

FIRST QUARTERLY REPORT 2003



BROADBAND SERVICES

IT SOLUTIONS

CELLULAR SERVICES

RETAIL

ACROSS ASIA

ACROSS ASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

First Quarterly Report**For the three months ended 31st March 2003****HIGHLIGHTS**

- AAM Group's turnover grew by 11.8% to HK\$184.8 million compared to HK\$165.3 million for the same period in 2002.
- Gross profit increased by 33.0% to HK\$38.3 million from HK\$28.8 million for the corresponding period in 2002.
- Operating expenses totalled HK\$51.2 million, 12.5% higher compared to the corresponding period in 2002.
- AAM Group achieved a positive EBITDA (excluding other income and expenses) for five consecutive quarters; EBITDA increased 17 times to HK\$21.5 million from HK\$1.2 million for the corresponding period in 2002.
- AAM Group recorded a net loss of HK\$20.1 million, compared to HK\$9.9 million for the same period in 2002.
- Broadband Services' revenue grew by 23.3% to HK\$52.9 million compared to HK\$42.9 million for the corresponding period in 2002.
- Cellular Services booked revenue of HK\$6.6 million from the GSM1800 cellular operation in East Java, Indonesia, 57.1% higher than HK\$4.2 million for the same period in 2002.
- IT Solutions posted revenue of HK\$125.3 million, 5.9% above HK\$118.3 million for the corresponding period in 2002.
- Matahari, the core of Retail, attained a slight increase in revenue to HK\$928.0 million from HK\$917 million for the same period in 2002.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Directors of AcrossAsia Multimedia Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (collectively “AAM Group”) for the three months ended 31st March 2003 (the “Three-month Period”) together with comparative figures for the corresponding period ended 31st March 2002, as follows:

| | | Three months ended 31st March | |
|--|--------------|--|--------------------------|
| | <i>Notes</i> | 2003 HK\$'000 | 2002 HK\$'000 |
| Turnover | 2 | 184,830 | 165,332 |
| Cost of sales and services rendered | | (146,536) | (136,574) |
| Gross profit | | 38,294 | 28,758 |
| Other operating income and gains | | 9,620 | 31,501 |
| Selling and distribution costs | | (11,234) | (8,715) |
| General and administrative expenses | | (39,976) | (36,771) |
| Profit/(Loss) from operations | | (3,296) | 14,773 |
| Finance costs | | (26,133) | (15,476) |
| Share of results of associates | | (1,489) | 9,727 |
| Amortisation of goodwill on acquisition of associates | | (3,068) | (2,714) |
| | | (4,557) | 7,013 |
| Net loss from discontinued operation | | – | (2,367) |
| Profit/(Loss) before income tax | | | |
| Continuing operations | | (33,986) | 6,310 |
| Discontinued operation | | – | (2,367) |
| Taxation | 3 | (33,986) 4,432 | 3,943 (7,651) |
| Loss before minority interest | | (29,554) | (3,708) |
| Minority interests | | 9,497 | (6,212) |
| Net loss from ordinary activities attributable to shareholders | | (20,057) | (9,920) |
| Loss per share (<i>HK cents</i>) | | | |
| Basic | 4 | (0.4) | (0.2) |
| Diluted | 4 | N/A | N/A |

(a)(ii) An analysis of AAM Group's revenue and results for the corresponding period in 2002 by business segment is as follows:

| | Broadband Services HK\$'000 | Cellular Services HK\$'000 | IT Solutions HK\$'000 | Retail HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|---|-----------------------------------|----------------------------------|-----------------------------|--------------------|--------------------|-------------------------|--------------------------|
| Segment revenue: | | | | | | | |
| Sales to external customers | 42,889 | 4,155 | 118,288 | - | - | - | 165,332 |
| Intersegment sales | 2,876 | - | 6,122 | - | - | (8,998) | - |
| Total | 45,765 | 4,155 | 124,410 | - | - | (8,998) | 165,332 |
| Segment results | 7,412 | (3,432) | 18,560 | - | (8,532) | (1,392) | 12,616 |
| Interest income | | | | | | | 2,157 |
| Profit from operations activities | | | | | | | 14,773 |
| Finance costs | | | | | | | (15,476) |
| Share of results of associates (Less: amortisation of goodwill on acquisition of associates) | - | - | - | 6,726 | 287 | - | 7,013 |
| Loss from discontinued operations | | | | | | | (2,367) |
| Profit before income tax | | | | | | | 3,943 |
| Taxation | | | | | | | (7,651) |
| Loss before minority interests | | | | | | | (3,708) |
| Minority interests | | | | | | | (6,212) |
| Net loss from ordinary activities attributable to shareholders | | | | | | | (9,920) |

(b) Geographical segments

Over 90% of AAM Group's revenue, results, assets and capital expenditure are attributable to its operations in Indonesia. Accordingly, analysis by geographical segment is not presented.

3. Taxation

No Hong Kong profits tax has been provided, as AAM Group had no assessable profits arising in Hong Kong during the Three-month Period (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which AAM Group operates, based on existing legislation, interpretations and practices in respect thereof.

AAM Group's subsidiaries and associates incorporated and operating in Indonesia are subject to Indonesian income tax at a maximum rate of 30% (2002: 30%) of the individual entities' respective assessable profits in accordance with Indonesian income tax law.

| | Three months ended | |
|--|---------------------------|-----------------|
| | 31st March | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| AAM Group | | |
| Current income tax/(over provision in prior period)* | – | (110) |
| Deferred income tax/(tax benefits)* | (3,300) | 5,642 |
| | (3,300) | 5,532 |
| Share of tax attributable to associates | | |
| Current income tax* | 2,615 | 1,463 |
| Deferred income tax/(tax benefits)* | (3,747) | 656 |
| | (1,132) | 2,119 |
| | (4,432) | 7,651 |

*Imposed outside Hong Kong

4. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the Three-month Period of HK\$20,057,000 (2002 – HK\$9,920,000) and the weighted average of 5,064,615,385 (2002 – 5,064,615,385) shares in issue.

Diluted loss per share for the Three-month Period and the corresponding period in 2002 have not been disclosed, as the potential shares outstanding during those periods had an anti-dilutive effect on the basic loss per share for those periods.

5. Comparative amounts

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

FINANCIAL REVIEW

Turnover

AAM Group's total turnover grew by 11.8% to HK\$184.8 million for the Three-month Period compared to HK\$165.3 million in the same period in 2002.

For the Three-month Period, Broadband Services' revenue increased by 23.3% to HK\$52.9 million from HK\$42.9 million for the corresponding period in 2002. Cellular Services recorded revenue of HK\$6.6 million from the GSM1800 cellular operation, 57.1% higher than HK\$4.2 million for the same period in 2002. Revenue from IT Solutions slightly increased by 5.9% to HK\$125.3 million from HK\$118.3 million for the corresponding period in 2002.

Gross Profit

Gross profit increased by 33.0% to HK\$38.3 million for the Three-month Period from HK\$28.8 million for the same period in 2002.

Gross profit margin increased to 20.7% from 17.4% for the corresponding period in 2002 mainly due to the increased sales of higher-margin IT hardware of IT Solutions.

Loss from Operations

Total operating expenses (excluding other income and expenses) totalled HK\$51.2 million for the Three-month Period, 12.5% above HK\$45.5 million for the same period in 2002 due to increased retrenchment costs, outsourcing charges, commissions and rental expenses.

Corporate headquarters cost reduced by 54.8% to HK\$3.3 million compared to HK\$7.2 million for the corresponding period in 2002.

Other income of HK\$9.6 million for the Three-month Period was mainly contributed by interest income.

AAM Group recorded a loss from operations of HK\$3.3 million, compared to a profit of HK\$14.8 million for the same period in 2002 which, however, included a significant foreign exchange gain of HK\$20.4 million.

AAM Group achieved a positive EBITDA (excluding other income and expenses) for five consecutive quarters. EBITDA for the Three-month Period increased 17 times to HK\$21.5 million from HK\$1.2 million for the same period in 2002.

Share of Results of Associates

AAM Group's share of results of associates recorded a loss of HK\$4.6 million for the Three-month Period compared to a profit of HK\$7.0 million for the same period in 2002 mainly due to lower profit reported by PT Matahari Putra Prima Tbk ("Matahari") caused by continued weak retail environment.

Net Loss from ordinary activities attributable to Shareholders

The net loss from ordinary activities attributable to shareholders of AAM Group for the Three-month Period was HK\$20.1 million compared to HK\$9.9 million for the same period in 2002.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Three-month Period (2002 – Nil).

BUSINESS REVIEW

2002 saw a year of consolidation of the operations of AAM Group's four Business Groups namely Broadband Services, Cellular Services, IT Solutions and Retail, thereby laying a sound foundation for continuous improvement and growth in the operations for 2003 and beyond.

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 has gradually expanded to 2,558 km as at the end of the Three-month Period, passing more than 214,600 homes and covering major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.

PT Broadband Multimedia Tbk, a subsidiary of the Company listed on the Surabaya Stock Exchange, continued to be the dominant cable TV operator in Indonesia offering 58 channels of programming as at the end of the Three-month Period under the brand name “Kabelvision”. The number of cable TV subscribers totalled 78,230 at the end of the Three-month Period, a 5.4% increase over that as at 31st March 2002. On the other hand, the total number of corporate and individual broadband Internet subscribers increased by 52.5% to 10,463 at the end of the Three-month Period compared to that as at 31st March 2002.

Cellular Services

Cellular Services provides GSM1800 cellular services in East Java through PT Natrindo Telepon Seluler (“Natrindo”). Natrindo’s network is capable of delivering both voice and data communication services. Following the obtaining of the approval from the Government of Indonesia for a national GSM1800 licence in December 2002, Natrindo has been devising plans to rollout its services nationwide to tap the huge-potential Indonesian cellular market.

Natrindo has activated 80,170 subscribers as at the end of the Three-month Period and has direct interconnections with all GSM operators in Indonesia, Inter-operator SMS, and international roaming with Singapore, Philippines and Malaysia. It has launched new products and direct sales strategy to boost sales.

IT Solutions

IT Solutions maintained its leading position in the provision of IT system integration and solution services to the financial services industry. It has been increasing its push in entering the higher value-added business solutions, consulting and outsourcing services and has started to implement the ESP (Enterprise Services Provider) model in cooperation with Oracle. It is also expanding into cross-industry sectors including telecommunications, oil & gas, retail, distribution and manufacturing.

Retail

Matahari, a 47% owned associate of AAM Group listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange and the core of Retail, is the top retail brand and the largest publicly listed modern retailer in Indonesia, offering one-stop shopping to middle and upper-income families with a customer base of over 10 million people nationwide. It had 73 department stores and 60 supermarkets in over 37 cities as at the end of the Three-month Period.

The continued weak retail environment in Indonesia as a result of slow economic recovery has affected most retail companies' performance during the Three-month Period. Matahari has taken aggressive cost control and marketing measures to counteract the unfavourable market conditions.

PROSPECTS

AAM Group is dedicated to maintain and exploit the leading positions and potential of its Business Groups. It will continue to improve its core businesses' performance through operational optimisation and tight cost control.

AAM Group is also prudently pursuing strategic growth opportunities in the Asia region.

DISCLOSURE OF INTERESTS IN SECURITIES

(1) Directors and Chief Executive

As at 31st March 2003, 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 (repealed) (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 2003, 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 2003 |
| Dr. Cheng Wen Cheng | 13,150,000 | – | 13,150,000 <i>(Note 1)</i> |
| Mr. Richard Arthur Woolcott | 3,546,000 | – | 3,546,000 <i>(Note 2)</i> |
| Mr. Stephen Hung | 2,364,000 | – | 2,364,000 <i>(Note 3)</i> |
| Mr. Kwok Ming Cheung | 2,364,000 | – | 2,364,000 <i>(Note 3)</i> |
| Mr. Marshall Wallace Cooper | 355,000 | – | 355,000 <i>(Note 4)</i> |
| Total | 21,779,000 | – | 21,779,000 |

Notes:

- 1. 1,330,000 shares became exercisable from 14th January 2001 and 2,364,000 shares from each of 1st June 2001 and 1st June 2002; 2,364,000 shares shall become exercisable from each of 1st June 2003, 1st June 2004 and 1st June 2005.*
- 2. 354,600 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 709,200 shares from each of 1st April 2002 and 1st April 2003; 709,200 shares shall become exercisable from each of 1st April 2004 and 1st April 2005.*
- 3. 236,400 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 472,800 shares from each of 1st April 2002 and 1st April 2003; 472,800 shares shall become exercisable from each of 1st April 2004 and 1st April 2005.*
- 4. 35,500 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 71,000 shares from each of 1st April 2002 and 1st April 2003; 71,000 shares shall become exercisable from each of 1st April 2004 and 1st April 2005.*
- 5. Mr. Davy Kwok Fai Lee resigned as a Director of the Company with effect from 14th May 2002. Pursuant to the Pre-IPO Plan, he is still entitled to his share options in the following manner: 236,400 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 472,800 shares from each of 1st April 2002 and 1st April 2003; 472,800 shares shall become exercisable from each of 1st April 2004 and 1st April 2005.*
- 6. The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").*

The Company also has a share option scheme adopted on 14th May 2002 (the “2002 Scheme”) under which the Directors and other persons (including employees of AAM Group) may be granted on or after 15th May 2002 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2002 Scheme. No options had been granted to the Directors and the chief executive of the Company under the 2002 Scheme as at 31st March 2003.

Save as disclosed herein, as at 31st March 2003, 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 2003, 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 | 3,169,094,788 | 62.57 |
| Lippo Cayman Limited <i>(Note)</i> | 3,669,576,788 | 72.46 |
| Lanius Limited <i>(Note)</i> | 3,669,576,788 | 72.46 |

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 2003, the Directors are not aware of any persons who, as at 31st March 2003, 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

Pursuant to the Pre-IPO Plan, 22 participants (other than the Directors of the Company) were granted on the Grant Date options to subscribe for an aggregate of 17,144,000 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 2003 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 |

Options granted under the Pre-IPO Plan in respect of 35,988,200 shares of the Company (representing approximately 0.71% of the enlarged issued share capital thereof) were outstanding as at 31st March 2003. Options granted under the Pre-IPO Plan to subscribe for an aggregate of 38,270,800 shares were lapsed as at 31st March 2003.

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 2002 Scheme must not exceed 30% of the total issued shares of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant or grantee (including both exercised and outstanding options) in any 12-month period up to and including the date of grant must not exceed 1% of the total issued shares of the Company at the date of grant.

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 2002 Scheme. Summaries of the principal terms of the Pre-IPO Plan and the 2002 Scheme were set out in the Prospectus dated 6th July 2000 and the Circular dated 28th March 2002 of the Company respectively.

COMPETING INTERESTS

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 twice this year.

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 2003