satellite capacity free of charge to help the humanitarian recovery and reconstruction efforts in the area.

## A SOLID PERFORMANCE IN TOUGH CONDITIONS

Turning to the performance of the Company in 2004 as I take over as Chairman from Mr. MI Zeng Xin, I am pleased to report that the Company maintained its market leadership position in very tough trading conditions. The Company also increased its overall utilisation rate, achieved an increase in revenue and, after accounting for the one-time receipt included in the Interim Results, is reporting a marginal rise in profit for the year. The Company is well positioned for future growth and continues to be debt free.

## FINANCIAL RESULTS

### Turnover

Turnover for the year ended 31st December, 2004 amounted to HK\$1,005 million (2003: HK\$896 million), an increase of 12%. The Interim Results for 2004 included a one-time lump sum receipt of HK\$123 million for early termination of a transponder utilisation agreement. After reversing that portion of the income from the contract accounted for on a straight-line basis in prior years, the one-time contribution to turnover in the results for 2004 amounted to HK\$107 million.

### Profit

The profit attributable to shareholders for 2004 was HK\$431 million (2003: HK\$424 million), an increase of 2%. The lower growth rate in profit verses turnover was largely attributable to the absorption of the full year's depreciation, satellite in-orbit insurance and operational expenses of AsiaSat 4 coupled with the provision for doubtful debts.

As stated at the time of the Interim Report, the one-time receipt significantly distorted the results of the underlying business for the full year under review. Excluding that item, turnover remained almost unchanged at HK\$898 million while profit attributable to shareholders was HK\$340 million, a decrease of 20% over the prior year for the same reasons as stated above.

### FINANCIAL RESULTS (CONTINUED)

#### Cash Flow

In 2004, the Group generated a net cash inflow of HK\$575 million (2003: HK\$253 million) after paying capital expenditure of HK\$48 million (2003: HK\$162 million) and dividends of HK\$125 million (2003: HK\$203 million). At the end of 2004, the Group's cash balance increased to HK\$1,234 million (2003: HK\$659 million) with no debt.

#### Operating Expenses

Operating expenses amounted to HK\$235 million (2003: HK\$147 million). The increase of HK\$88 million was largely attributable to the new satellite insurance costs, provision for doubtful debts, staff costs and additional costs in running the Tai Po Earth Station. Further details are provided in the Operations Review.

The increase in the provision for doubtful debts was mainly attributable to the insolvency of a customer with an outstanding balance of HK\$22 million at year end, for which a provision of HK\$19 million has been made.

#### Depreciation

Depreciation expense showed an increase of HK\$66 million when compared with the prior year. This was mainly attributable to the increase in depreciation of the AsiaSat 4 satellite and amortisation of an earth station and related satellite tracking facilities. The depreciation of AsiaSat 4 began in July 2003, thus only six months of depreciation expense was included in the 2003 accounts compared with a full year's depreciation in 2004.

### DIVIDEND

At the forthcoming Annual General Meeting, to be held on 13th May, 2005, your Directors will recommend a final dividend of HK\$0.27 per share (2003: HK\$0.24 per share). This, together with the interim dividend of HK\$0.08 per share (2003: HK\$0.08 per share), gives a total of HK\$0.35 per share (2003: HK\$0.32 per share), an increase of 9% compared with the prior year.

### BUSINESS REVIEW

#### In-Orbit Satellites

The Group's three in-orbit satellites, AsiaSat 2, AsiaSat 3S and AsiaSat 4, continued to operate well throughout 2004 and at year end the number of transponders leased and sold had increased by more than 16%. Our new earth station enabled us to provide an even greater level of back up for our customers.

### BUSINESS REVIEW (CONTINUED)

#### SpeedCast

During the year, SpeedCast Holdings Limited ("SpeedCast") made a rights issue of US\$3 million for working capital and expansion of hub capacity. The Company accordingly took up its entitlement of the rights issue of US\$1.5 million and increased its holding from 45% to 47%.

SpeedCast achieved a 75% increase in turnover at HK\$49 million (2003: HK\$28 million). This came principally from the provision of two-way and backbone broadband access. SpeedCast further reduced its loss to HK\$10 million (2003: HK\$40 million), a reduction of 75%. At 31st December, 2004, SpeedCast had cash on hand of HK\$10 million and the Group's carrying amount of investment in SpeedCast, including goodwill and an interest bearing loan of HK\$5 million, amounted to approximately HK\$6 million.

During the year, AsiaSat generated HK\$19 million (2003: HK\$21 million) from SpeedCast by leasing transponder capacity to that company.

#### Skywave

In the Interim Report we advised shareholders that Skywave TV Limited ("Skywave"), a subsidiary of AsiaSat, intended to set up a low cost regional Direct-to-Home (DTH) service in the region.

To progress this initiative we have invited two independent strategic partners with sound experience in running and marketing such services to join Skywave. Each partner has made a contribution in kind of HK\$3 million to the company in return for a 10% stake and the commercial service commenced operation in January 2005. I am pleased to report that the initial response has been positive, although we do not anticipate any contribution from Skywave in the near term.

#### Joint Venture in China

Our new joint venture, Beijing Asia Sky Telecommunications Technology Company Limited ("Beijing Asia"), in which we have 49% interest, commenced operation in October of 2004. For the period under review the company incurred a loss of approximately HK\$2 million, of which the Group's share was HK\$1 million. At the end of the year, AsiaSat's investment in Beijing Asia amounted to HK\$13 million.

The Group has a commitment to provide transponder capacity to Beijing Asia in the form of a loan up to HK\$12 million over the next few years and the Group's maximum exposure to Beijing Asia will be approximately HK\$25 million, of which 50% is in the form of cash contribution, which has been fully paid.

### OUTLOOK

While there are signs of economic improvement in some markets, the business environment continues to be difficult for our industry, and this is unlikely to change in the immediate future.

AsiaSat and our customers agree that satellites offer unique advantages over terrestrial services in the areas of television distribution and telecommunications networks in large and physically scattered regions like the Asia Pacific. Combined with this, AsiaSat has the most robust client base of the highest calibre and a comprehensive range of world-class facilities, back up and customer services.

It is based on these two factors that we remain confident in the long-term future of AsiaSat.

In the short term, however, we continue to see increasing competition, price pressure and little evidence of improvement among regional operators that would enable the Group to expect improved results in 2005.

### DIRECTORS AND STAFF

As I embark upon my rotational term as Chairman for the next two years, commencing on 1st January, 2005, I want to thank the former Chairman, Mr. MI Zeng Xin, for his lead in steering the Company through the difficulties of the past two years and his contribution to the Group. I also want to thank the former Directors, Messrs. LI Tong Zhou and Jürgen SCHULTE, who retired during the year, for their contribution to the Company and wish them a happy retirement. I also wish to welcome the new Directors, Messrs. KO Fai Wong and Mark RIGOLLE to the Board.

Finally, I want to thank Management and Staff for maintaining AsiaSat's outstanding operating standards and for their enduring enthusiasm and determination to ensure that AsiaSat remains a highly respected, world-class player and the unquestioned market leader in the Asia-Pacific region.

**Romain BAUSCH**

*Chairman*

Hong Kong, 17th March, 2005