
7. BUSINESS

7.1 Overview

ASTRO is a leading, integrated cross-media company in Malaysia. ASTRO is principally engaged in: the provision of DTH satellite multi-channel subscription television services; radio broadcasting services; the production and distribution of film and television programming; the publication and distribution of magazines; and the provision of interactive and multi-media services.

ASTRO's strategy is to leverage its production, content, distribution and advertising sales platforms to offer innovative content and interactive services to the widest possible audience in Malaysia and, increasingly, to audiences in other regional markets. The scale and diversity of ASTRO's distribution platforms, and of its subscriber base and radio and print audiences, provide the opportunity to offer an increasing array of new services, including services utilising mobile telephony, SMS and interactive payment technologies. In pursuing these interactive opportunities, and building on the dominant position it has established in multi-channel subscription television services and radio broadcasting, ASTRO is seeking to continue to diversify and grow its revenues, including subscription revenues, advertising sales, licensing revenues and user transaction revenues.

ASTRO is the dominant multi-channel subscription television broadcaster in Malaysia and the country's sole provider of DTH satellite, multi-channel subscription television services through its wholly-owned subsidiary, MBNS. As at 31 July 2003, ASTRO had 100 per cent. market share of multi-channel subscription television and a penetration rate of approximately 23.3 per cent. of Malaysian television households with 1,107,242 unique residential subscribers and 40,226 multiple residential subscriptions and 58,171 non-residential subscriptions. At present, ASTRO offers a total of 46 channels comprising 39 subscription channels, four free-to-air channels, two pay-per-view premium movie channels and one premium sport and events channel as well as 16 themed music channels (including five FM stations). Through MEASAT, ASTRO is also Malaysia's leading national radio broadcaster with approximately 8.2 million weekly listeners to its five FM terrestrial stations and with approximately 67.7 per cent. of Malaysia's radio advertising market for the 12 months ended 31 July 2003 (refer to Section 7.6 of this Prospectus for further details on the radio operations of ASTRO), and operates proprietary websites that attracted over 817,000 registered online members over the 18 months ended 31 July 2003. ASTRO is a pioneer in Malaysia in the provision of cross-media interactive services such as television based SMS, and the offering of mobile content and application services to a broad base of subscribers, including approximately 9.9 million mobile telephone customers in Malaysia (of which 3.9 million are mobile telephone subscribers of ASTRO's affiliate, Maxis).

ASTRO has successfully established and operates one of the largest all-digital broadcast and production complexes in the world at the All Asia Broadcast Centre in Kuala Lumpur, Malaysia. ASTRO has invested approximately RM800 million in the development of this 350,000 square foot facility. The All Asia Broadcast Centre is staffed by personnel with sophisticated knowledge of digital broadcasting technologies and multi-lingual capabilities. To cater to the interests of Malaysia's three main ethnic groups, ASTRO has developed original content creation, aggregation and distribution capabilities in three major Asian language categories: Malay, Chinese and Tamil. ASTRO is also a supplier of Asian language content to other regional television operators.

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ASTRO has leveraged its production, distribution and content capabilities to expand its business outside of Malaysia through its wholly owned subsidiary, AOL. Through ASTRO Overseas Limited and its associated companies, ASTRO provides multi-channel subscription television services in Brunei via its broadcasting facilities at the All Asia Broadcast Centre, FM radio consulting services in India and publishing services in Hong Kong. As part of ASTRO's strategy to strengthen its capabilities in Asian language programming, and to complete the consolidation of all the media businesses of the UT Group and its affiliates within ASTRO, in August 2003 ASTRO acquired Celestial Pictures, a leading distributor of Chinese movies and television channel provider, and PANV, an animation service provider located in the Philippines, from the UT Group and its affiliates. ASTRO believes that Celestial Pictures has the largest Chinese film library in the world, with 760 Chinese language titles, and Celestial Pictures is now a licensor and distributor of Chinese language films and programming. The PANV Group has produced a total of 404 half-hour animated programmes to date. PASI, a subsidiary of PANV, has been named one of the world's top animation studios.

MBNS was one of the first projects to be launched in the MSC. The MSC status entitles MBNS to numerous incentives, which include tax and foreign exchange exemptions as well as flexibility in foreign equity participation and international fund raising. Four other AAAN subsidiaries also have MSC status.

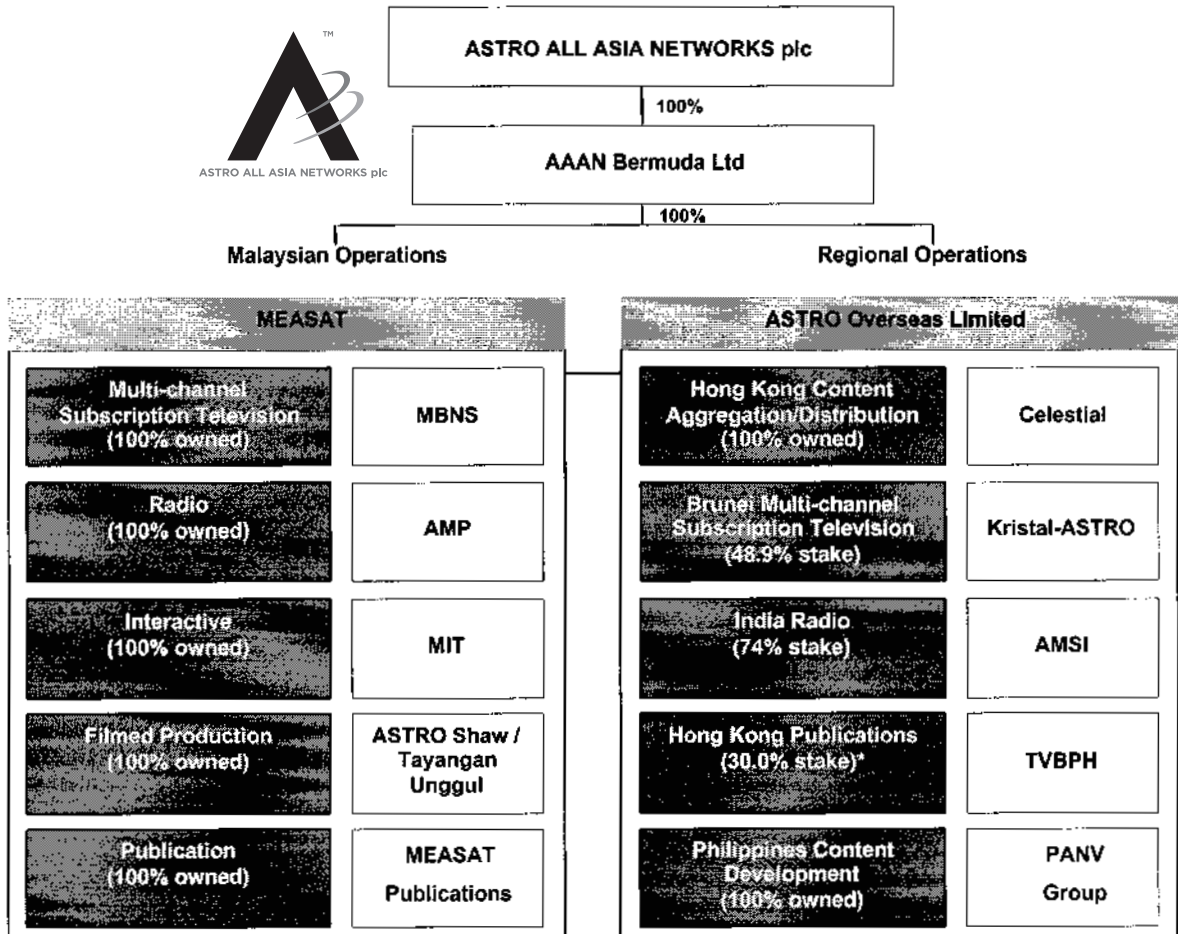
ASTRO maintains a 52-week fiscal year ending on 31 January. ASTRO currently generates a substantial majority of its revenues as Malaysia's sole provider of DTH multi-channel subscription television services, and expects that a substantial majority of its revenues will continue to be derived from this source for the foreseeable future. Over the last five fiscal years, ASTRO has grown its residential subscriber base from 182,788 as at 31 January 1999 to 984,309 as at 31 January 2003, representing a compound annual growth rate of 52.3 per cent. AAAN Bermuda's consolidated revenues have grown from RM238.5 million in fiscal 1999 to RM1,129.4 million in fiscal 2003, representing a compound annual growth rate of 47.5 per cent. Celestial Pictures' consolidated revenues have increased from RM0.1 million in fiscal 2001 to RM8.3 million in fiscal 2003. For the six months ended 31 July 2003, AAAN Bermuda recorded a consolidated EBITDA of RM132.1 million and Celestial Pictures recorded a negative consolidated EBITDA of RM28.8 million. Over the same period, AAAN Bermuda recorded a net profit of RM0.5 million and Celestial Pictures recorded a net loss of RM31.3 million.

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7. BUSINESS (Cont'd)

Organisation Overview

The following chart shows the current organisational structure and principal subsidiaries and associates of AAAN:



Note:

* Including a 3.7 per cent. equity interest which will be paid-up by 2005.

7.2 Background

AAAN is a holding company and was incorporated under the laws of England and Wales on 22 July 2003 as a public limited company under the name Cardbrook plc. It changed its name to AAAN on 23 July 2003. AAAN was registered as a foreign company in Malaysia pursuant to the Malaysian Companies Act, 1965 on 16 September 2003.

AAAN's wholly-owned subsidiary, MBNS was incorporated in Malaysia in 1992 and commenced DTH multi-channel subscription television operations in September 1996 under the brand name "astro". In 1997, through MBNS, ASTRO was granted a renewable 25-year DTH broadcasting licence for the provision of DTH television broadcasting services in Malaysia (the "Broadcasting Licence"). The Broadcasting Licence stipulates that ASTRO shall be the exclusive provider of DTH television broadcasting services in Malaysia until 2017 and a non-exclusive provider until 2022, and permits ASTRO to deliver multi-channel subscription television services through multiple delivery platforms including satellite, cable and terrestrial channels.

7. BUSINESS (Cont'd)

Since 1996, ASTRO has expanded into other media operations including radio broadcasting, multi-media services, publishing and television programme and film production. Prior to 1996, radio broadcasting was dominated by Government-run stations. ASTRO was awarded licences for five terrestrial FM stations in 1996 and began operations in January 1997. It is currently Malaysia's leading national radio broadcaster operating 16 themed music channels, including the five terrestrial FM stations, on the ASTRO satellite broadcasting platform. In 2001, ASTRO launched its publications arm (other than the ASTRO Guide which was launched in 1997) and commenced publishing its flagship magazine, V Mag, in 2002. ASTRO launched its film production division in 1997 and its multi-media interactive technologies business in 1999.

Since 1999, ASTRO has expanded its business outside of Malaysia in various Asian countries with multi-channel subscription television distribution and content provision. ASTRO has a 48.9 per cent. interest in Kristal-ASTRO, a DTH service provider in Brunei that was launched in January 2000, and a 30.0 per cent. interest (including a 3.7 per cent. interest which will be paid up by 2005) in TVBPH, a publication and distribution house in Hong Kong. ASTRO also entered into management agreements to provide consultancy services to two FM radio licensees in Kolkata, India, which commenced full operations in May 2003. To further develop its content capabilities, in August 2003 ASTRO acquired Celestial Pictures, which ASTRO believes owns the largest Chinese film library in the world and is a major licensor and distributor of Chinese language films and programming, and PANV, an animation content developer in the Philippines.

7.3 Competitive Strengths

ASTRO believes that it is uniquely positioned to derive significant growth in its Malaysian and regional businesses as a result of the following competitive advantages:

Leading Integrated Cross-media Operations, with Extensive Reach over Multiple Delivery Platforms: ASTRO combines a unique set of assets across multiple media, creating significant opportunities to cross-promote services and grow the business in the future. As the sole provider of DTH services in Malaysia and the exclusive provider in Malaysia of many of the world's most popular turnaround channels, ASTRO's 1.1 million multi-channel subscription television subscribers comprise a 100 per cent. share of the Malaysian multi-channel subscription television market. Since commencement of ASTRO's radio operations in 1997, it has established a strong following for its radio stations, with 8.2 million weekly radio listeners for its five terrestrial FM stations, and garnered an approximately 67.7 per cent. share of the total radio advertising market in Malaysia for the 12 months ended 31 July 2003. ASTRO also operates several popular websites, with over 817,000 registered online members over the 18 months ended 31 July 2003 and has access to approximately 9.9 million mobile phones subscribers. ASTRO has successfully demonstrated its ability to distribute compelling content over its multiple complementary platforms in a synergistic manner. ASTRO does not expect its dominant position in the multi-channel subscription television market to be compromised in the foreseeable future, principally due to the lack of suitable alternative cable infrastructure in Malaysia, ASTRO's exclusive DTH licence and its exclusive arrangements with certain content suppliers.

ASTRO's management believes that there is a significant opportunity to increase overall revenues, including ARPU from multi-channel subscription television subscribers and advertising revenues, by developing these services across its media outlets, and creating a unique interactive experience embracing a variety of technologies and content.

7. BUSINESS (Cont'd)

Multi-Lingual Content Creation, Aggregation and Distribution Capabilities: ASTRO currently has content creation, aggregation and distribution capabilities in key Asian language categories such as Malay, Chinese and Tamil languages that enable it to address the various ethnic markets in Malaysia and to expand its content licensing activities outside of Malaysia. To strengthen its multi-lingual subscriber base in Malaysia, ASTRO produces approximately 1,100 hours per year of original television as well as radio programming and feature films, and provides approximately 3,400 hours per year of voice-over dubbing and subtitling. ASTRO's strategic relationship with TVB Limited has enhanced ASTRO's content creation capabilities and has positioned ASTRO to become a complete provider of Chinese language entertainment in Malaysia and facilitates its regional expansion plans. ASTRO currently provides approximately 200 hours per annum of its programming to Malaysian terrestrial operators which provides a source of revenue stream. The recently launched Celestial Movies through Celestial Pictures also provides Chinese language programming to multi-channel subscription television providers in Malaysia, Singapore, Indonesia and Brunei and allows for expanded VCD and DVD distribution throughout Southeast Asia.

Extensive Access to Targeted High Value Consumers: ASTRO's residential, multi-channel subscription television subscribers, radio listeners, website users, along with its print readership provide a readily accessible target audience for leading advertisers in Malaysia. ASTRO's extensive access to these high value consumers presents potential advertisers in Malaysia with a unique value proposition that combines cost efficiency and extensive reach across all of ASTRO's delivery platforms to maximise the effectiveness of their advertising.

Multiple Revenue Streams: ASTRO derives its revenues from a number of sources, which, in the opinion of ASTRO management, differentiate ASTRO from other, more narrowly focused, media companies in Malaysia. ASTRO has an established multi-channel subscription television business which faces limited competition from other multi-channel operators and a number of radio stations which command a dominant market share, in addition to fast-growing publishing and film and television production businesses. Across these businesses, ASTRO's revenue sources include multi-channel subscription television subscriptions, advertising airtime sales, magazine sales, SMS revenue and the licensing and distribution of film and television. This, ASTRO's management believes, is a unique business mix in the media industry in Malaysia and in Southeast Asia.

ASTRO intends to broaden this revenue base further, based on a number of strategic initiatives, including the development of the advertising sales generated by the multi-channel subscription television business and the expansion of the Company's interactive service offerings. In addition, through the acquisition of Celestial Pictures and the launch of the Celestial Movies, ASTRO's management believes that there is opportunity for ASTRO to generate increased licensing and subscription revenues across Southeast Asia.

ASTRO believes that the diversification of the Company's revenue streams should allow the Company to benefit from multiple sources of growth and profitability in the future, and to maintain its diversified business mix.

Comprehensive Suite of Licences in a Favourable Regulatory Environment: Through MBNS, ASTRO has an exclusive licence for DTH multi-channel subscription television services in Malaysia until 2017 (and a non-exclusive licence until 2022) and is also able to broadcast through other media such as cable without restrictions on the number of channels that it can offer. ASTRO also possesses a complementary suite of licences that enables it to provide FM radio, film production and publishing services across multiple distribution platforms. ASTRO also enjoys numerous concessions with respect to tax, freedom of ownership, ease of global capital raising and the flexibility of hiring foreign knowledge workers.

7. **BUSINESS (Cont'd)**

Experienced Management and Track Record of Growth: ASTRO has an experienced management team who, together with technical, marketing and other personnel, have successfully developed ASTRO's Malaysian businesses. ASTRO believes that management's experience in digital broadcasting and expertise in operating a multi-ethnic and multi-lingual media business will allow it to successfully further expand in other markets in Asia. In addition, ASTRO has a number of key management leaders with international experience.

Modern and Reliable Network Infrastructure: ASTRO's operations are headquartered at the All Asia Broadcast Centre, which is one of the largest all-digital broadcast and production complexes in the world. In addition to supporting the DTH platforms in Malaysia and regionally, the All Asia Broadcast Centre supports integrated multi-media operations, including the production of terrestrial FM radio services, sales and marketing operations and customer care facilities.

Strong Sponsorship from its Principal Shareholder: ASTRO's affiliation with the UT Group and its affiliates, which are involved in media, telecommunications and leisure businesses in Malaysia and elsewhere, enables ASTRO to leverage the combined subscriber base and distribution channels for its DTH and multi-media businesses. ASTRO has access to and develops content for distribution to Maxis' approximately 3.9 million mobile subscriber base and leases satellite transponders via BSS.

7.4 **Strategy and Future Plans**

ASTRO's objectives are to grow revenues and maximise profitability by leveraging its extensive experience and capabilities in content creation, aggregation and distribution through its access to multiple distribution platforms in Malaysia and other attractive markets within the region. ASTRO's strategy is to build upon its market-leading position in key media segments, and upon its delivery platforms, to offer both advertising clients a unique cross-media proposition with which to reach their target audiences and the subscribers and audiences a complementary suite of services. For example, ASTRO has the capabilities to develop music-based television event programming in Malaysia, around which it can package additional services, including SMS, which generate incremental revenues and provide the viewer with a broader interactive experience. ASTRO can leverage the musical content created for the programming through its distribution channels and can promote the content through its terrestrial FM radio stations and publications. In this way, ASTRO can reach multi-channel subscription television subscribers, radio listeners, mobile telephony users and compact disc and DVD buyers building on a single, original programming event.

Enhance Profitability of Multi-Channel Subscription Television and Radio Businesses in Malaysia. ASTRO expects its Malaysian multi-channel subscription television and radio businesses to continue generating a majority of ASTRO's revenues, profits and cash flows in the short to medium term. Having successfully invested in and built its infrastructure, ASTRO intends to continue to drive profitability by growing its subscriber base, increasing revenue from existing and new subscribers and containing operating and capital costs by:

- **Driving Subscriber Growth through Targeted Programming**

As at 31 July 2003, ASTRO had 23.3 per cent. penetration level of multi-channel subscription television services in Malaysia, which remains low compared with those prevalent in more developed markets. As a result, ASTRO believes there is potential for the Malaysian market to grow in the short-to-medium term. ASTRO intends to continue providing high quality content, in major Asian languages and English, that is tailored to suit the specific cultural sensitivities and budgets of Malaysia's diverse ethnic audiences.

7. BUSINESS (Cont'd)

- **Attracting New Subscribers through Aggressive Packaging, Marketing, Sales and Distribution**

ASTRO's product offerings are packaged and priced in a targeted manner to appeal to the distinct communication, media, entertainment and educational needs of Malaysia's ethnically diverse society. ASTRO plans to continue refining, packaging and promoting its programme offerings through a variety of aggressive marketing campaigns utilising direct and indirect channels to maximise penetration of each of the specific ethnic communities in Malaysia. ASTRO also plans to expand its affiliation with the extensive nationwide retail sales network of almost 1,300 outlets to reach out to potential new subscribers.

- **Retaining Existing Subscribers through Advanced Customer Relationship Management**

Given the cost of attracting new customers to its services, ASTRO is investing in the development of post-sales customer service facilities and processes to enhance customer retention. ASTRO has multi-lingual customer service representatives who cater to its subscribers' needs in their language of choice and is in the process of deploying an advanced subscriber management system. To minimise customer churn and the loss of revenues associated with the loss of customers, ASTRO intends to achieve and maintain a superior level of customer care for its subscribers.

- **Increasing ARPU through Premium Programming and Value-Added Services**

ASTRO intends to increase its ARPU by increasing take up rates of new and existing premium channels, pay-per-view and interactive services and encouraging multiple subscriptions per subscriber. ASTRO will continue to focus on exclusive high quality content and seasonal programming, which drive demand for premium channels and pay-per-view. ASTRO also intends to continue to integrate and coordinate its content and multiple distribution channels to offer services such as TV SMS, ASTROmail and Stocklink.

- **Focusing on Cost Management**

To drive profitability, ASTRO has been leveraging its dominance in the Malaysian multi-channel subscription television market to optimise procurement terms for equipment, infrastructure and content acquisition, and its continuous improvement of in-house content has enabled it to control costs while delivering quality programming. ASTRO also intends to continue to manage its capital structure and financing costs, such as the effective use of vendor financing of set-top boxes.

- **Driving Radio Revenue through Advertising Unit Rate Growth and Inventory Management**

ASTRO intends to use continued product improvement, promotions integration and value add sales to continue rate growth. ASTRO expects that its innovative inventory management strategies, combine with higher rates, will grow inventory yield.

7. BUSINESS (Cont'd)

Utilise Content Creation, Aggregation and Distribution Capabilities to Broaden Revenue Base.

With content creation and aggregation capabilities in Malay, Chinese, English and Tamil languages and Celestial Pictures' extensive library of Chinese language movies, ASTRO intends to leverage its multi-lingual content capabilities to broaden its revenue base by:

- **Increasing Licensing of Content**

ASTRO intends to increase licensing of its content such as television programming and feature films as well as the titles of Celestial Pictures and PASI to other distribution media such as video and free-to-air television. In particular, Celestial Pictures' 760 titles from the Shaw Brothers' Library provide a significant source of Chinese language programming to appeal to the significant Chinese population across the globe.

- **Developing New Asian Language Channels**

ASTRO intends to utilise the content produced in-house and the Chinese language titles provided by Celestial Pictures to target new audiences in Malaysia and internationally.

Leverage Cross-Media Platform Interactivity to Develop and Expand Revenue Streams.

With significant users on its established multiple delivery platforms, ASTRO is able to provide additional service offerings to a broad base of targeted consumers to develop and expand its non-subscription revenue streams, particularly in the multi-media and interactive business, by:

- **Exploring Opportunities for Cross-media Interactive Content**

ASTRO intends to capture e-commerce related revenues, licensing and revenue sharing rights for its interactive applications from alternative distribution platforms, such as mobile telephone operators.

- **Leveraging Access to a Broad Base of Subscribers to Attract Major Advertisers at Premium Rates**

ASTRO intends to attract major advertisers at premium rates in multi-channel subscription television, radio, publishing, the Internet and mobile communications via Maxis as ASTRO's mix of content and delivery platforms enables it to offer advertisers coordinated and demographically targeted advertising services that are unique in Malaysia.

7. BUSINESS (Cont'd)

Enhance Profitability Through Regional Expansion of its Content and Distribution Assets

As a means of further enhancing returns from its extensive investments in infrastructure and content, ASTRO intends to grow profitability by marketing and selling its services in complementary markets with similar linguistic and cultural preferences at minimal incremental cost. Its satellite-based multi-channel subscription television and terrestrial radio broadcasting platforms facilitate the provision of such services in each of these countries, while its unique content creation, aggregation and distribution capabilities in languages such as Malay, Chinese, Tamil and English provides ASTRO with the distinctive content required to attract local subscribers in each of these markets. By successfully leveraging its existing skills, experience, capabilities and assets to expand across the region, ASTRO believes it can establish meaningful operations in selected countries to enhance its long-term growth, development and profitability.

7.5 Multi-channel Subscription Television

Programming

ASTRO's multi-channel subscription television services provide a diverse mix of programmes appealing to the various ethnic segments of the Malaysian population. Prior to ASTRO's launch, Malaysian viewers were limited to four free-to-air terrestrial channels and one subscription MMDS service, MegaTV, comprising five themed channels. ASTRO acquires local and international content that includes general entertainment, sports, news, movies, music, documentaries, business news, education and children's programmes. At present, ASTRO offers a total of 46 channels comprising 39 subscription channels, four free-to-air channels, two pay-per-view premium movie channels and one premium sport and events channel as well as 16 themed music channels (including the five FM stations).

ASTRO's programming strategy is to give subscribers the flexibility to choose channels of their preference based on key genres, for example movies and sports, and at the same time offer services that cater to subscribers' specific needs and appeal to Malaysia's different ethnic groups. The basic package is offered to all subscribers and includes vernacular and international turnaround channels that represent the main genres such as news, learning, movies and general entertainment. The basic package's composition is intended to attract subscribers to take up additional packages. Pay-per-view channels offer special entertainment, major sporting events and the latest movies at an additional rate and are designed to enhance ARPU among targeted segments.

ASTRO plans to continue to add premium services to its offering through pay-per-view or premium subscriptions. ASTRO will increase the relevance of the offerings on its pay-per-view channels, Showcase and Season Pass, by increasing vernacular options and the frequency of high profile sporting events.

7. BUSINESS (Cont'd)

Basic Subscription Services

The 39 subscription channels and four free-to-air television channels can be broadly categorised as locally packaged, turnaround channels and other free-to-air channels.

Programming Service	Content	Language
Locally-Packaged Channels:		
ASTRO RIA	General entertainment and movies	Malay with some English subtitles
ASTRO Prima	General entertainment and movies	Regional Asian languages with some Malay subtitles
ASTRO Vaanavil	General entertainment and movies	Indian (Tamil, Malayalam and Telegu) with Malay and English subtitles
ASTRO TVIQ	Education	English and Malay with Malay subtitles
ASTRO AEC	General entertainment	Mandarin, Japanese, some Malay subtitles
ASTRO SuperSport	Sports	English
ASTRO Wah Lai Toi	General entertainment	Cantonese and Mandarin with some Malay subtitles
ASTRO Shuang Xing 1	Chinese specialty drama	Mandarin, Cantonese, some Korean and Japanese with Malay and Chinese subtitles
ASTRO Shuang Xing 2	Chinese specialty drama	Mandarin, Cantonese, some Korean and Japanese with Malay and Chinese subtitles
The ASTRO News Channel	Al-Jazeera, DW-TV, ABC, CCTV, local news, Eurosport News	English, Arabic (with Malay dual-track)
Turnaround Channels: Modified ⁽¹⁾		
Celestial Movies	Movies	Mandarin and Cantonese with Chinese and English subtitles
Phoenix	Infotainment	Mandarin with Chinese subtitles
TV Pendidikan	Local education and international IT programmes	English, Malay
AXN	Action entertainment	English with some Malay subtitles
Hallmark Channel	Movies and series	English with some Malay subtitles
ART	Arabic general entertainment	Arabic
STAR World	General entertainment	English with some Malay subtitles by end 2003

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Programming Service	Content	Language
MTV	Music programming	English with some Malay
Channel [V]	Music programming	English
BBC	World news	English
CNN	World news	English
CNBC	Business news commentary	English
ESPN	Sports	English and some Cantonese (dual-language)
STAR Sports	Sports	English and some Mandarin (dual-language)
Cinemax	Movies	English
HBO	Movies	English
STAR Movies	Movies	English with some Malay subtitles
Nickelodeon	Children's programmes	English
Cartoon Network	Cartoons	English and Mandarin
Discovery Travel & Adventure	Travel and adventure	English with some Malay subtitles
Discovery Channel	Documentaries and educational programmes	English with some Malay subtitles
Animal Planet	Animal-related documentaries and educational programmes	English
National Geographic Channel	Documentaries and educational programmes	English with some Malay subtitles
TVBS Asia	General entertainment	Mandarin with Chinese subtitles
TVB8	Chinese entertainment	Mandarin with Chinese subtitles
TVB Xing He	Specialty Chinese drama	Mandarin, Cantonese with Chinese subtitles
NHK World	General entertainment	Japanese and English
Unmodified ⁽²⁾		
Disney Channel	Children's and family entertainment	English and Mandarin
Bloomberg TV	Business and financial news; also includes the KLSE ticker service	English

7. BUSINESS (Cont'd)

Programming Service	Content	Language
Government and Other (Free-To-Air) Channels:		
TV1	General entertainment	Malay and English
TV2	General entertainment	Malay, English, Chinese and Indian (Tamil and Hindi)
TV3	General entertainment	Malay, English, Chinese and Indian (Tamil and Hindi)
ntv7	General entertainment	Malay, Hindi, Chinese, English

Notes:

- (1) Channels with respect to which programmes or advertising content have been altered by ASTRO. See Section 9 "Regulation of Broadcasting in Malaysia - Film Censorship Act 2002 and the Advertising Code of Ethics for Television and Radio".
- (2) Channels with respect to which programmes or advertising content have not been altered by ASTRO.

Pay-per-view Channels

ASTRO broadcasts three pay-per-view channels - two "Showcase" movie channels and a "Season Pass" sports and events channel. Subscribers are able to purchase the service or event by phone, online or via their remote control.

The ASTRO Showcase channels were introduced in January 2001. These two channels broadcast first-run movies on a monthly basis. Showcase Channel 20 offers a selection of Chinese movies while Showcase Channel 21 offers a selection of Malay, English and Asian movies. Charges are RM9.95 for one channel and RM15.95 for two channels per month. For the month of July 2003, the take up rate for the two showcase channels was 4.2 per cent., showing significant growth since its introduction.

Season Pass offers live and exclusive major sporting and special events on a pay-per-view basis. Key sporting events include wrestling, golf, cricket and boxing. ASTRO intends to introduce concerts and other special events during 2003. Season Pass generally costs between RM19.95 to RM79.95 per event. Season Pass' take up rate for the month of July 2003 was 0.85 per cent., when boxing and wrestling events were broadcast.

Locally-packaged Channels

ASTRO has developed and packaged ten channels (in addition to its three pay-per-view channels) to meet the demand for entertainment alternatives by various demographic groups in Malaysia. As at 31 July 2003, ASTRO had a total inventory of 28,685 hours for these channels, with 5,952 hours available on a first run basis and 22,733 hours available for re-use. Total film library and programme rights commitments of AAAN Bermuda were RM53.6 million at 31 July 2003. Below is a description of these locally-packaged channels, along with information on programme supply.

7. **BUSINESS (Cont'd)**

- **ASTRO RIA** is a 24-hour Malay language channel that targets the Malay population, providing movies, drama, musical and general entertainment and infotainment. ASTRO has produced original general entertainment programming such as Malaysia's Wheel of Fortune game show, Roda Impian; local and regional award shows Anugerah Era and Anugerah Planet Muzik; studio-based Dari Studio Satu and concerts and magazine programmes Beat TV and Muzik@Ria. ASTRO RIA has also recently broadcast Akademi Fantasia, a reality talent show which is ASTRO's first self-produced reality television programme. Among ASTRO's film purchases are those starring the late P. Ramlee, a well-known Malaysian film actor and singer who is also equally well known as a composer, producer and director.
- **ASTRO Prima** is a general entertainment channel featuring programmes from around Asia as well as Latin-American telenovellas. Hindi, Indonesian and regional movies and drama serials are the mainstay of the channel, although it offers a wide variety of other programmes such as women and lifestyle programmes, musical entertainment and documentaries. Targeted at the Malay population, ASTRO Prima broadcasts in the programmes' original language with Malay subtitles.
- **ASTRO Vaanavil** is targeted towards the Indian population and broadcasts mainly in Tamil and other South Indian languages. ASTRO Vaanavil is Malaysia's first Indian channel and provides Tamil and Hindi blockbuster movies, top-rated drama series and a variety of general entertainment programmes. Programming for ASTRO Vaanavil is acquired from a number of sources in India, Singapore, London and Malaysia.
- **ASTRO TVIQ** is a dedicated education channel targeted towards school going children, primarily seven to 17 years old. TVIQ focuses on science, mathematics and language programmes, particularly English. Content is sourced internationally mainly from Australia, the U.K. and the U.S., including the BBC and the History Channel. In addition, general knowledge and education programmes are also included to cater to other audience segments. The channel has undergone localisation via subtitling for selected programmes to increase the relevance of programmes to viewers.
- **ASTRO AEC** is a Chinese channel broadcasting predominantly in Mandarin and offers a variety of local programmes and programmes from other Asian countries such as China, Taiwan, Singapore and Japan. ASTRO AEC caters to the different viewing needs of Malaysian Chinese and produces original entertainment and information based programming such as AEC Music Station, Life File, Bei Bei's Diary, AEC News and Stockwatch. ASTRO AEC also broadcasts live talent search shows like the Veteran Talent Quest and Kids' Talent Quest. ASTRO has agreements to acquire programming from Taiwan based Asia Plus (three hours each day), San Lih (two hours each day) and Jet TV (two hours each day), PRC-based CCTV 4 (365 hours a year) and Media Corp. (500 hours a year) in Singapore.
- **ASTRO SuperSport** broadcasts a variety of live and tape-delayed sports events selected to appeal to the Malaysian viewing audience and holds exclusive Malaysian television rights to English FA Cup football, Spanish Primera Liga, Italian Serie A, Australian and French Open tennis and other prestigious international sporting events. SportFive and CSI Limited are the main suppliers of sports programming.
- **ASTRO Wah Lai Toi** is a Cantonese general entertainment channel with a Hong Kong look and feel. Selected programmes are available in dual language audio, allowing these programmes to be viewed by both Mandarin and Cantonese speaking subscribers. ASTRO has a three-year supply agreement with Hong Kong-based TVB, which expires in September 2004.

7. **BUSINESS (Cont'd)**

- **ASTRO Shuang Xing 1 and ASTRO Shuang Xing 2** are specialty drama channels offered as part of the Emperor package. The content is sourced primarily from mainland China, Hong Kong, Taiwan, Singapore, Japan and Korea. The programmes have different drama genres such as epic, idol, action, costume, comedy and romance. One new series is introduced every week and each series is usually completed within two weeks depending on the number of episodes in that series. Dual language audio is offered where available for wider appeal.
- **The ASTRO News Channel** houses news content sourced from various parts of the world aiming to provide the different perspectives of global news and events. It currently carries blocks of programming from Al-Jazeera, which is dubbed live into Malay, DW-TV, ABC Asia Pacific, CCTV9 and Eurosport News and local news. ASTRO produces in-house news in Malay, English, Mandarin and Tamil. The news programme is jointly produced with BERNAMA, the Government-owned news agency, whereby ASTRO produces the business and financial news segment while BERNAMA produces the general news segment.

Turnaround Channels

Turnaround channels are acquired from international content providers and are secured on a contractual basis for a fee. The channels are downlinked and re-broadcast as originally packaged with minimal modification.

ASTRO has been granted exclusive rights to broadcast certain turnaround channels in Malaysia, including AXN, Tech TV, Disney Channel, STAR Movies, ESPN, STAR Sports, Channel [V], STAR World, National Geographic Channel, CNBC, Hallmark Channel, MTV Asia, Nickelodeon, TVB8 and Phoenix, among others for contract terms generally running from three to five years. ASTRO also has non-exclusive Malaysian broadcast deals for Cinemax, CNN, Discovery Channel, HBO Asia, Cartoon Network, Animal Planet, NHK, Discovery Travel & Adventure and Bloomberg, among others.

Content is purchased either on a flat fee basis or on a per subscriber basis. Certain programme providers are entitled to a portion of the advertising share with ASTRO. Prices paid for these channels are sometimes subject to minimum guaranteed fees which are based on a specified minimum subscriber level, with a number of agreements providing for volume discounts in the fee per subscriber as the total number of subscribers increase. The terms for most agreements with providers of turnaround channels are generally renewable by the agreement of both parties.

The average cost per subscriber for the fees charged by all international and regional turnaround channels in the aggregate and excluding locally-packaged channels was approximately RM42.15 per subscriber per month for fiscal 1999, RM37.21 per subscriber per month for fiscal 2000, RM31.48 per subscriber per month for fiscal 2001, RM28.53 per subscriber per month for fiscal 2002, RM28.60 per subscriber per month for fiscal 2003 and RM25.36 per subscriber per month for first half of fiscal 2004. This decrease is due to changes in the cost structures for programming contracts.

7. BUSINESS (Cont'd)

Packaging

In designing the multi-channel subscription television packages, ASTRO aims to offer current and potential subscribers more choice and flexibility, and to facilitate growth of the subscriber base by making ASTRO services both more affordable and more attractive. All packages include 15 standard channels and services (the ASTRO Favourites channels) and 16 radio channels. In addition to these standard channels, subscribers have the option to choose any three, four or five mini-packages, each of which offers a selection of channels along a specific theme such as sports, learning and news. ASTRO also offers three super packages with focused offerings such as Movies, Dynasty and Emperor, that can be bundled with the mini-packages.

MINI PACKAGES					SUPER PACKAGES			
Fun	Learning	News	Variety	Sports	Movies	Dynasty	Emperor	
Nickelodeon Disney Channel Cartoon Network	Discovery Channel Animal Planet National Geographic Channel	CNN CNBC BBC The News Channel	STAR World MTV Channel [V]	ASTRO SuperSport ESPN STAR Sports	HBO Cinemax STAR Movies	Wah Lai Toi TVBS Asia TVB8 TVB Xing He NHK World Phoenix	Shuang Xing 1 & 2 Celestial Movies Phoenix	
ASTRO Favourites								
TV1	TV3	ntv7	ART	Hallmark Channel	Bloomberg TV	AXN	ASTRO TVIQ	ASTRO PRIMA
TV2	ASTRO RIA	ASTRO Vaanavil	Discovery Travel & Adventure	TV Pendidikan/Tech TV	ASTRO AEC	16 Radio Channels		

Monthly Subscription Fees for each of the packages and combinations:

Package/No. of Mini Packages:	None RM	Three RM	Four RM	Five RM
Mini Package Only	-	44.95	59.95	69.95
Mini + Movies	64.95	74.95	79.95	84.95
Mini + Dynasty	69.95	79.95	84.95	89.95
Mini + Emperor	69.95	79.95	84.95	89.95
Mini + Movies + Dynasty	84.95	89.95	94.95	99.95
Mini + Movies + Emperor	94.95	104.95	109.95	114.95
Mini + Dynasty + Emperor	99.95	109.95	114.95	119.95
Mini + Movies, Dynasty and Emperor	109.95	114.95	119.95	124.95

With the introduction of these packages, subscribers are able to choose the package or combination of packages that is most suitable or desirable to them, and pay subscription rates only for the packages that they select.

7. BUSINESS (Cont'd)

ASTRO continuously conducts quantitative and qualitative research activities to understand both the appeal of its services to its subscribers and how to attract non-subscribers to its services. These activities enable ASTRO to devise strategies for pricing, programming and packaging to its subscribers. The current packaging structure has evolved from a single package structure when ASTRO was first launched to the current structure. The changes have been successful in acquiring new subscribers, keeping churn rate low and enhancing ARPU for selected subscriber segments.

Interactive Services

Multi-media interactive services enhance the television viewing experience, creating multiple channels of communication and providing unique content. The value to ASTRO is increased viewing, increased customer loyalty, strengthened brand awareness and increased subscriber base, resulting in a positive impact on ARPU, additional incremental revenues beyond multi-channel subscription television subscription revenues and a larger share of advertising sales.

ASTRO offers several interactive multi-channel subscription television services including:

- **ASTROMail:** subscribers can receive and send emails to other ASTROMail users or Internet email users.
- **Stocklink:** subscribers are able to access near real time information on the KLSE.
- **Interactive games:** subscribers are able to play a variety of interactive games, including Tic-Tac-Toe, Memory Game, Treasure and Penguin. This is offered as a complimentary service to all ASTRO subscribers.
- **Programme interactivity:** subscribers are able to access interactive features available in connection with certain television programmes, such as Akademi Fantasia and Roda Impian and Talent Quest competitions, including voting, real-time chat rooms and detailed programme information whereby viewers can access additional information about the television programmes they are watching.

ASTRO also intends to develop new interactive services that will be available through digital set-top boxes, which all subscribers are expected to have by the end of 2003. These services will enhance ASTRO's ability to deliver new services and enhance subscribers' viewing experience. Planned services will focus on areas pertaining to entertainment (including advanced games), communications, information and convenience.

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7. BUSINESS (Cont'd)

Subscribers

Subscriber Base

ASTRO's total subscriptions have experienced approximately 71.7 per cent. compound annual growth since 31 January 1997, reaching 1,205,639 subscriptions by 31 July 2003.

As at	Residential Subscribers	Multiple Residential Subscriptions*	Commercial Subscribers	Public Schools	Hotel Rooms	Total Subscriptions	Annual Subscriptions Growth
31/01/1997	35,289	530	59	0	0	35,878	-
31/01/1998	134,853	12,232	404	0	10,927	158,416	342%
31/01/1999	182,788	12,010	686	0	20,338	215,822	36%
31/01/2000	296,923	12,965	1,008	2,420	26,713	340,029	58%
31/01/2001	541,401	22,812	1,064	6,065	36,088	607,430	79%
31/01/2002	777,747	25,241	1,064	8,265	42,083	854,400	41%
31/01/2003	984,309	29,151	1,111	8,740	46,558	1,069,869	25%
31/07/2003	1,107,242	40,226	1,088	8,944	48,139	1,205,639	^25%

Source: Daily Subscribers Summary Report, ASTRO

* Where residential subscribers have more than one set-top box. These subscriptions are not included in "Residential Subscribers".

^ Annualised.

ASTRO seeks to grow its subscriber base by targeting the specific vernacular and genre needs of each customer segment, introducing compelling content, introducing lower entry rate packages and gradually lowering the retail price of subsidised set-top boxes it distributes. The general target market for the ASTRO multi-channel subscription television service can be segmented by ethnic background and geography.

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7. BUSINESS (Cont'd)

The following table sets forth information concerning the ethnic background of residential subscribers for each of the years ended 31 January 2001, 2002, 2003 and six months ended 31 July 2003:

Ethnic Background of Subscriber	Percentage of Total ASTRO Residential Subscribers	Percentage of Malaysian Television Households	←-----Penetration Rate (in percentage)*----->			
			Year ended			Six months ended 31 July 2003
			←-----31 January----->			
2001	2002	2003				
Chinese	52.0	25.6	30.7	39.7	46.1	47.4
Malay	30.3	51.6	4.8	7.9	11.0	13.6
Indian	13.4	7.9	17.1	26.2	33.4	39.4
Others	4.3	14.9	3.8	4.9	5.8	6.7
All Subscribers	-	-	12.2	17.1	21.0	23.3

Source: ASTRO and Census 2000 (Department of Statistics, Malaysia)

Note:

* The penetration rates are derived from data found in the Census 2000 (Department of Statistics, Malaysia) and the updates thereto. The penetration rate is calculated by dividing the total number of ASTRO residential subscribers by the total number of television households. The total television households figure is calculated by dividing the net population figure by the average number of people per household and then applying estimated television establishment figures provided by AC Nielsen. Applying this methodology, ASTRO has calculated that there were 4,442,766 television households as at 31 January 2001, 4,561,305 television households as at 31 January 2002, 4,679,899 television households as at 31 January 2003 and 4,759,950 television households as at 31 July 2003. The net population figure is derived by deducting from the Census 2000 population figures certain groups of people (those who are not ordinarily resident in Malaysia). It is expected that the Department of Statistics will be releasing, from October 2003 onwards, actual figures on total television households. The Company believes this will lead to a more accurate calculation of its penetration rate.

ASTRO has successfully achieved a high penetration rate among the Chinese households. ASTRO believes that this is due to strong demand from the Chinese population for Chinese language programmes. ASTRO programmes targeted to this customer segment are offered in both Mandarin and Cantonese. ASTRO is currently the only television service provider that provides numerous channels of high quality programming to cater to the Chinese population.

The Malay population which account for more than 50 per cent. of television households in Malaysia, is a key market for ASTRO. While programming in Malay is not as differentiated as in the case of the Chinese market, ASTRO's content offering directed towards the Malay market has expanded substantially over the last few years. Bolstered by ASTRO's continued investment in high quality Malay language programming, ASTRO expects to accelerate penetration in the Malay market over the next several years.

Penetration rates also vary by geographic region, but have generally been higher in urban areas. Approximately 44 per cent. of ASTRO's subscribers reside in Kuala Lumpur and Selangor. ASTRO also plans to target less concentrated urban areas in other parts of Malaysia in order to increase its subscriber numbers.

Commercial subscribers are subscriptions taken by financial institutions, hospitals, shops, restaurants and other food and beverage outlets. Monthly subscription rates for commercial outlets range from RM40 to RM250 per channel per month. Commercial outlets, while contributing relatively small revenues, are important in increasing brand awareness by presenting the ASTRO multi-channel subscription television services in high traffic areas and extending the television viewing experience beyond the home, particularly during key programming events, such as major sporting events.

7. BUSINESS (Cont'd)

All government primary and secondary schools nationwide are ASTRO subscribers. ASTRO's availability in all government schools provides the opportunity to expose students to selected ASTRO services with the learning and education channels, while enhancing brand awareness beyond pure entertainment channels.

Hotels are charged at a per room, per month basis depending on the channels selected. Hotel room subscriptions range between RM8 to RM26 per room per channel per month.

Subscriber Growth

Since its inception in September 1996, ASTRO has increased the penetration rate of multi-channel subscription television in Malaysia from 0.25 per cent. in October 1996, to 23.3 per cent. as at 31 July 2003. In order to build the subscriber base, ASTRO seeks to ensure that entry costs and subscription rates are affordable to the average Malaysian. ASTRO's subscribers in Malaysia consist primarily of households earning RM1,000 or more per month, which currently includes approximately 3.7 million households. This target market was determined through consumer research based on the ability to pay for a service such as ASTRO. ASTRO subsidises the subscriber's cost of acquiring a set-top box. See Section 5.1.7 of this Prospectus. ASTRO aims to increase subscriber penetration by lowering the average cost of set-top boxes through the effective use of subsidies. See "Sales and Distribution" in this Section.

ASTRO's acquisition costs per subscriber, which include subsidies for set-top boxes, have averaged RM963 in fiscal 1999, RM940 in fiscal 2000, RM1,128 in fiscal 2001, RM1,069 in fiscal 2002, RM1,061 in fiscal 2003 and RM910 for the first half of fiscal 2004. Equipment subsidies have averaged RM420 in fiscal 1999, RM499 in fiscal 2000, RM781 in fiscal 2001, RM850 in fiscal 2002, RM780 in fiscal 2003 and RM712 in the first half of fiscal 2004. Over time, ASTRO expects that its subscriber acquisition costs and equipment subsidies will decrease because the average price per unit that it pays to its suppliers for set-top boxes will decrease more rapidly than the average sales price per set-top box sold to subscribers.

Churn

Churn is the difference between total subscriber disconnections (both for non-payment of subscription and other reasons) and total reconnections of previously disconnected subscribers, over a given period. ASTRO has been able to manage its churn rate through a combination of subscriber management, provision of a wide array of channels with quality content at attractive prices and flexible packages and a lack of strong competitive pressures or television entertainment alternatives. In recent fiscal years, ASTRO's moving annual total churn rate was 7.8 per cent. in fiscal 1999, 3.7 per cent. in fiscal 2000, 5.4 per cent. in fiscal 2001, 7.9 per cent. in fiscal 2002, 6.9 per cent. in fiscal 2003 and 7.3 per cent. for the first half of fiscal 2004. A majority of ASTRO's churn is economic churn, where subscribers are involuntarily disconnected due to late payment of or inability to pay subscription fees.

ASTRO's ability to limit churn in the future will be affected by its ability to compete with free-to-air television and any new entrants to the multi-channel subscription television sector, to obtain or create relevant content and to provide adequate service through its call centres, for which the telecommunication and subscriber management systems are currently undergoing upgrades.

7. BUSINESS (Cont'd)

Sales and Distribution

ASTRO conducts subscriber sales through a mix of direct and indirect channels. A significant portion of new subscriptions are derived through corporate partner campaigns. The channels currently utilised by ASTRO include:

- **Retail:** ASTRO has commercial arrangements with approximately 1,300 retailers throughout Malaysia for the sale of set-top boxes through both direct relationships with individual retailers and arrangements with four master distributors who have their own network of retail outlets. These retail outlets have contributed approximately 36 per cent. of new residential subscribers during the past fiscal year.
- **Corporate partner campaigns:** through affiliations with selected companies and service providers, ASTRO has access to significant pools of new subscribers. The primary corporate campaign during the past three years has been the affiliation with the two sole distributors of Proton cars, Malaysia's leading locally manufactured automobile. The Proton Free Box campaign contributed approximately 30 per cent. of new subscribers as at July 2003. ASTRO has also conducted partner campaigns with credit card issuers and other affinity programmes with existing bases of customers that provide attractive demographics. During the past fiscal year, approximately 55 per cent. of new residential subscribers were derived from corporate partner campaigns (including the Proton Free Box campaign).
- **Telemarketing:** currently conducted from a call centre located in Petaling Jaya. ASTRO estimates that approximately three per cent. of new residential customers have been obtained through telemarketing during the past fiscal year.
- **Direct sales:** conducted through five regional offices and comprising door-to-door sales, mobile booths at shopping complexes and housing estates and other direct interactions targeted at potential subscribers. Approximately six per cent. of new residential subscribers came from direct sales during the past fiscal year.
- **Commercial sales:** ASTRO sells its services directly to hotels, commercial establishments (such as financial institutions, restaurants, bars and lounges) and multi-dwelling unit buildings.

ASTRO does not currently employ any installers. Authorised installers trained by ASTRO are spread across Malaysia and they provide professional installation services to subscribers. After being issued with a name list of new subscribers, the installers then collect the set-top boxes from designated collection centres and make arrangements with subscribers to have the set-top boxes installed and activated. Installers receive a fee paid by subscribers of approximately RM100 per installation and must agree to rectify any installation issues that arise within six months of their service.

ASTRO bills its subscribers in advance on either a monthly, quarterly, semi-annual or annual basis. ASTRO disconnects the service of any subscriber who has an outstanding bill for which payment is outstanding for more than 70 days from the billing date. As the amount of credit extended to any subscriber is relatively small, ASTRO deems the expense and difficulty of performing individual credit checks on new subscribers to be inefficient and unnecessary.