

# ACROSSASIA MULTIMEDIA LIMITED

*(Incorporated in the Cayman Islands with limited liability)*



**2002**  
**First Quarterly Report**

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*This document, for which the Directors of AcrossAsia Multimedia Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- AAM Group's turnover grew by 38.0% to HK\$165.8 million compared to the same period in 2001.
- AAM Group's operating expenses reduced by 29.4% to HK\$52.9 million compared to the corresponding period in 2001.
- AAM Group's operating results turned positive with a profit from operations of HK\$8.0 million including a foreign exchange gain of HK\$20.4 million.
- AAM Group achieved a positive EBITDA (excluding other income and other expenses) of HK\$1.2 million.
- Net loss narrowed to HK\$9.9 million, a significant reduction compared to the same period in 2001.
- Total headcount reduced from 1,535 at the end of 2001 to 1,357 at the end of the Three-month Period.
- Broadband Services revenue grew by 54.8% to HK\$42.9 million compared to the corresponding period in 2001.
- Cellular Services recorded revenue of HK\$4.2 million from the GSM 1800 cellular operation in East Java, Indonesia.
- IT Solutions continued to achieve robust growth. Revenue increased 40.6% to HK\$118.3 million compared to the same period in 2001.
- Matahari, AAM Group's associate and the largest modern retail chain in Indonesia, continued its strong growth with revenue increasing by 19% to HK\$917 million but with a lower net profit compared to the same period in 2001.

## FIRST QUARTERLY RESULTS (UNAUDITED)

The Directors of AcrossAsia Multimedia Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “AAM Group”) for the three months ended 31st March 2002 (the “Three-month Period”) together with comparative figures for the corresponding period ended 31st March 2001, as follows:

		Three months ended 31st March	
	Notes	2002 HK\$'000	2001 HK\$'000
<b>Continuing Operations</b>			
Turnover	2	165,332	111,839
Cost of sales and services rendered		<u>(136,574)</u>	<u>(83,813)</u>
<b>Gross profit</b>		28,758	28,026
Other income		29,344	165
Other expenses		(4)	(19,732)
Selling and distribution expenses		(8,715)	(9,862)
General and administrative expenses		<u>(39,481)</u>	<u>(54,703)</u>
<b>Profit (Loss) from continuing operations</b>	2	9,902	(56,106)
Interest income		2,157	3,068
Interest expense		<u>(15,476)</u>	<u>(2,924)</u>
<b>Loss from continuing operations before share of profit of associates</b>		<u>(3,417)</u>	<u>(55,962)</u>
<b>Discontinued Operation</b>			
Turnover	2	475	8,352
Cost of sales		<u>(351)</u>	<u>(6,845)</u>
<b>Gross profit</b>		124	1,507
Other income		3,506	—
Other expenses		(857)	(341)
Selling and distribution expenses		(10)	(4,025)
General and administrative expenses		<u>(4,653)</u>	<u>(6,322)</u>

	Notes	Three months ended 31st March	
		2002 HK\$'000	2001 HK\$'000
Loss from discontinued operation	2	(1,890)	(9,181)
Interest income		3	44
Interest expense		(480)	(807)
<b>Loss from discontinued operation before share of profit of associates</b>		<b>(2,367)</b>	<b>(9,944)</b>
<b>Loss before share of profit of associates</b>		<b>(5,784)</b>	<b>(65,906)</b>
Share of profit of associates		9,727	20,392
Profit (Loss) before taxation		3,943	(45,514)
Taxation	4	(7,651)	(2,726)
Loss from ordinary activities but before minority interests		(3,708)	(48,240)
Minority interests		(6,212)	(4,826)
<b>Loss attributable to shareholders</b>	5	<b>(9,920)</b>	<b>(53,066)</b>
Loss per share			
– Basic ( <i>HK cents</i> )	5	<b>(0.20)</b>	<b>(1.05)</b>

Notes:

#### 1. Basis of presentation

The Company was incorporated in the Cayman Islands on 6th March 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") since 13th July 2000. The unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, which are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"). Significant transactions and balances among the companies comprising AAM Group have been eliminated on consolidation.

## 2. Segment information

An analysis of AAM Group's results from operations for the Three-month Period by business segment is as follows:

	Broadband Services HK\$'000	Cellular Services HK\$'000	IT Solutions HK\$'000	Retail HK\$'000	Others HK\$'000	Total HK\$'000
Turnover						
– Continuing	42,889	4,155	118,288	–	–	165,332
– Discontinued	–	–	–	475	–	475
<b>Total</b>	<b>42,889</b>	<b>4,155</b>	<b>118,288</b>	<b>475</b>	<b>–</b>	<b>165,807</b>
Profit (Loss) from operations						
– Continuing	8,635	(3,436)	13,083	–	(8,380)	9,902
– Discontinued	–	–	–	(1,890)	–	(1,890)
<b>Total</b>	<b>8,635</b>	<b>(3,436)</b>	<b>13,083</b>	<b>(1,890)</b>	<b>(8,380)</b>	<b>8,012</b>
Depreciation of property and equipment	13,615	4,496	2,232	1,410	121	21,874
Bad debts expense/ Provision for doubtful debts	1	–	–	–	–	1
Amortisation of goodwill/ intangible assets	–	–	546	2,714	–	3,260

An analysis of AAM Group's results of operations for the corresponding period in 2001 by business segment is as follows:

	Broadband Services HK\$'000	Cellular Services HK\$'000	IT Solutions HK\$'000	Retail HK\$'000	Others HK\$'000	Total HK\$'000
Turnover						
– Continuing	27,700	–	84,139	–	–	111,839
– Discontinued	–	–	–	8,352	–	8,352
<b>Total</b>	<b>27,700</b>	<b>–</b>	<b>84,139</b>	<b>8,352</b>	<b>–</b>	<b>120,191</b>
Profit (Loss) from operations						
– Continuing	(31,593)	(4,106)	1,350	–	(21,757)	(56,106)
– Discontinued	–	–	–	(9,181)	–	(9,181)
<b>Total</b>	<b>(31,593)</b>	<b>(4,106)</b>	<b>1,350</b>	<b>(9,181)</b>	<b>(21,757)</b>	<b>(65,287)</b>
Depreciation of property and equipment	10,185	42	2,086	2,113	219	14,645
Bad debts expense/ Provision for doubtful debts	47	–	–	–	–	47
Amortisation of goodwill/ intangible assets	9	–	238	–	1,773	2,020

3. An analysis of turnover by geographical location is as follows:

All revenue of AAM Group for the Three-month Period was derived from Indonesian operations.

4. Taxation

Taxation (consolidated) consisted of :

	Three months ended 31st March	
	2002 HK\$'000	2001 HK\$'000
Provision for current taxation		
– AAM Group	110	(2,888)
– Associates	(1,463)	(3,741)
	<u>(1,353)</u>	<u>(6,629)</u>
Write-back of (Provision for) deferred taxation		
– AAM Group	(5,642)	6,958
– Associates	(656)	(3,055)
	<u>(6,298)</u>	<u>3,903</u>
	<u><u>(7,651)</u></u>	<u><u>(2,726)</u></u>

During the Three-month Period covered by this Report, substantially all of AAM Group's profit (loss) was derived from subsidiaries and associates incorporated and operating in Indonesia. These subsidiaries and associates were subject to Indonesian income tax at a maximum of 30% of the individual entities' respective assessable profits in accordance with the Indonesian income tax law. No provision for Hong Kong profits tax was made as AAM Group had no assessable profits arising in or derived from Hong Kong. No Indonesian income tax was provided for the discontinued operation as it had no assessable profit.

5. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the Three-month Period of approximately HK\$9,920,000 (2001 - HK\$53,066,000) and on the weighted average of approximately 5,064,615,000 shares (2001 - 5,064,615,000 shares) in issue.

Diluted loss per share for the Three-month Period and the corresponding period in 2001 is not presented because the effect of the outstanding employee share options was anti-dilutive.

## 6. Movements of reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Equity transactions of associates HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 31st December 2000	32,877	1,464,802	–	782	(687,416)	(478,117)	332,928
Loss attributable to shareholders	–	–	–	–	–	(216,460)	(216,460)
Translation adjustments	–	–	–	–	(36,288)	–	(36,288)
Balance as at 31st December 2001	32,877	1,464,802	–	782	(723,704)	(694,577)	80,180
Loss attributable to shareholders	–	–	–	–	–	(9,920)	(9,920)
Translation adjustments	–	–	–	–	35,052	–	35,052
Balance as at 31st March 2002	<u>32,877</u>	<u>1,464,802</u>	<u>–</u>	<u>782</u>	<u>(688,652)</u>	<u>(704,497)</u>	<u>105,312</u>

## 7. Comparative figures

Certain comparative figures have been reclassified to conform to the Three-month Period's presentation.

## FINANCIAL REVIEW

### Continuing Operations

#### Turnover

AAM Group's total turnover grew 38.0% to HK\$165.8 million for the Three-month Period. Turnover of the continuing operations of the three core Business Groups - Broadband Services, Cellular Services and IT Solutions increased more significantly by 47.8% to HK\$165.3 million compared to HK\$111.8 million for the same period in 2001.

Broadband Services revenue increased by 54.8% to HK\$42.9 million from HK\$27.7 million for the same period in 2001. Cellular Services recorded revenue of HK\$4.2 million from the GSM 1800 cellular operations that commenced in East Java in April 2001. Revenue from IT Solutions increased 40.6% to HK\$118.3 million from HK\$84.1 million for the same period in 2001.



### *Gross Profit*

Gross profit was HK\$28.8 million for the Three-month Period compared to HK\$28.0 million for the corresponding period in 2001.

Gross profit margin lowered to 17.4% for the Three-month Period mainly due to the newly introduced cellular services and increased sales of hardware distribution business of IT Solutions and the increased depreciation of cable and cellular networks.

### **Profit from Continuing Operations**

Total operating expenses (excluding other income and other expenses) reduced by 25.4% to HK\$48.2 million for the Three-month Period compared to HK\$64.6 million for the same period in 2001 amid significant revenue growth. This demonstrates that AAM Group's restructuring completed in 2001 and tight cost control measures are bearing fruits.

Corporate headquarters cost reduced by 44.2% to HK\$7.1 million compared to HK\$12.7 million for the same period in 2001. Total headcount reduced from 1,535 at the end of 2001 to 1,357 at the end of the Three-month Period.

Other income of HK\$29.3 million for the Three-month Period was mainly contributed by foreign exchange gain of HK\$20.4 million and gain from disposal of property and equipment.

AAM Group achieved a profit from continuing operations of HK\$9.9 million for the Three-month Period in comparison with a loss from continuing operations of HK\$56.1 million for the same period in 2001.

### **Loss from Discontinued Operation**

PT Lippo Shop discontinued its operations in November 2001. The costs of winding down the business in the Three-month Period resulted in a loss from discontinued operation of HK\$1.9 million.

### **Profit from Operations**

As the result of the completion of restructuring of non-core businesses, tight control of operating expenses and continuing improvement in business operations, AAM Group achieved a profit from operations of HK\$8.0 million from the combined results of both continuing operations and discontinued operation, compared to a loss of HK\$65.3 million for the same period in 2001.

AAM Group also achieved a positive EBITDA (excluding other income and other expenses) of HK\$1.2 million for the Three-month Period.

### Share of Profit of Associates

AAM Group's share of profit of associates decreased to HK\$9.7 million for the Three-month Period compared to HK\$20.4 million for the same period in 2001 mainly due to lower profit reported by PT Matahari Putra Prima Tbk ("Matahari").

### Loss attributable to Shareholders

Loss attributable to shareholders of AAM Group for the Three-month Period reduced by 81.3% to HK\$9.9 million compared to HK\$53.1 million for the same period in 2001.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Three-month Period (2001 - Nil).

## BUSINESS REVIEW

The management continues to focus on accelerating the revenue growth while tightening the expense spending and improving the business operations of the four core Business Groups.

### Broadband Services

Broadband Services offers broadband services to both corporate and individual consumers including cable TV, broadband Internet access and other network services. The HFC cable network now totals 2,525 km, passing more than 207,000 homes and covering major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.

PT Broadband Multimedia Tbk continued to be the dominant cable TV operator in Indonesia offering 62 channels of programming under the brand name "Kabelvision". A Cable TV subscribers totalled 74,222 during the Three-month Period, a slight reduction of 2.4% from year-end 2001 largely attributable to a 22% rate increase in January 2002.

Total corporate and individual broadband Internet subscribers increased by 11.9% from year-end 2001 to 6,863 at the end of the Three-month Period.

Broadband Services' revenue increased 54.8% to HK\$42.9 million for the Three-month Period. Operating results turned into a profit of HK\$8.6 million for the Three-month Period from a loss of HK\$31.6 million for the corresponding period in 2001.

## Cellular Services

Cellular Services provides GSM 1800 cellular services in East Java, with the aim to become a nationwide cellular operator. PT Natrindo Telepon Seluler (“Natrindo”)’s network uses state-of-the-art technology and is designed to deliver traditional voice as well as data communication services.

Natrindo had 69,400 activated subscribers and has direct interconnections with all GSM operators in Indonesia, inter-operator SMS with Telkomsel and Excelcomindo, and international roaming with Singapore, Philippines and Malaysia.

In the Three-month Period, Cellular Services recorded revenue of HK\$4.2 million. Loss from operations reduced to HK\$3.4 million from HK\$4.1 million for the same period in 2001.

## IT Solutions

IT Solutions continued to consolidate its position as a leading provider of IT system integration and solution services to the financial services industry. It has been increasing its push to enter the higher value-added business solutions, consulting and outsourcing services; it has started to implement the ESP (Enterprise Services Provider) model in cooperation with Oracle. For the market expansion, PT Multipolar Corporation Tbk (“Multipolar”) is expanding into cross-industry sectors including telecommunications, gas & oil exploration, retail and manufacturing.

IT Solutions’ revenue grew 40.6% to HK\$118.3 million in the Three-month Period from HK\$84.1 million for the same period in 2001. Profit from operations for the Three-month Period increased to HK\$13.1 million from HK\$1.4 million for the same period in 2001.

## Retail

Matahari, an associate of AAM Group, is the top retail brand in Indonesia and the largest publicly listed modern retailer in Indonesia. It operates 81 department stores including 66 supermarkets in over 36 cities, offering one-stop shopping to middle and upper-income families with a customer base of over 10 million people nationwide.

Matahari’s revenue increased by 19% to HK\$917 million for the Three-month Period. Matahari is embarking on a strong effort to improve the turnover of its inventory starting in late 2001 with success. However, a lower profit margin coupled with increased operating expenses and a lower foreign exchange gain resulted in a lower net profit. The net profit reduced to HK\$16.9 million for the Three-month Period from HK\$47.5 million for the corresponding period in 2001.

## PROSPECTS

AAM Group aims to be an industry leader in each of its core Business Groups: Broadband Services, Cellular Services, IT Solutions and Retail. After the completion of its restructuring of non-core businesses in 2001, AAM Group continues to improve its core business performance and is well positioned to further strengthen its market leadership position over the coming periods.

AAM Group continues to upgrade its management practices to improve its operations and enhance its competitiveness by tightly managing its operating and capital expenditures and by optimising its resources to take full advantage of its market position.

AAM Group continues looking for strategic growth opportunity in the region prudently.

## DISCLOSURE OF INTERESTS IN SECURITIES

### (1) Directors and Chief Executive

As at 31st March 2002, the interests of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange under Rule 5.40 of the GEM Listing Rules were as follows:-

#### (i) *Interests in Securities of the Company and Associated Corporations*

As at 31st March 2002, none of the Directors or the chief executive of the Company were interested in any equity or debt securities of the Company or any of its associated corporations.

#### (ii) *Rights to Acquire Shares of the Company*

Pursuant to the Pre-IPO Share Option Plan of the Company (the “Pre-IPO Plan”), the Directors and the chief executive of the Company were granted on 23rd June 2000 (the “Grant Date”)

options to subscribe for shares of the Company at a subscription price of HK\$3.28 per share as follows: –

Name	Number of underlying shares		
	Granted	Lapsed	Outstanding as of 31st March 2002
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 (Note 1)
Mr. Richard Arthur Woolcott	3,546,000	–	3,546,000 (Note 2)
Mr. Davy Kwok Fai Lee	2,364,000	–	2,364,000 (Note 3)
Mr. Stephen Hung	2,364,000	–	2,364,000 (Note 3)
Mr. Gerard Joseph McMahon	2,364,000	–	2,364,000 (Note 3)
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 (Note 3)
Total	<u>26,152,000</u>	<u>–</u>	<u>26,152,000</u>

**Notes:**

- 1,330,000 shares shall become exercisable from 14th January 2001; 2,364,000 shares shall become exercisable from each of 1st June 2001, 1st June 2002, 1st June 2003, 1st June 2004 and 1st June 2005.
- 354,600 shares shall become exercisable from each of 14th January 2001 and 1st April 2001; 709,200 shares shall become exercisable from each of 1st April 2002, 1st April 2003, 1st April 2004 and 1st April 2005.
- 236,400 shares shall become exercisable from each of 14th January 2001 and 1st April 2001; 472,800 shares shall become exercisable from each of 1st April 2002, 1st April 2003, 1st April 2004 and 1st April 2005.
- Mr. Christopher James Williams resigned as a Director of the Company with effect from 11th March 2002. As a result, his option to subscribe for 1,891,200 shares lapsed with effect from 11th March 2002 and his remaining option to subscribe for 472,800 shares shall lapse on 10th September 2002.
- Mr. Canning Kin Ning Fok resigned as a Director of the Company with effect from 12th March 2002. As a result, his option to subscribe for 5,672,800 shares lapsed with effect from 12th March 2002 and his remaining option to subscribe for 1,418,200 shares shall lapse on 11th September 2002.
- The exercise period for all such shares (except those mentioned in Notes 4 and 5) shall end 10 years from the Grant Date (the “Expiry Date”).

The Company also has a share option scheme (the “Post - IPO Scheme”) under which the Directors and employees of AAM Group may be granted on or after 13th July 2000 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Post-IPO Scheme. No options had been granted to the Directors and the chief executive of the Company under the Post-IPO Scheme as at 31st March 2002.

Save as disclosed herein, as at 31st March 2002, none of the Directors nor the chief executive of the Company nor their spouses or children under 18 years of age was granted or had exercised any right to subscribe for any equity or debt securities of the Company.

## (2) Substantial Shareholders

As at 31st March 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the persons (other than the Directors or the chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares	Approximate percentage
Cyport Limited	3,231,257,218	63.80
Lippo Cayman Limited ( <i>Note</i> )	3,901,769,218	77.04
Lanius Limited ( <i>Note</i> )	3,901,769,218	77.04

### *Note:*

The sole shareholder of Cyport Limited (“Cyport”) was Lippo Cayman Limited (“Lippo Cayman”) and the sole shareholder of Lippo Cayman was Lanius Limited (“Lanius”). The shares in which Lippo Cayman and Lanius were indirectly interested included the shares held by Cyport.

## (3) Management Shareholders

Save for the substantial shareholders and Mideast Pacific Strategic Holdings Limited which held 219,600,000 shares of the Company as at 31st March 2002, the Directors are not aware of any persons who, as at 31st March 2002, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were able, as a practical matter, to direct or influence the management of the Company.

## SHARE OPTIONS

### (1) Pre-IPO Plan

Pursuant to the Pre-IPO Plan, 23 employees of AAM Group (other than the Directors of the Company) were granted on the Grant Date options to subscribe for an aggregate of 17,499,000 shares of the Company at a subscription price of HK\$3.28 per share. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Pre-IPO Plan as at 31st March 2002 was 1,182,000. The option for each grantee is exercisable in accordance with the Pre-IPO Plan at any time during a period commencing from the respective commencement dates and ending on the Expiry Date in accordance with the following schedule:

Commencement date	Percentage of underlying shares
14th January 2001	10
1st April 2001	10
1st April 2002	20
1st April 2003	20
1st April 2004	20
1st April 2005	20

### (2) Post-IPO Scheme

Pursuant to the Post-IPO Scheme, 11 employees of AAM Group (other than the Directors of the Company) were granted options to subscribe for an aggregate of 10,635,676 shares of the Company on the respective dates of grant as shown in the following schedule. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Post-IPO Scheme as at 31st March 2002 was 2,160,000. The options for such grantees are exercisable in accordance with the Post-IPO Scheme at any time during the relevant periods commencing from the respective

commencement dates and ending on 21st June 2010 at the respective subscription prices in accordance with the following schedule:

Date of grant	No. of employees	Commencement date	Subscription price (HK\$)	Approximate percentage of underlying shares per option
17th January 2001	1	1st July 2001	3.11	33.4
		1st July 2002		33.3
		1st July 2003		33.3
17th January 2001	5	17th January 2002	3.11	50
		17th January 2003		50
11th May 2001	1	10th April 2002	2.42	30
		10th April 2003		30
		10th April 2004		40
14th August 2001	1	14th August 2001	1.80	100
4th September 2001	1	4th March 2002	1.266	100
28th December 2001	1	28th December 2001	0.5	100
28th December 2001	1	28th December 2002	0.5	50
		28th December 2003		50

The options granted under the Pre-IPO Plan and the Post-IPO Scheme in respect of 45,542,000 shares and 6,300,065 shares of the Company respectively (totalling 51,842,065 shares and representing approximately 1.01% of the enlarged issued share capital thereof) were outstanding as at 31st March 2002. Options granted under the Pre-IPO Plan and the Post-IPO Scheme to subscribe for an aggregate of 28,717,000 shares and 4,335,611 shares respectively were lapsed as at 31st March 2002.



The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Plan and the Post-IPO Scheme must not exceed 30% of the total issued shares of the Company from time to time.

Save as disclosed herein, no options to subscribe for shares of the Company have been granted, exercised, lapsed, cancelled or re-issued since the listing of the Company's shares on GEM and up to the date of this Report under the Pre-IPO Plan and the Post-IPO Scheme. Summaries of the principal terms of the Pre-IPO Plan and the Post-IPO Scheme were set out in the Prospectus.

## SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 31st March 2002, an associate of the Sponsor held 250 shares in Multipolar.

Save as disclosed above, neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any members of AAM Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of AAM Group.

Pursuant to a Sponsor Agreement dated 6th July 2000 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 13th July 2000 to 31st December 2002.

## COMPETING INTERESTS

Mr. Canning Kin Ning Fok, who resigned as a non-executive Director on 12th March 2002, is the group managing director of Hutchison Whampoa Limited ("Hutchison"), a company whose shares are listed on the Main Board of the Stock Exchange. Hutchison is the holding company of a group of companies which carry on a diverse range of businesses including telecommunications and e-commerce, owning and operating Internet and telecommunications infrastructure, and offering or planning to offer related services. With the businesses of AAM Group in Asia covering fixed line broadband communication services, cellular communication services, Internet enabling services and commerce, AAM Group might have had competition with Hutchison during the period from 1st January 2002 to 11th March 2002.

The Lippo Group (a general reference to the companies (including Lippo Cayman) in which Dr. Mochtar Riady and his family have a direct or indirect interest; the Lippo Group is not a legal entity and does not operate as one; each of the companies in the Lippo Group operates within its own legal, corporate and financial framework) might have had or developed interests in other technology related business, including telecommunications in Hong Kong and other parts in Asia during the Three-month Period. There was a chance that such businesses might have competed with AAM Group during the Three-Month Period.

Save as disclosed herein, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that have competed or may compete with the business of AAM Group and any other conflicts of interests which any such person had or may have with AAM Group.

### **AUDIT COMMITTEE**

The Company established an audit committee on 23rd June, 2000 with written terms of reference in accordance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of AAM Group. The audit committee has met once during the Three-month Period.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Three-month Period, there was no purchase, sale or redemption of securities of the Company by the Company or any of its subsidiaries.

By Order of the Board  
**Richard Woolcott**  
*Chairman*

Hong Kong, 13th May 2002