

HALF-YEAR REPORT 2003



BROADBAND SERVICES

IT SOLUTIONS

ACROSS ASIA

CELLULAR SERVICES

RETAIL

ACROSS ASIA MULTIMEDIA LIMITED
(Incorporated in the Cayman Islands with limited liability)

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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 (the “GEM Listing Rules”) 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.

Half-year Report**For the six months ended 30th June 2003****HIGHLIGHTS**

- AAM Group booked turnover of HK\$321.1 million, HK\$4.0 million higher than that for the same period in 2002, as a result of higher turnover of Broadband Services and Cellular Services.
- Gross profit increased to HK\$63.6 million from HK\$59.3 million for the same period in 2002.
- EBITDA (excluding other income and expenses) increased 2.6 times to HK\$29.8 million from HK\$8.2 million for the corresponding period in 2002.
- AAM Group recorded a net loss of HK\$39.5 million compared to HK\$18.3 million for the same period in 2002 mainly due to the decrease in share of results of associates by HK\$27.5 million.
- Broadband Services' revenue rose by 20.6% to HK\$110.3 million from HK\$91.5 million for the corresponding period in 2002.
- Cellular Services' revenue from the GSM1800 cellular operation increased to HK\$13.4 million, 40.0% higher than HK\$9.6 million for the same period in 2002.
- IT Solutions recorded revenue of HK\$197.5 million, 8.6% lower compared to HK\$216.1 million for the corresponding period in 2002.
- Matahari, the core of Retail, maintained its revenue at HK\$1.93 billion compared to the same period in 2002.

HALF-YEAR RESULTS (UNAUDITED)

The Directors of AcrossAsia Multimedia Limited (the "Company") announce the unaudited condensed consolidated financial statements (the "Financial Statements") of the Company and its subsidiaries (collectively "AAM Group") for the six months ended 30th June 2003 (the "Half-year Period") and three months ended 30th June 2003 together with comparative figures for the corresponding periods ended 30th June 2002, as follows:

Condensed Consolidated Income Statement

	Notes	Six months ended 30th June		Three months ended 30th June	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	321,135	317,103	136,305	151,772
Cost of sales and services rendered		(257,497)	(257,796)	(110,961)	(121,222)
Gross profit		63,638	59,307	25,344	30,550
Other operating income and gains		39,537	50,240	29,917	18,739
Selling and distribution costs		(23,010)	(18,175)	(11,776)	(9,459)
General and administrative expenses		(89,164)	(77,861)	(49,188)	(38,377)
Profit/(Loss) from operations	4	(8,999)	13,511	(5,703)	1,453
Finance costs		(42,837)	(30,263)	(16,704)	(14,787)
Share of results of associates		7,288	34,777	8,777	25,049
Amortisation of goodwill on acquisition of associates		(7,880)	(6,294)	(4,812)	(3,580)
		(592)	28,483	3,965	21,469
Net loss from discontinued operation		–	(5,560)	–	(5,907)
Profit/(Loss) before income tax		(52,428)	11,731	(18,442)	8,135
Continuing operations		(52,428)	11,731	(18,442)	8,135
Discontinued operation		–	(5,560)	–	(5,907)
Income tax expense	5	(2,012)	(9,222)	(6,444)	(1,570)
Profit/(Loss) before minority interests		(54,440)	(3,051)	(24,886)	658
Minority interests		14,977	(15,277)	5,480	(9,065)
Net loss from ordinary activities attributable to shareholders		(39,463)	(18,328)	(19,406)	(8,407)
Loss per share – Basic (HK cents)	6	(0.78)	(0.36)	(0.38)	(0.17)

Condensed Consolidated Balance Sheet

		(Unaudited) As at 30th June 2003 <i>HK\$'000</i>	(Audited) As at 31st December 2002 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property and equipment	7	596,597	578,669
Investment properties		46,769	47,088
Interests in associates		911,633	863,640
Long term investments		6,101	5,746
Goodwill		153,986	135,675
Intangible assets		7,027	6,869
Deferred tax assets		38,930	39,457
Non-current prepayments, deposits and receivables		22,473	27,795
Due from related companies		2,593	1,892
		1,786,109	1,706,831
Current assets			
Inventories		47,949	72,596
Trade receivables	8	155,440	167,569
Prepayments, deposits and other current assets		102,360	108,611
Short term investments		144,218	130,008
Pledged bank deposits		4,816	1,117
Cash and bank deposits		36,225	26,406
		491,008	506,307
TOTAL ASSETS		2,277,117	2,213,138

		(Unaudited) As at 30th June 2003 HK\$'000	(Audited) As at 31st December 2002 HK\$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		506,462	506,462
Accumulated losses		(809,284)	(769,816)
Reserves	9	885,551	849,702
		<u>582,729</u>	<u>586,348</u>
Minority interests		<u>486,681</u>	466,488
Non-current liabilities			
Interest-bearing borrowings		158,451	116,745
Notes payable		126,374	110,024
Finance lease obligations		–	15
Due to related companies		6,071	5,919
Non-current trade and other payables		23,577	15,893
Liabilities/estimated liabilities relating to certain discontinued operations		<u>131,734</u>	<u>100,545</u>
		<u>446,207</u>	<u>349,141</u>
Current liabilities			
Interest-bearing borrowings		310,703	420,375
Notes payable		110,476	17,756
Finance lease obligations		–	185
Due to related companies		48,293	50,844
Trade payables	10	78,618	96,469
Receipts in advance		29,039	22,945
Other payables and accruals		125,627	137,016
Liabilities/estimated liabilities related to certain discontinued operations		<u>23,247</u>	<u>43,091</u>
Tax payable		<u>35,497</u>	<u>22,480</u>
		<u>761,500</u>	<u>811,161</u>
TOTAL EQUITY AND LIABILITIES		<u>2,277,117</u>	<u>2,213,138</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Net cash inflow from operating activities	76,890	11,936
Net cash outflow from investing activities	(13,849)	(6,123)
Net cash inflow/(outflow) from financing activities	(44,086)	15,456
	<hr/>	<hr/>
Net Increase in cash and cash equivalents	18,955	21,269
Cash and cash equivalents, beginning of period	26,406	33,227
Effect of foreign exchange rate changes	(9,136)	(34,565)
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Cash and cash equivalents, end of period	36,225	19,931

Condensed Consolidated Statement of Changes in Equity

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
At beginning of the period – Total equity	586,348	586,642
Net gains not recognised in the Income Statement		
– Change in equity transactions of associates	336	–
– Currency translation differences	35,508	87,846
Loss for the period	(39,463)	(18,328)
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At end of the period – Total equity	582,729	656,160

Notes:

1. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting" approved by the International Accounting Standards Committee and the disclosure requirements set out in the GEM Listing Rules. All significant intra-group transactions and balances have been eliminated on consolidation.

The Financial Statements should be read in conjunction with AAM Group's audited consolidated financial statements for the year ended 31st December 2002 (the "2002 Financial Statements").

The accounting policies and methods of computation used in the preparation of the Financial Statements are consistent with those used in the 2002 Financial Statements.

2. Turnover, revenue and gains

Turnover represents fees/revenue earned for the provision of broadband services, cellular services and IT solutions.

An analysis of AAM Group's turnover, other revenue and gains is as follows:

	Six months ended		Three months ended	
	30th June		30th June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Broadband Services	110,285	91,501	57,379	48,612
Cellular Services	13,365	9,550	6,777	5,396
IT Solutions	197,485	216,052	72,149	97,764
	321,135	317,103	136,305	151,772
Other revenue and gains				
Interest income	7,167	5,913	1,200	3,756
Foreign exchange gains, net	25,812	36,768	25,232	11,241
Others	6,558	7,559	3,485	3,742
	39,537	50,240	29,917	18,739
Total	360,672	367,343	166,222	170,511

- (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	91,501	9,550	216,052	-	-	-	317,103
Intersegment sales	5,704	-	8,289	-	-	(13,993)	-
Total	97,205	9,550	224,341	-	-	(13,993)	317,103
Segment results	3,199	(571)	17,453	-	(12,605)	122	7,598
Interest income							5,913
Profit from operating activities							13,511
Finance costs							(30,263)
Share of results of associates (Less: amortisation of goodwill on acquisition of associates)	-	-	-	30,739	(2,256)	-	28,483
Loss from discontinued operations							(5,560)
Profit before income tax							6,171
Income tax expense							(9,222)
Loss before minority interests							(3,051)
Minority interests							(15,277)
Net loss from ordinary activities attributable to shareholders							(18,328)

- (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.

4. Profit/(Loss) from operations

AAM Group's profit/(loss) from operations is arrived at after charging:

	Six months ended 30th June		Three months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cost of sales and services rendered	257,497	257,796	110,961	121,222
Depreciation of property and equipment	55,995	47,507	30,041	25,633
Depreciation of investment properties	344	344	172	172
Amortisation of goodwill	7,880	6,294	4,812	3,580
Amortisation of intangible assets	375	29	319	29
Provision of inventories	–	1,641	–	690
Bad debts expense/provision for doubtful debts	484	7	–	6
Net (gain)/loss on disposal of property and equipment	(140)	(3,564)	(49)	4,064

5. Income tax expense

No Hong Kong profits tax has been provided, as AAM Group had no assessable profits arising in Hong Kong during the Half-year 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.

	Six months ended 30th June		Three months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
AAM Group:				
Current income tax/(over-provision)*	–	(117)	–	(7)
Deferred income tax/(tax benefits)*	3,488	2,735	6,788	(2,908)
	3,488	2,618	6,788	(2,915)
Share of tax attributable to associates:				
Current income tax/(over-provision)*	5,170	3,978	2,555	2,515
Deferred income tax/(tax benefits)*	(6,646)	2,626	(2,899)	1,970
	(1,476)	6,604	(344)	4,485
	2,012	9,222	6,444	1,570

* Imposed outside Hong Kong

6. Loss per share

The calculations of basic loss per share for the Half-year Period and the three months ended 30th June 2003 are based on the unaudited net loss from ordinary activities attributable to shareholders of HK\$39,463,000 (2002: HK\$18,328,000) and HK\$19,406,000 (2002: HK\$8,407,000) respectively, and the weighted average of 5,064,615,385 shares (2002: 5,064,615,385 shares) in issue.

Diluted loss per share for the Half-year Period and the three months ended 30th June 2003 and the corresponding periods 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.

7. Property and equipment

The movements of property and equipment of AAM Group were as follows:

	<i>HK\$'000</i>
Net book value at 1st January 2003	578,669
Additions	29,194
Disposals	(4,994)
Depreciation	(56,339)
Translation adjustments	50,067
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Net book value at 30th June 2003	596,597
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8. Trade receivables

AAM Group's trading terms with its customers are mainly on credit. AAM Group allows an average general credit period ranging from 30 to 90 days to its customers, except for certain well-established customers, where the terms are extended beyond 90 days. AAM Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed by senior management regularly.

An aged analysis of the trade receivables, based on invoice date, is as follows:

	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000
Within 3 months	134,941	168,461
3 to 6 months	19,039	3,222
Over 6 months	10,934	6,478
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	164,914	178,161
Less: Provision for doubtful debts	(9,474)	(8,397)
	<hr/>	<hr/>
Total trade receivables	155,440	169,764
Portion classified as current assets	(155,440)	(167,569)
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Non-current portion	–	2,195
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9. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Equity transactions of associates <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2002	32,877	1,464,802	782	(723,704)	774,757
Net gain on available-for-sale financial assets of associates	-	-	1,925	-	1,925
Currency translation differences	-	-	-	73,020	73,020
At 31st December 2002 and 1st January 2003	32,877	1,464,802	2,707	(650,684)	849,702
Change in equity transactions of associates	-	-	336	-	336
Currency translation differences	-	-	-	35,508	35,508
At 30th June 2003	32,877	1,464,802	3,043	(615,176)	885,546

10. Trade payables

An aged analysis of the trade payables, based on invoice date, is as follows:

	As at 30th June 2003 <i>HK\$'000</i>	As at 31st December 2002 <i>HK\$'000</i>
Within 3 months	41,504	52,021
3 to 6 months	34,628	9,170
6 to 12 months	2,486	32,053
Over 12 months	-	7,809
Total trade payables	78,618	101,053
Portion classified as current assets	(78,618)	(96,469)
Long term portion	-	4,584

11. Related party transactions

Significant related party transactions of AAM Group are summarised as follows:

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Services fee from distribution and maintenance of hardware equipment and software packages and services fee for technology solutions rendered to:		
– PT Bank Lippo Tbk	3,658	21,320
– PT Matahari Putra Prima Tbk	1,052	602
– PT AIG Lippo	647	–
Insertion fee income for services rendered to:		
– PT Matahari Putra Prima Tbk	1,909	2,990
Operating Lease rentals charged by:		
– PT Matahari Putra Prima Tbk	642	773
Interest expense on loans obtained from:		
– PT Bank Lippo Tbk	2,143	2,012
Pension fund expense charged by:		
– PT AIG Lippo	402	1,069

The above related party transactions were conducted in the ordinary course of business, and were made according to terms similar to those offered to the major customers of AAM Group or those offered by the related parties to their major customers, or based on mutually agreed terms.

12. Commitments

AAM Group had no material capital commitments in respect of acquisition of property and equipment.

13. Material changes

There were no material changes in status to the information relating to liquidity and financial resources, capital structure, charges on assets, exposure to fluctuations in exchange rates and contingent liabilities of AAM Group disclosed in the Annual Report 2002 of the Company, save as mentioned in this Report.

14. Comparative amounts

Certain comparative amounts have been reclassified to conform with the Half-year Period's presentation. Certain comparative amounts have also been revised as published in the Company's announcement dated 27th September 2002.

FINANCIAL REVIEW

Turnover

Turnover of the three core Business Groups, Broadband Services, Cellular Services and IT Solutions, slightly increased to HK\$321.1 million for the Half-year Period compared to HK\$317.1 million for the same period in 2002.

For the Half-year Period, Broadband Services' revenue increased by 20.6% to HK\$110.3 million from HK\$91.5 million for the corresponding period in 2002 on the back of increased recurring revenue from customers. Cellular Services' GSM1800 cellular operation recorded revenue of HK\$13.4 million, 40.0% higher than HK\$9.6 million for the same period in 2002. Revenue from IT Solutions, which is mainly project based, lowered by 8.6% to HK\$197.5 million compared to HK\$216.1 million for the corresponding period in 2002.

Gross Profit

Gross profit was HK\$63.6 million for the Half-Year Period, a 7.3% increase compared to HK\$59.3 million for the corresponding period in 2002.

Gross profit margin slightly increased to 19.8% for the Half-year Period compared to 18.7% for the same period in 2002.

Profit/(Loss) from Operations

AAM Group recorded higher operating expenses (excluding other income and expenses) of HK\$112.2 million for the Half-year Period compared to HK\$96.0 million for the same period in 2002 mainly due to increased retrenchment costs and write-off of certain obsolete assets.

Other income of HK\$39.5 million for the Half-year Period compared to HK\$50.2 million for the corresponding period in 2002, was mainly contributed by foreign exchange gain attributable to the appreciation of Indonesian Rupiah.

AAM Group recorded a loss from operations of HK\$9.0 million for the Half-year Period compared to a profit of HK\$13.5 million for the same period in 2002.

AAM Group achieved a positive EBITDA (excluding other income and expenses) for six quarters in a row. EBITDA for the Half-year Period increased 2.6 times to HK\$29.8 million from HK\$8.2 million for the comparison period in 2002.

Share of Results of Associates

AAM Group's share of results of associates decreased to HK\$7.3 million for the Half-year Period from HK\$34.8 million for the corresponding period in 2002 mainly due to lower profit of PT Matahari Putra Prima Tbk ("Matahari") caused by continuous weak retail environment in Indonesia. The escalation in the prices of basic commodities has eroded consumers' purchasing power. Matahari, the core of Retail, maintained its revenue at HK\$1.93 billion compared to the same period in 2002.

Net Loss from Ordinary Activities attributable to Shareholders

Net loss from ordinary activities attributable to shareholders for the Half-year Period was HK\$39.5 million compared to HK\$18.3 million for the same period in 2002.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Half-Year Period (2002: Nil).

BUSINESS REVIEW

AAM Group's four Business Groups, namely Broadband Services, Cellular Services, IT Solutions and Retail, strived to improve their operations for the Half-year Period.

Broadband Services

Broadband Services offers corporate and residential consumers broadband services including cable TV, broadband Internet access and other network services. The HFC cable network has reached 2,558 km, passing more than 215,500 homes and covering major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.

PT Broadband Multimedia Tbk ("Broadband Multimedia"), a subsidiary of the Company listed on the Surabaya Stock Exchange, maintained its position as the dominant cable TV operator in Indonesia offering 58 channels of programming under the brand name "Kabelvision". The number of cable TV subscribers increased to 87,332 at the end of the Half-year Period, 14.5% above that as at 30th June 2002. The total number of corporate and individual broadband Internet subscribers grew by 12.7% to 11,066 at the end of the Half-year Period compared to that as at 30th June 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 approval by the Government of Indonesia for a national GSM licence in December 2002, Natrindo was formally awarded the national licence in June 2003. With the achievement of this milestone, Natrindo is devising the blueprint for the rollout of its services nationwide to capture the fast-growing Indonesian cellular market.

Natrindo had 86,241 activated subscribers as of 30th June 2003. It has established direct interconnections and inter-operator SMS with all GSM operators in Indonesia, and international roaming with Hong Kong, India, Malaysia, the Philippines, Singapore, Thailand, Australia and Saudi Arabia. Natrindo also has over 600 sales distribution outlets.

IT Solutions

IT Solutions, of which PT Multipolar Corporation Tbk (a subsidiary of the Company listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange) forms the core, continued to be a leading provider of IT system integration and solution services to the financial services industry while diversifying into higher value-added business solutions, consulting and outsourcing services including the implementation of the ESP (Enterprise Services Provider) model in cooperation with Oracle. It has also made achievements in the expansion into cross-industry sectors including telecommunications, gas & oil exploration, retail and manufacturing.

Retail

Matahari, a 47.2% owned associate of AAM Group listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange, maintained its position as 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 has been undergoing the process of rationalising its department store and supermarket chains to improve its overall performance over time. It had 74 department stores and 53 supermarkets in over 37 cities as at the end of the Half-year Period.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

AAM Group generally finances its operations with operational revenue, internally generated resources and borrowings. As at 30th June 2003, AAM Group had cash and bank balances and short-term investments of HK\$185.3 million (31st December 2002: HK\$157.5 million), net assets of HK\$582.7 million (31st December 2002: HK\$586.3 million), and net current liabilities of HK\$270.5 million (31st December 2002: HK\$304.9 million).

AAM Group's gearing ratio, representing total borrowings divided by shareholders' equity, was 127.2% as at 30th June 2003 compared to 101.8% as at 31st December 2002. AAM Group has been implementing a management plan to strengthen its financial position.

PROSPECTS

While the second quarter of 2003 showed slight improvement in the net results over the first quarter, AAM Group remains cautious towards the second half of 2003 in the light of slow recovery of the global and Indonesian economies. It will continue to broaden its revenue sources and at the same time control its expenditures.

EMPLOYEES

As at 30th June 2003, AAM Group employed approximately 870 staff. The staff costs (including Directors' emoluments) were approximately HK\$42.4 million for the Half-year Period.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors and Chief Executive

As at 30th June 2003, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange under Rule 5.40 of the GEM Listing Rules or as otherwise required by Rule 23.07 of the GEM Listing Rules were as follows:

Long Position in Shares and Debentures of the Company and Associated Corporations

None of the Directors or the chief executive of the Company were interested in any long position in the shares or debentures of the Company or any of its associated corporations.

Long Position in Underlying Shares of the Company and Associated Corporations

(i) *Cash settled equity derivatives*

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	Granted	Lapsed	Number of underlying shares	
			Outstanding as of 30th June 2003	Percentage of enlarged issued share capital
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 <i>(Note 1)</i>	0.25
Mr. Richard Arthur Woolcott	3,546,000	–	3,546,000 <i>(Note 2)</i>	0.07
Mr. Stephen Hung	2,364,000	–	2,364,000 <i>(Note 3)</i>	0.04
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 <i>(Note 3)</i>	0.04
Mr. Marshall Wallace Cooper	355,000	–	355,000 <i>(Note 4)</i>	0.01
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, 1st June 2002 and 1st June 2003; 2,364,000 shares shall become exercisable from each of 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. The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").

(ii) Physically settled and other equity derivatives

None of the Directors or the chief executive of the Company were interested in any long position in physically settled or other equity derivatives of the Company or any of its associated corporations.

Short position in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

None of the Directors or the chief executive of the Company were interested in any short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders

As at 30th June 2003, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in Shares of the Company

Name	Number of shares	Percentage of issued share capital
Lippo Cayman Limited	3,669,576,788	72.45
Lanius Limited	3,669,576,788	72.45
Dr. Mochtar Riady	3,669,576,788	72.45
Madam Lidya Suryawaty	3,669,576,788	72.45

Note:

The shares of the Company were held by direct and indirect wholly-owned subsidiaries (including Cyport Limited) of Lippo Cayman Limited ("Lippo Cayman") and Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30% interest. Lanius Limited ("Lanius") was the registered shareholder of the entire issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.

Long Position in Underlying Shares of the Company

None of the substantial shareholders of the Company were interested in any long position in the underlying shares of the Company.

Short Position in Shares and Underlying Shares of the Company

None of the substantial shareholders of the Company were interested in any short position in the shares or underlying shares of the Company.

Other Persons

As at 30th June 2003, no other persons had any interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company according to the registers required to be kept by the Company under the SFO.

SHARE OPTIONS

As at 30th June 2003, options granted on the Grand Date to 14 participants (other than the Directors of the Company) to subscribe for an aggregate of 13,736,400 shares of the Company at a subscription price of HK\$3.28 per share were outstanding. 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

The following options under the Pre-IPO Plan were outstanding during the Half-year Period:

Participant	Number of underlying shares		
	As at 1st January 2003	Lapsed during the period	As at 30th June 2003
Directors	21,779,000	–	21,779,000
Others	15,865,200	(2,128,800)	13,736,400
Total	37,644,200	(2,128,800)	35,515,400

The Company also has a share option scheme adopted on 14th May 2002 (the “2002 Scheme”) under which employees of AAM Group (including the Directors of the Company) and other persons 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 under the 2002 Scheme as at 30th June 2003.

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 Half-year Period. There was a chance that such businesses might have competed with AAM Group during the Half-year 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 three times this year.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules regarding board practices and procedures throughout the Half-year Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Half-year Period, there was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries.

By Order of the Board

Richard Woolcott

Chairman

Hong Kong, 11th August 2003