

# ACROSS ASIA LIMITED

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

## Annual Report 2004





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## Corporate Information

### DIRECTORS

#### Executive Directors

Dr. Cheng Wen CHENG  
Marshall Wallace COOPER

#### Non-executive Director

Jonathan Limbong PARAPAK

#### Independent non-executive Directors

Richard Arthur WOOLCOTT  
(Chairman of the Board)

Kwok Ming CHEUNG  
King Fai TSUI

### COMPANY SECRETARY

Kelsch Woon Kun WONG, FCIS, FCS

### COMPLIANCE OFFICER

Dr. Cheng Wen CHENG

### QUALIFIED ACCOUNTANT

Yick Lun SUEN, CPA, CPA (Aust.)

### AUDIT COMMITTEE

Richard Arthur WOOLCOTT  
(Chairman of the Audit Committee)

Kwok Ming CHEUNG  
King Fai TSUI

### REMUNERATION COMMITTEE

Richard Arthur WOOLCOTT  
(Chairman of the Remuneration Committee)

Kwok Ming CHEUNG

### AUTHORISED REPRESENTATIVES

Dr. Cheng Wen CHENG  
Kelsch Woon Kun WONG

### AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICES

Kelsch Woon Kun WONG

### REGISTERED OFFICE

P.O. Box 309GT, Uglan House  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4302, 43rd Floor, Tower One  
Lippo Centre, 89 Queensway  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited  
P.O. Box 705, Butterfield House  
Fort Street, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
G/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### LEGAL ADVISERS TO THE COMPANY

#### As to Hong Kong Law:

Richards Butler  
20th Floor, Alexandra House  
16-20 Chater Road  
Central  
Hong Kong

#### As to Cayman Islands Law:

Maples and Calder Asia  
Suite 1504  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

### AUDITORS

RSM Nelson Wheeler  
Certified Public Accountants  
7th Floor, Allied Kajima Building  
138 Gloucester Road  
Hong Kong

### PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited  
Lippo Centre  
89 Queensway  
Hong Kong

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

Standard Chartered Bank  
Standard Chartered Bank Building  
4 Des Voeux Road Central  
Hong Kong

### STOCK CODE

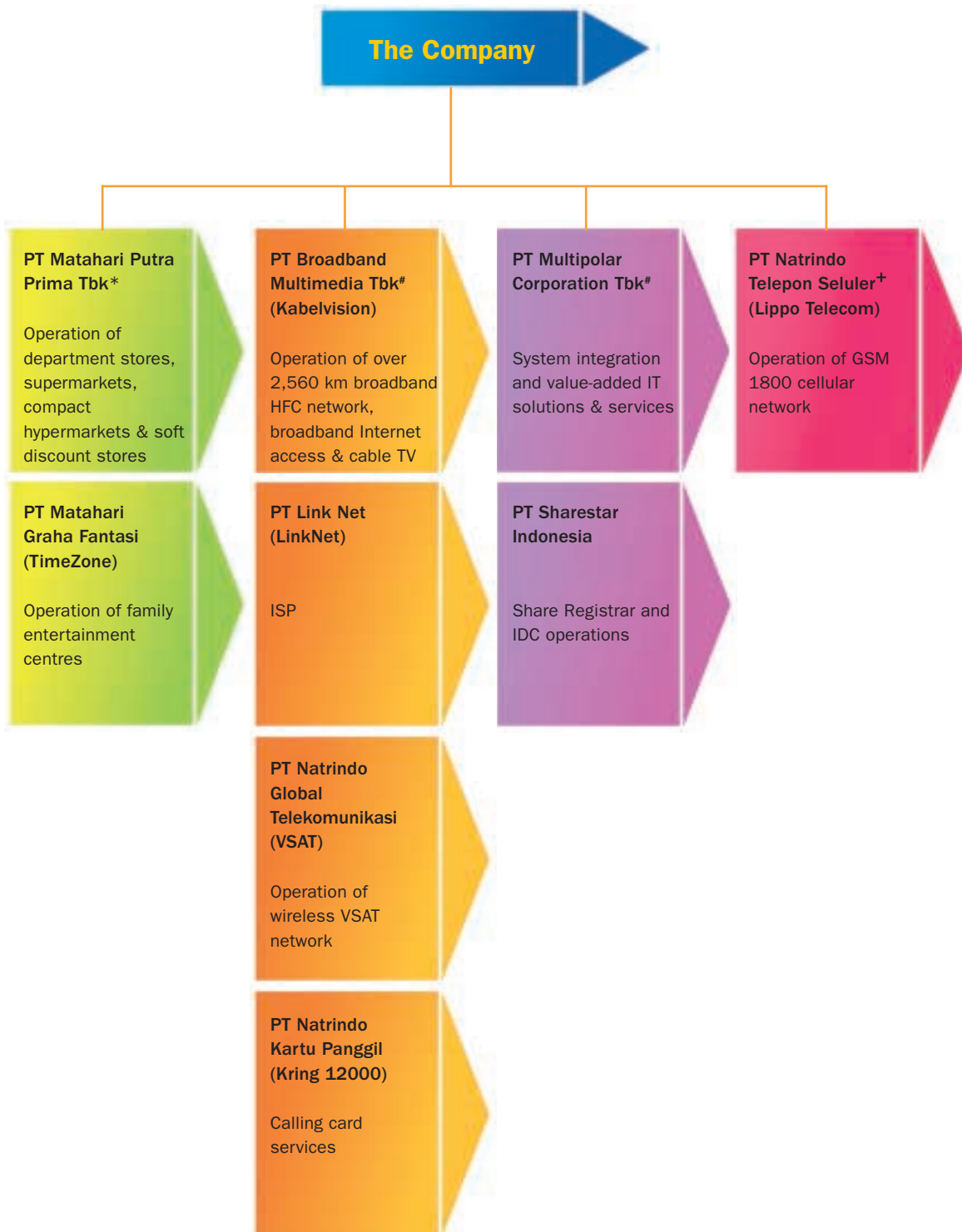
8061

### WEBSITES OF THE COMPANY AND MAJOR SUBSIDIARIES AND ASSOCIATE

[www.across-asia.com](http://www.across-asia.com)  
[www.matahari.co.id](http://www.matahari.co.id)  
[www.kabelvision.com](http://www.kabelvision.com)  
[www.multipolar.com](http://www.multipolar.com)  
[www.lippotel.com](http://www.lippotel.com)  
[www.link.net.id](http://www.link.net.id)

## Corporate Structure

As at 31st December 2004



\* Listed on the Jakarta Stock Exchange and Surabaya Stock Exchange

# Listed on the Surabaya Stock Exchange

+ associate



## Chairman's Statement



“ We aim to become a leading consumer centred service provider in Asia by leveraging on our large loyal customer base and extensive consumer services. ”

On behalf of the Board of Directors (the “Board”) of the Company and its subsidiaries (collectively “AcrossAsia Group”), I am pleased to present our Annual Report for the year ended 31st December 2004 (“2004”).

In September 2004, the Company increased its interest in PT Matahari Putra Prima Tbk (“Matahari”), the largest listed modern retail chain in Indonesia, through its subsidiary, PT Multipolar Corporation Tbk (“Multipolar”), resulting in Matahari becoming an indirect subsidiary of the Company. The purpose of acquiring the controlling interest in Matahari is to set a new strategic direction for AcrossAsia Group. We aim to become a leading consumer centred service provider in Asia by leveraging on our large loyal customer base and extensive consumer services. We are dedicated to increase continuously the scope and depth of our services bringing fashion, entertainment, convenience and value to our customers to enhance their life style and quality of living.

AcrossAsia Group's results benefited from the economic recovery and increased consumer spending in Indonesia in 2004. The consolidation of Matahari's results in the fourth quarter also helped improve the overall results of AcrossAsia

Group. In 2004, AcrossAsia Group posted a record turnover of HK\$2,483.1 million with gross profit and EBITDA (excluding other income and expenses) improved to HK\$711.0 million and HK\$222.5 million respectively. It recorded a net profit of HK\$38.4 million in 2004 compared to a net loss of HK\$49.6 million in 2003.

By capitalising on the strong base in Indonesia, AcrossAsia Group is accelerating its expansion opportunities domestically and exploring new growth opportunities in the expanding economy in China and other Asia countries. The positive outlook of Indonesia and Asia give us confidence that AcrossAsia Group will continue its improvement and growth in the coming years.

I would like to express my appreciation to my fellow Directors, and our management team and staff for their commitment, dedication, hard work and contribution. I would also like to express our sincere thanks to our shareholders for their continuing support to AcrossAsia Group.

**Richard Woolcott**

*Chairman*

Hong Kong, 22nd March 2005

## Financial Summary

A summary of the consolidated results and of the consolidated assets and liabilities of AcrossAsia Group for the last five financial years is set out below:

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>CONSOLIDATED RESULTS</b>					
Turnover	<b>2,483,147</b>	819,313	690,412	663,468	391,920
Gross profit	<b>711,034</b>	202,956	141,142	124,947	89,090
Profit (loss) after taxation but before minority interests	<b>66,742</b>	(53,030)	(118,087)	(169,570)	(143,930)
Profit (loss) attributable to shareholders	<b>38,451</b>	(49,585)	(75,239)	(216,460)	(171,839)
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>					
Shareholders' equity	<b>563,962</b>	578,777	586,348	586,642	839,390
Non-current assets	<b>2,757,820</b>	1,773,133	1,706,831	1,430,302	1,378,349
Current assets	<b>1,870,199</b>	484,975	506,307	368,781	406,166
Current liabilities	<b>1,534,217</b>	656,988	811,161	693,598	599,593
Non-current liabilities	<b>1,238,458</b>	536,875	349,141	148,210	3,177

Note:

*Pursuant to a group reorganisation in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of AcrossAsia Group on 22nd May 2000. The summary of the consolidated results for the year ended 31st December 2000 and the consolidated assets and liabilities as at 31st December 2000 was prepared as if the current group structure had been in existence throughout that year.*

## Management Review

### FINANCIAL REVIEW

The results of AcrossAsia Group for 2004 were analysed by four main business segments namely, Retail, Broadband Services, IT Solutions and Cellular Services.

#### **Turnover**

AcrossAsia Group's turnover for 2004 increased by 2 times to HK\$2,483.1 million from HK\$819.3 million in 2003. The increase in turnover was mainly attributable to the consolidation of the fourth quarterly results of Matahari after it became a member of AcrossAsia Group on 27th September 2004.

Retail, with Matahari (a subsidiary of the Company through Multipolar and listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange) as its flagship, recorded a turnover of HK\$1,666.1 million

for the fourth quarter of 2004 and HK\$4,871.9 million for the full year of 2004.

Broadband Services, with PT Broadband Multimedia Tbk ("Broadband Multimedia") (a subsidiary of the Company listed on the Surabaya Stock Exchange) as its flagship, maintained its growth momentum and scored a 10.8% rise in revenue to HK\$274.5 million in 2004 from HK\$247.7 million in 2003 through increase in the penetration of cable TV and broadband Internet services and the number of subscribers.

IT Solutions, with Multipolar (a subsidiary of the Company listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange) as its flagship, recorded a turnover of HK\$501.5 million, a slight decrease of 7.1% from HK\$540.1 million in 2003. The decrease was mainly due to a drop in sales of hardware equipment and the project-based nature of the business.





## Management Review

Cellular Services, with PT Natrindo Telepon Seluler (“Natrindo”) as its flagship, booked a 30.3% increase in revenue to HK\$40.9 million in 2004 from HK\$31.4 million in 2003. The increase was due to a rise in the number of subscribers.

### Gross Profit

Gross profit from operations increased by 2.5 times due to the contribution from Matahari and Broadband Multimedia, to HK\$711.0 million in 2004 from HK\$203.0 million in 2003.

Gross profit margin continued to improve to 28.6% in 2004 from 24.8% in 2003 mainly due to the increased revenue and cost control.

### Profit from Operations

Other operating income and gains increased by 17.8% to HK\$61.6 million in 2004 from HK\$52.3 million in 2003 primarily due to an increase in interest income, a gain on disposal of short term investment and rental income from Retail’s operation. Total operating expenses (excluding other income and expenses) of continuing operations was HK\$702.4 million in 2004, including the fourth quarterly operating expenses of Matahari. Excluding Matahari, the total operating expenses increased

by 23.3% to HK\$299.8 million in 2004 from HK\$243.1 million in 2003. The increase was mainly due to costs incurred for Natrindo’s corporate restructuring in 2004. Other operating expenses remained flat. Corporate headquarters’ cost increased to HK\$25.6 million from HK\$13.7 million in 2003 due to more corporate activities during 2004.

A gain of HK\$44.7 million arose from the deemed disposal of Natrindo in December 2004 by way of capitalisation of certain shareholders’ loans which resulted in Natrindo becoming an associate of AcrossAsia Group as at 31st December 2004. The purpose of the capitalisation was to reduce Natrindo’s debt level and strengthen its financial position to facilitate future investment by strategic investors. AcrossAsia Group subsequently disposed of its interest in Natrindo (along with other shareholders of Natrindo) to another company (which later became an associate of AcrossAsia Group), resulting in a gain of HK\$63.2 million.

A profit from operations of HK\$173.5 million was recorded in 2004. Excluding the aforesaid gain on deemed disposal, the net profit from operations was HK\$65.7 million, a 4.4 times’ increase over the



## Management Review



HK\$12.2 million in 2003. The increase was mainly contributed by the fourth quarterly results of Matahari.

AcrossAsia Group achieved for the third consecutive year a positive EBITDA (excluding other income and expenses) of HK\$222.5 million in 2004, an increase of 2.0 times from HK\$74.8 million in 2003.

### **Share of Results of Associates**

AcrossAsia Group's share of profit of associates (net of goodwill amortization) decreased by 16.8% to HK\$39.6 million for 2004 compared to HK\$47.6 million for 2003. The decrease was due to the change of status of Matahari from a then 47.4% owned associate of Multipolar to a 50.1% owned subsidiary of Multipolar on 27th September 2004. As a reference, Matahari contributed approximately HK\$35.7 million to the unaudited results of

AcrossAsia Group for the nine months ended 30th September 2004.

### **Net Profit from Ordinary Activities attributable to Shareholders**

AcrossAsia Group recorded a net profit from ordinary activities attributable to shareholders of HK\$38.5 million in 2004 due to gains on deemed disposal of a subsidiary and on disposal of an associate, and the contribution from Matahari and Broadband Multimedia, compared to a loss of HK\$49.6 million in 2003.

### **Financial Resources and Capital Structure**

AcrossAsia Group primarily financed its operations with its internally generated cash flows and borrowings during 2004. As at 31st December 2004, AcrossAsia Group had cash and bank balances and short-term investments of





HK\$1,157.5 million and net assets of HK\$564.0 million. It had net current assets of HK\$336.0 million as compared to net current liabilities of HK\$172.0 million as at 31st December 2003. The total borrowings increased to HK\$1,530.1 million from HK\$805.2 million as at 31st December 2003 and were mainly denominated in Indonesian Rupiah and United States Dollars, with interest generally chargeable at market rates and maturity dates ranging from less than a year to 5 years. The increase was mainly due to the bonds issued by Matahari. Part of the borrowings was secured by certain current assets, land use rights and buildings, machinery and equipment, and long-term investments of AcrossAsia Group. During 2004, AcrossAsia Group implemented and is continuing to implement the following management plan to further improve its financial position: restructuring of current liabilities into non-current liabilities; reduction of operating expenses and improvement of operational efficiency; procurement of long term debt/equity financing; identification and securing of strategic investors as business partners for its broadband and cellular businesses; strengthening of the broadband network and increase of the

penetration of the cable TV and other broadband services; development of high margin IT solutions and service offerings; and exploring new business opportunities that will enhance/implement existing operations. AcrossAsia Group's gearing ratio, representing total borrowings divided by shareholders' funds, was 2.7 times as at 31st December 2004. The Company did not provide any corporate guarantee as at 31st December 2004.

As a result of significant operations in Indonesia, AcrossAsia Group has foreign currency exposure mainly in transaction and conversion risks. During 2004, the foreign currency exposure had no adverse impact on AcrossAsia Group's results. AcrossAsia Group will continue to take measures to minimize its foreign exchange exposure.

## BUSINESS REVIEW

To increase shareholders' value and fully utilize existing resources and assets, AcrossAsia Group has made adjustment to its long-term development strategy and is now positioning itself as a leading consumer-oriented service provider offering value,

## Management Review

fashion and quality services catering to the rising middle-income individuals and families in Asia, particularly in Indonesia and China. The Company through its subsidiary, Multipolar, increased its stake in Matahari, the largest modern listed retail chain in Indonesia, thereby turning Matahari into a direct subsidiary of Multipolar and an indirect subsidiary of the Company in September 2004. The Company also changed its name from AcrossAsia Multimedia Limited to AcrossAsia Limited in July 2004. The name change signified the repositioning of AcrossAsia Group. The vast number of loyal customers of Matahari provides a solid base for this new positioning.

Today, AcrossAsia Group is offering a multitude of services centred around consumers as well as their families and homes in Indonesia enriching their life style and enhancing their quality of living and convenience. These services encompass the following:

- Matahari Department and Specialty Stores
  - Fashion, apparels and accessories for men, women, children and youth
  - Home furnishings and household items
- Matahari Supermarkets and Hypermart
  - Food and groceries
  - General merchandise for home and consumers
  - Home electronics and appliances
- TimeZone
  - Family entertainment centres for children and youth
- Kabelvision
  - Digital cable TV service
- Satellite digital TV service
- MyNet
  - Broadband Internet service
  - VoIP (Voice over Internet Protocol) service
- Lippo Telecom
  - GSM cellular service
  - 3G service (in the near future)





## Management Review

The Company also offers the following professional services to enterprises and institutions in Indonesia:

- Broadband Multimedia
  - Data communication service
  - Internet access
  - Leased line and private network service
  - VPN (Virtual Private Network) service
- Multipolar
  - IT and communication network solutions and systems
  - Core banking systems
  - IT Consulting service
  - IT outsourcing service

The various services mentioned above are offered through the following four major companies:

### **Matahari**

Matahari is the pioneer of Indonesia's modern retail industry, serving more than 250 million customer visits annually with an extensive retail network in over 50 cities across Indonesia. Matahari is the largest modern retailer in Indonesia targeting the fastest growing middle and upper-income market segment through its three business arms, Matahari Department Stores, Matahari Supermarkets and

TimeZone family entertainment centres.

Matahari Department Stores operated 78 department stores throughout Indonesia as at 31st December 2004. Matahari Supermarkets operated 48 conventional supermarkets and 4 compact hypermarkets under the brand name "hypermart". The "hypermart" is a new concept developed by Matahari. The successful launch of the first "hypermart" in April 2004 set an important paradigm in the enhancement of Matahari Supermarkets' service offerings to its vast number of loyal customers. Furthermore, Matahari complements its retail offerings with TimeZone entertainment centres – a joint venture with a leading Australian gaming operator, to provide family-oriented, modern, clean and convenient entertainment to its valued shopping customers in one stop. There were more than 105 TimeZone entertainment centres as at the end of 2004. Backed by its multi-format strategy, Matahari has strengthened its stronghold position within the industry. In addition, Matahari has been rationalising its store portfolio to meet demographic and geographical needs.

Matahari has a Matahari Club Card VIP program having a registered customer base of over 4.5



## Management Review



million. It has formed strategic alliances with consumer banks in Indonesia to further enhance Matahari's services to its nationwide customers. Matahari was awarded the 2004 Top Retailer in Indonesia by Retail Asia Pacific Publication. This recognition set a milestone for the achievement of Matahari's vision to become an internationally recognized retail player.

Matahari successfully completed in May 2004 two bond issues raising a total Rp450 billion (approximately HK\$405 million), larger than the originally planned Rp300 billion (approximately HK\$270 million) due to better than expected market response. The funds serve to foster the above store portfolio rationalization and further boost Matahari's leading position in Indonesia.

### **Broadband Multimedia**

Broadband Multimedia is the largest cable TV operator in Indonesia. It provides cable TV, broadband Internet access and other data network services to corporate and residential customers. It operates the largest two-way HFC (Hybrid Fibre Coaxial) broadband network in Indonesia, which has reached over 2,560 km as at 31st December 2004, passing more than 220,870 homes and covering major residential and central business districts in prime cities in Indonesia. It offers 67 national and international channels of programming under the brand name "Kabelvision". The number of cable TV subscribers increased by 10% to approximately 120,490 as of 31st December 2004, with penetration reaching 55.8%. The total number of broadband Internet consumer subscribers slightly increased by 6% to approximately 13,490.



Broadband Multimedia soft launched an improved Internet access service under the brand name “MyNet” to residential customers in late December 2004. MyNet delivers high-speed broadband Internet access that facilitates a variety of online services such as online games.

Broadband Multimedia’s Corporate Access Network service offers data communication services to corporations including total communication solutions for high-speed data transfer and intranet applications. The broadband network linked to 116 corporations as at 31st December 2004.

#### **Multipolar**

Multipolar has positioned itself as one of the prominent IT system integration and services providers in Indonesia. Its Hardware and Software unit delivers strategic technology solutions to leading companies and state-owned corporations in Indonesia.

During 2004, Multipolar’s System Integration unit has surpassed the price war and maintained its margin levels through closer interaction with its principal suppliers and delivering quality services to its clients. Multipolar continued to build up its leading position in the provision of IT solutions to the financial services industry through securing large system integration projects, banking solutions deployment and value added implementation of systems regarding corporate governance and regulatory compliance in that industry. It has won several awards against international competition in the financial services and public utilities sectors during 2004. Multipolar has also established the groundwork for it to enter new IT areas by building the competencies of its staff.

#### **Natrindo**

Natrindo provides GSM 1800 cellular services under the brand name “Lippo Telecom” in East Java. Its subscriber base grew to approximately 127,770



## Management Review

subscribers as at 31st December 2004. Direct interconnections with 24 international roaming partners in Asia-Pacific, Middle East and Europe have been established. Natrindo has also signed up 8 roaming arrangements that are currently in testing stage.

In December 2004, Natrindo strengthened its capital base by capitalising certain shareholders' loans. After the capitalisation, Natrindo became an associate of AcrossAsia Group. Natrindo holds a national GSM1800 licence and one of the two 3G licences in Indonesia.

### PROSPECTS

On the back of continuing economic and political improvements, foreign and domestic investment activities have gained noticeable momentum in Indonesia. AcrossAsia Group, now having a customer base exceeding 11 million in Indonesia, is well poised to take advantage of the positive economic environment.

Matahari aims to become the top multi-format retailer in Indonesia and a prominent retail player within the Asia-Pacific region. It strives to be the premier choice of shopping to customers and to dominate the middle-to-upper income segment by offering one-stop shopping experience. It will continue to expand its customer base and enhance its product and service offerings through new store openings and introduction of new operation formats and services.

Broadband Multimedia will foster the penetration of its cable TV and broadband Internet services. It also plans to greatly extend its cable coverage and start offering digital cable TV services in 2005. The latter will greatly increase the number of programming channels. The above are expected to boost the subscriber base substantially over the next few years. It will continue to enhance its service offerings as well as technical improvements. As a strategic move, the Broadband Multimedia group has just entered into an agreement with the Astro group

of Malaysia for the provision of Direct-to-Home multi-channel digital satellite pay television, radio and interactive multimedia services in Indonesia.

Multipolar has a strong brand image in server, solutions and services areas in the Indonesian IT marketplace. It will actively pursue contracts by capitalising on its comprehensive portfolio of product and service offerings which is capable of meeting much of the IT needs of its international and local clients.

The low cellular penetration of only 13.4% out of a population of 240 million has made Indonesia one of the most attractive cellular markets in Asia. According to market estimate, the cellular market is expected to grow from 29 million subscribers to 69 million subscribers during 2004 to 2008. Natrindo is in the process of forming a strategic alliance with Maxis, the largest cellular operator in Malaysia, to accelerate Natrindo's nationwide rollout and take advantage of Indonesia's booming cellular market.

AcrossAsia Group is not only committed to business growth, but also taking an active role in the economic, social and cultural development of Indonesia. At the same time, it is looking for business opportunities in China and other Asian countries.

### EMPLOYEES

As at 31st December 2004, AcrossAsia Group had approximately 14,750 employees (2003: 740). The increase was mainly attributable to the staff size of Matahari which became a member of AcrossAsia Group from September 2004. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. AcrossAsia Group's employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other benefits include share option granted or to be granted under the share option schemes, incentive bonus and training schemes.



## Directors and Senior Management

### EXECUTIVE DIRECTORS

**Dr. Cheng Wen CHENG**, aged 60, has been an executive Director and the President and Chief Executive Officer (“CEO”) of the Company since June 2000. He concurrently serves as the President Commissioner of Matahari and Multipolar and a Commissioner of Broadband Multimedia. He has over 29 years of international experience in research and development, marketing and general management. Prior to joining AcrossAsia Group, he was the Chief Executive of the Provisional Hong Kong Science Park Corporation. He was the Chief Operating Officer and Executive Vice President of Philips Electronics Group in China/Hong Kong and Taiwan. Before that, he was the President of Taiwan Gadelius Limited (an ABB subsidiary) and Vice President of Taiwan International Standard Electronics Ltd. (an Alcatel subsidiary). He also worked for Bell Telephone Manufacturing Company (an ITT subsidiary) in Belgium and Bell Laboratories in the United States of America (“USA”) prior to returning back to Taiwan. He holds a Bachelor of Science degree from National Cheng Kung University, Taiwan, and Master of Science and PhD degrees in Electrical Engineering from Iowa State University, USA.

**Mr. Marshall Wallace COOPER**, aged 45, has been an executive Director of the Company since May 2002 and the Chief Financial Officer of the Company. He is also a Director and the CEO of Broadband Multimedia. He joined AcrossAsia Group in April 1999. He has over 19 years’ experience in Asia. Prior to joining AcrossAsia Group, he served as Asia-Pacific controller for an oil and gas service company and as regional controller for a mining company. He holds a diploma from Perth Institute of Technology, Australia.

### NON-EXECUTIVE DIRECTOR

**Mr. Jonathan Limbong PARAPAK**, aged 62, has been a non-executive Director of the Company since May 2002. He has also been the Chairman of the Company’s Indonesia Office since February 2000 and of PT Natrindo Global Telekomunikasi since March 2000 and the President Commissioner of Broadband Multimedia. He has been the Chairman of the Council of Professionals and Association of the Indonesian Infocom Society as well as a member of the Indonesian Council of Research and Development and the E-Asean Task Force. He was appointed Secretary General of the Department of Tourism, Posts and Telecommunications in 1991 and then the Secretary General of the Department of Tourism, Arts and Culture in 1998. He was the President and CEO of Indosat for 10 years and the Chairman of the board of Indosat for 9 years until April 2000. He was also the Chairman of International Satellite Organisation, a member of the High Level Committee of International Telecommunication Union and the Chairman of PT INTI, a state-owned telecommunications manufacturing company. He graduated from the National Resilience Institute (Lemhanas), Indonesia and holds a Master of Engineering Science degree from the University of Tasmania, Australia.

## Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Richard Arthur WOOLCOTT**, aged 77, has been the Chairman of the Board and an independent non-executive Director of the Company since June 2000. He is presently on the Advisory Boards of several Australian and Asia Pacific based organisations, and is the Founding Director of AustralAsia Centre of the Asia Society. He was Secretary (Head) of the Department of Foreign Affairs and Trade (1988 – 1992) in Australia and served as the Ambassador and Permanent Representative to the United Nations where he represented Australia on the Security Council and held several senior postings throughout South East Asia. He was closely involved with the formation of the Asia Pacific Regional Economic Forum (“APEC”) and was the Prime Minister’s special envoy charged with developing the APEC concept.

**Mr. Kwok Ming CHEUNG**, aged 43, has been an independent non-executive Director of the Company since June 2000. He is a partner of Or, Ng & Chan, Solicitors. His areas of practice include corporate finance, merger and acquisition, banking and securities. He qualified and was admitted as a solicitor in Hong Kong in 1991. He holds a Bachelor of Laws degree from the University of Hong Kong.

**Mr. King Fai TSUI**, aged 55, has been an independent non-executive Director of the Company since September 2004. He is a managing director of a financial services company in Hong Kong. He has extensive experience in finance, management and investment management, particularly in investments in mainland China. He worked for two leading audit firms in the USA and Hong Kong and served in various publicly listed companies in Hong Kong in a senior capacity. He graduated from the University of Houston, Texas, USA and holds a Master of Science degree in Accounting and a Bachelor degree in Business Administration with first class honour. He is a Fellow of the Hong Kong

Institute of Certified Public Accountants, a member of Institute of Chartered Accountants in Australia and a member of American Institute of Certified Public Accountants. He is also a member of the finance committee of the Construction Industry Training Authority in Hong Kong.

### SENIOR MANAGEMENT

**Mr. Jeffrey Koes WONSONO**, aged 45, joined AcrossAsia Group in September 1994 and is the Vice President of the Company, CEO of the Company’s Indonesia Office and the President Director of Multipolar and a Commissioner of Broadband Multimedia and Matahari. Prior to joining AcrossAsia Group, he was an executive director and Deputy President of various multinational joint venture banks. He is a graduate of Centre for Business Studies of London, England in Marketing and also holds a Master degree in Business Administration from Golden Gate University, USA.

**Mr. Bunjamin Jonatan MAILLOOL**, aged 44, joined AcrossAsia Group in January 2002 and is the President Director and CEO of Matahari. Prior to joining AcrossAsia Group, he was the CEO of PT Bukit Sentul Tbk. He started his professional career in Citibank N.A., Jakarta with his last position as Vice President – Risk Management Treasury Head. He holds a Master degree in Business Administration from San Edmund University, Oklahoma, USA.

## Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and AcrossAsia Group for 2004.

### PRINCIPAL ACTIVITIES

AcrossAsia Group is engaged principally in retail through operation of department stores, supermarkets and family entertainment centres, cable TV services, broadband network and broadband Internet access, IT solutions and cellular services.

An analysis of AcrossAsia Group's business segments is set out in Note 3 to the accompanying consolidated financial statements.

### CUSTOMERS AND SUPPLIERS

For 2004, the five largest customers of AcrossAsia Group accounted for approximately 12.0% of AcrossAsia Group's total turnover (2003 – 42%), while the five largest suppliers of AcrossAsia Group accounted for approximately 21.2 % (2003 – 41%) of AcrossAsia Group's total purchases. The largest customer of AcrossAsia Group accounted for 4.8% (2003 – 15%) of AcrossAsia Group's total turnover while the largest supplier accounted for 7.0% (2003 – 24%) of AcrossAsia Group's total purchases.

None of the Directors, their associates (as defined under the GEM Listing Rules) or any shareholders (which, to the knowledge of the Directors, owned 5% or more of the Company's share capital) had a beneficial interest in the five largest customers and suppliers of AcrossAsia Group.

### RESULTS AND APPROPRIATIONS

Details of AcrossAsia Group's results for 2004 are set out in the consolidated income statement on page 25 of the annual report.

The Directors do not recommend the payment of a dividend in respect of 2004 (2003: Nil).

### PENSION COSTS

Particulars of pension costs for 2004 are set out in Note 5 to the accompanying consolidated financial statements.

### SHARE CAPITAL

Details of share capital are set out in Note 27 to the accompanying consolidated financial statements.

## **Report of the Directors**

### **RESERVES**

Movements in reserves and accumulated losses of AcrossAsia Group during 2004 are set out in the consolidated statement of changes in equity on page 28 of the annual report.

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

During 2004, there was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association and no statutory provisions for the pre-emptive rights under the laws of the Cayman Islands.

### **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in Note 14 to the accompanying consolidated financial statements.

### **PROPERTY AND EQUIPMENT**

Details of the movements in property and equipment during 2004 are set out in Note 12 to the accompanying consolidated financial statements.

### **INTEREST-BEARING BORROWINGS AND NOTES PAYABLE**

Particulars of interest-bearing borrowings and notes payable as at 31st December 2004 are set out in Notes 30 and 31 respectively to the accompanying consolidated financial statements.

### **RELATED PARTY TRANSACTIONS**

The related party transactions are set out in Note 44 to the accompanying consolidated financial statements.

### **COMMITMENTS AND CONTINGENT LIABILITIES**

Particulars of commitments and contingent liabilities as at 31st December 2004 are set out in Notes 39 and 40 respectively to the accompanying consolidated financial statements.

### **POST BALANCE SHEET EVENT**

Particulars of the post balance sheet event are set out in Note 45 to the accompanying consolidated financial statements.



## Report of the Directors

### DIRECTORS

The Directors who held office during 2004 and up to the date of this report were:

#### **Executive Directors**

Dr. Cheng Wen CHENG  
Mr. Marshall Wallace COOPER

#### **Non-executive Directors**

Mr. Jonathan Limbong PARAPAK  
Mr. Stephen HUNG (resigned on 15th June 2004)

#### **Independent non-executive Directors**

Mr. Richard Arthur WOOLCOTT  
Mr. Kwok Ming CHEUNG  
Mr. King Fai TSUI (appointed on 30th September 2004)

The Company has received the annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and considered them to be independent.

In accordance with Article 116 of the Articles of Association of the Company, Messrs. Marshall Wallace Cooper and Kwok Ming Cheung retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 99 of the Articles of Association of the Company, Mr. King Fai Tsui retires and being eligible, offers himself for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

Dr. Cheng Wen Cheng has entered into a service contract with the Company for a term of two years commencing from 1st June 2003.

The term of office of Messrs. Jonathan Limbong Parapak, Richard Arthur Woolcott and Kwok Ming Cheung will expire on 31st December 2006 pursuant to letters all dated 22nd March 2005 between them and the Company respectively.

Mr. King Fai Tsui was appointed pursuant to a letter of appointment dated 27th September 2004 for a term of two years from 30th September 2004.

Apart from the foregoing, no Director has a service contract with the Company.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 7 to the accompanying consolidated financial statements, no contracts of significance in relation to AcrossAsia Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of 2004 or at any time during 2004.

### DISCLOSURE OF INTERESTS IN SECURITIES

#### Directors and Chief Executive

As at 31st December 2004, 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 5.46 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**

The spouse of Mr. King Fai Tsui was interested in 50,000 shares of Hongkong Chinese Limited, an associated corporation of the Company (representing approximately 0.00% in the issued share capital thereof).

Save as disclosed herein, 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) *Physically 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 31st December 2004	Percentage of enlarged issued share capital
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 (Note 1)	0.25
Mr. Richard Arthur Woolcott	3,546,000	–	3,546,000 (Note 2)	0.07
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 (Note 3)	0.04
Mr. Marshall Wallace Cooper	355,000	–	355,000 (Note 4)	0.01
<b>Total</b>	<b>19,415,000</b>	<b>–</b>	<b>19,415,000</b>	

## Report of the Directors

### 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, 1st June 2003 and 1st June 2004; 2,364,000 shares shall become exercisable from 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, 1st April 2003 and 1st April 2004; 709,200 shares shall become exercisable from 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, 1st April 2003 and 1st April 2004; 472,800 shares shall become exercisable from 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, 1st April 2003 and 1st April 2004; 71,000 shares shall become exercisable from 1st April 2005.
5. Mr. Stephen Hung resigned as a Director of the Company with effect from 15th June 2004. As a result, his option to subscribe for 472,800 shares and 1,891,200 shares lapsed on 15th June 2004 and 14th December 2004 respectively.
6. The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").

### (ii) Cash settled and other equity derivatives

None of the Directors or the chief executive of the Company were interested in any long position in cash 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 31st December 2004, 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
Grandhill Asia Limited	500,000,000	9.87
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

## Report of the Directors

Note:

*The shares of the Company were held by direct and indirect wholly-owned subsidiaries (including Cyport Limited and its wholly-owned subsidiary, Grandhill Asia 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 31st December 2004, 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**

In addition to the Pre-IPO Plan, the Company also has a share option scheme adopted on 14th May 2002 (the "2002 Scheme") under which employees of AcrossAsia 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. Details of the share options were set out in Note 36 to the accompanying consolidated financial statements.

The Directors consider it inappropriate to value the options granted under the Pre-IPO Plan as the market price of the shares as at 31st December 2004 was below the subscription price in respect of all the options granted. Any valuation based on assumptions would not be meaningful.

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.

## **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 2004. There was a chance that such businesses might have competed with AcrossAsia Group during 2004.



## Report of the Directors

### COMPETING INTERESTS (Continued)

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 AcrossAsia Group and any other conflicts of interests which any such person had or may have with AcrossAsia Group.

### AUDIT COMMITTEE

The Company established an audit committee on 23rd June 2000 with written terms of reference in accordance with Rules 5.28 and 5.29 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 AcrossAsia Group. The audit committee has met four times during 2004.

### BOARD PRACTICES AND PROCEDURES AND CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with then Rules 5.34 to 5.45 of the GEM Listing Rules regarding board practices and procedures throughout 2004.

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during 2004.

### AUDITORS

During 2002, Arthur Andersen & Co. resigned as the auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. During 2003, Ernst & Young resigned as the auditors of the Company and RSM Nelson Wheeler were appointed by the Directors to fill the casual vacancy so arising.

The accompanying financial statements have been audited by RSM Nelson Wheeler. A resolution for the re-appointment of RSM Nelson Wheeler as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

**Richard Woolcott**

*Chairman*

Hong Kong, 22nd March 2005

## Report of the Auditors

**RSM Nelson Wheeler**

羅申美會計師行

Certified Public Accountants

**TO THE SHAREHOLDERS**

**ACROSSASIA LIMITED**

**(FORMERLY KNOWN AS ACROSSASIA MULTIMEDIA LIMITED)**

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

We have audited the accompanying balance sheet of AcrossAsia Limited (the "Company") and the consolidated balance sheet of the Company and its subsidiaries ("AcrossAsia Group") as at 31st December 2004, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of AcrossAsia Group as of 31st December 2004, and of the results of AcrossAsia Group's operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM NELSON WHEELER**

*Certified Public Accountants*

Hong Kong, 22nd March 2005

## Consolidated Income Statement

For the year ended 31st December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>TURNOVER</b>	4	<b>2,483,147</b>	819,313
Cost of sales and services rendered		<b>(1,772,113)</b>	(616,357)
Gross profit		<b>711,034</b>	202,956
Other operating income and gains	4	<b>61,580</b>	52,301
Gain on deemed disposal of a subsidiary		<b>44,653</b>	–
Gain on disposal of an associate		<b>63,160</b>	–
Selling and distribution costs		<b>(242,490)</b>	(52,139)
General and administrative expenses		<b>(459,924)</b>	(190,772)
Other operating expenses		<b>(4,479)</b>	(180)
<b>PROFIT FROM OPERATIONS</b>	5	<b>173,534</b>	12,166
Finance costs	6	<b>(117,241)</b>	(92,170)
Share of results of associates		<b>48,769</b>	60,360
Amortisation of goodwill on acquisition of associates		<b>(9,156)</b>	(12,715)
		<b>39,613</b>	47,645
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>95,906</b>	(32,359)
Income tax expense	9	<b>(29,164)</b>	(20,671)
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>66,742</b>	(53,030)
Minority interests		<b>(28,291)</b>	3,445
<b>NET PROFIT/(LOSS) FROM ORDINARY</b>			
<b>ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	10	<b>38,451</b>	(49,585)
<b>EARNINGS/(LOSS) PER SHARE (HK cents)</b>	11		
Basic		<b>0.76</b>	(0.98)
Diluted		<b>N/A</b>	N/A

## Balance Sheets

As at 31st December 2004

	Notes	AcrossAsia Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	12	<b>1,441,846</b>	560,388	<b>47</b>	201
Investment properties	13	<b>129,732</b>	48,927	–	–
Interests in subsidiaries	14	–	–	<b>561,103</b>	575,935
Interests in associates	15	<b>154,014</b>	934,954	<b>3,463</b>	–
Long term investments	16	<b>75,592</b>	6,297	–	–
Goodwill	17	<b>213,401</b>	139,423	–	–
Intangible assets	18	<b>5,257</b>	29,251	–	–
Deferred tax assets	19	<b>27,395</b>	28,499	–	–
Non-current prepayments, deposits and receivables	20	<b>688,503</b>	22,974	–	–
Due from related companies	21	<b>22,080</b>	2,420	–	–
		<b>2,757,820</b>	1,773,133	<b>564,613</b>	576,136
<b>Current assets</b>					
Inventories	22	<b>390,931</b>	29,386	–	–
Trade receivables	23	<b>142,596</b>	189,444	–	–
Prepayments, deposits and other current assets	24	<b>179,158</b>	68,237	<b>302</b>	907
Short term investments	25	<b>205,724</b>	148,112	–	–
Pledged bank deposits	26	<b>1,337</b>	9,179	–	–
Cash and bank deposits	26	<b>950,453</b>	40,617	<b>10,433</b>	303
		<b>1,870,199</b>	484,975	<b>10,735</b>	1,210
<b>TOTAL ASSETS</b>		<b>4,628,019</b>	2,258,108	<b>575,348</b>	577,346

## Balance Sheets

As at 31st December 2004

	Notes	AcrossAsia Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Issued capital	27	506,462	506,462	506,462	506,462
Accumulated losses		(780,950)	(819,401)	(606,003)	(603,217)
Reserves	28	838,450	891,716	664,271	664,271
		<b>563,962</b>	578,777	<b>564,730</b>	567,516
<b>Minority interests</b>		<b>1,291,382</b>	485,470	–	–
<b>Non-current liabilities</b>					
Provisions	29	59,348	3,845	–	–
Interest-bearing borrowings	30	354,117	468,421	–	–
Notes payable	31	100,590	52,870	–	–
Bonds payable	32	688,181	–	–	–
Due to related companies	34	6,437	6,717	4,000	4,000
Non-current other payables		24,500	5,020	–	–
Deferred tax liabilities	19	5,285	–	–	–
		<b>1,238,458</b>	536,873	<b>4,000</b>	4,000
<b>Current liabilities</b>					
Provisions	29	64,168	140	–	–
Interest-bearing borrowings	30	472,584	280,221	–	–
Notes payable	31	38,037	62,882	–	–
Finance lease obligations	33	116	–	–	–
Due to related companies	34	8,634	49,910	–	–
Trade payables	35	453,729	114,484	–	–
Receipts in advance		15,483	18,151	–	–
Other payables and accruals		430,878	99,917	6,618	5,830
Tax payable		50,588	31,283	–	–
		<b>1,534,217</b>	656,988	<b>6,618</b>	5,830
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,628,019</b>	2,258,108	<b>575,348</b>	577,346

**Cheng Wen CHENG**  
Director

**Marshall Wallace COOPER**  
Director



## Consolidated Statement of Changes in Equity

For the year ended 31st December 2004

	Issued capital HK\$'000	Share premium account HK\$'000	Equity			Accumulated losses HK\$'000	Total HK\$'000
			Capital reserve HK\$'000	transactions of associates HK\$'000	Translation reserve HK\$'000		
At 1st January 2003	506,462	32,877	1,464,802	2,707	(650,684)	(769,816)	586,348
Net gain on available-for-sale							
financial assets of associates	-	-	-	218	-	-	218
Currency translation differences	-	-	-	-	41,796	-	41,796
Net gain not recognised in the income statement	-	-	-	218	41,796	-	42,014
Net loss attributable to shareholders	-	-	-	-	-	(49,585)	(49,585)
At 31st December 2003 and 1st January 2004	506,462	32,877	1,464,802	2,925	(608,888)	(819,401)	578,777
Net gain on available-for-sale							
financial assets of associates	-	-	-	606	-	-	606
Currency translation differences	-	-	-	-	(53,872)	-	(53,872)
Net (loss)/gain not recognised in the income statement	-	-	-	606	(53,872)	-	(53,266)
Net profit attributable to shareholders	-	-	-	-	-	38,451	38,451
At 31st December 2004	506,462	32,877	1,464,802	3,531	(662,760)	(780,950)	563,962

## Consolidated Cash Flow Statement

For the year ended 31st December 2004

	2004 HK\$'000	2003 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before income tax</b>	<b>95,906</b>	(32,359)
Adjustments for:		
Finance costs	<b>117,241</b>	92,170
Amortisation of bonds issuance cost	<b>1,118</b>	–
Share of results of associates (less amortisation of goodwill on acquisition of associates)	<b>(39,613)</b>	(47,645)
Depreciation	<b>130,087</b>	89,159
Amortisation of goodwill	<b>5,653</b>	3,175
Amortisation of intangible assets	<b>1,450</b>	1,551
Write back of impairment of property and equipment	–	(180)
Impairment of long term investments	<b>4,479</b>	–
Unrealised gain on revaluation of short term investments	<b>(10,467)</b>	(1,504)
Net (gain)/loss on disposal of property and equipment	<b>(33)</b>	7,657
Property and equipment written off	<b>2,402</b>	–
Loss on disposal of intangible assets	–	1,713
Bad debts expense/provision for doubtful debts	<b>2,438</b>	1,967
Provision for inventories	<b>297</b>	63
Decrease in provisions	<b>(1,576)</b>	–
Net loss on disposal of subsidiaries	–	2,158
Gain on deemed disposal of a subsidiary	<b>(44,653)</b>	–
Gain on disposal of an associate	<b>(63,160)</b>	–
Interest income	<b>(27,665)</b>	(15,598)
Operating profit before working capital changes	<b>173,904</b>	102,327
Increase in amounts due from associates	<b>(1,194)</b>	–
Increase in amounts due from related companies	<b>(1,229)</b>	(3,765)
Decrease in inventories	<b>65,182</b>	46,424
Decrease/(increase) in trade receivables	<b>39,259</b>	(18,926)
(Increase)/decrease in prepayments, deposits and other current assets	<b>(101,462)</b>	47,401
Decrease in amounts due to related companies	<b>(37,821)</b>	(2,788)
Increase in trade payables	<b>173,258</b>	11,337
Decrease in receipts in advance	<b>(1,123)</b>	(5,912)
Increase/(decrease) in other payables and accruals	<b>201,124</b>	(67,988)
<b>Cash from operations</b>	<b>509,898</b>	108,110
Income taxes (paid)/refunded	<b>(21,924)</b>	9,178
Net cash inflow from operating activities	<b>487,974</b>	117,288

## Consolidated Cash Flow Statement

For the year ended 31st December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment		(159,463)	(49,451)
Purchases of intangible assets		(247,342)	–
Purchases of investment properties		–	(885)
Purchases of an associate		(3,900)	–
Proceeds from disposal of property and equipment		20,218	2,267
Proceeds from disposal of short term investments		97,686	–
Net cash inflow attributable to acquisition of subsidiaries	37(a)	571,936	–
Net cash outflow attributable to			
deemed disposal/disposal of subsidiaries	37(b)	(2,723)	(364)
Dividends received from associates		13,406	–
Increase in pledged bank deposits		(1,810)	(7,972)
Interest received		27,665	5,028
Net cash inflow/(outflow) from investing activities		315,673	(51,377)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest-bearing borrowings and notes payable		(525,508)	(163,913)
New interest-bearing borrowings and notes payable		737,409	203,402
Repayment of capital element of finance lease obligations		(43)	(208)
Interest paid		(117,241)	(92,170)
Net cash inflow/(outflow) from financing activities		94,617	(52,889)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		40,617	26,406
Effect of foreign exchange rate changes, net		11,572	1,189
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		950,453	40,617
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank deposits		950,453	40,617

## Notes to the Financial Statements

For the year ended 31st December 2004

### 1. ORGANISATION AND OPERATIONS

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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13th July 2000.

At an extraordinary general meeting of shareholders of the Company held on 26th July 2004 a special resolution was passed to change the name of the Company from AcrossAsia Multimedia Limited to AcrossAsia Limited.

The Company and its subsidiaries (collectively "AcrossAsia Group") were engaged in the following principal activities:

- cable TV, broadband Internet and network services
- circular services
- IT system integration and solution services
- retail

The Company is a subsidiary of Cyport Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company is Lippo Cayman Limited, which is incorporated in the Cayman Islands.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain investments, as further explained below.

#### (b) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except that AcrossAsia Group has adopted IFRS 3 – Business Combinations which applies to the accounting for business combinations for which the agreement date is on or after 31st March 2004. IFRS 3 required simultaneous adoption with IAS 36 (revised) – Impairment of Assets and IAS 38 (revised) – Intangible Assets. The revised IAS 36 and IAS 38 apply to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31st March 2004.

The effect of the adoption of IFRS 3 upon AcrossAsia Group's accounting policies has impacted the recognition of restructuring provisions arising upon an acquisition. AcrossAsia Group is now only permitted to recognise an existing liability contained in the acquiree's financial statements on acquisition. Previously this type of restructuring provision could be recognised by the acquirer regardless of whether the acquiree had recognised this type of liability or not. In addition, IFRS 3 requires the acquirer to recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably. Such contingent liabilities were subsumed within the amount recognised as goodwill previously.

Further, upon acquisition AcrossAsia Group initially measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the minority's proportions of the net fair values of those items.

Additionally, IFRS 3 requires goodwill from acquisition not to be amortised but to be tested for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) in accordance with IAS 36 (revised).

Moreover, the useful life of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has to be amortised over its useful life. Amortisation years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the years over which the asset is expected to generate net cash inflows for AcrossAsia Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Changes in accounting policies (Continued)**

In addition to the standards referred to above, the IASB has also issued the following new and revised IFRSs which are effective for accounting periods beginning on or after 1st January 2005.

IFRS 2	Share-Based Payment
IFRS 5	Non-Current Assets Held For Sale and Discontinued Operations
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets (for assets other than goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31st March 2004)
IAS 38	Intangible assets (for intangible assets other than intangible assets acquired in business combinations for which the agreement date is on or after 31st March 2004)
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property

AcrossAsia Group has not early adopted these new and revised IFRSs for the year ended 31st December 2004. AcrossAsia Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.



## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year. Subsidiaries are consolidated from the date on which control is transferred to AcrossAsia Group and cease to be consolidated from the date on which control is transferred out of AcrossAsia Group. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within AcrossAsia Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(e) **Subsidiaries**

A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern its financial and reporting policies so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(f) **Associates**

AcrossAsia Group's interests in associates are accounted for under the equity method of accounting. An associate is an entity, not being a subsidiary, over which AcrossAsia Group is in a position to exercise significant influence, but not control, through participation in its financial and operating policy decisions.

AcrossAsia Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. AcrossAsia Group's interests in associates are stated in the consolidated balance sheet at AcrossAsia Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of AcrossAsia Group's interests in associates, which is treated in accordance with the accounting policy for goodwill stated below.

(g) **Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over AcrossAsia Group's share of the net values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Goodwill (Continued)

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated balance sheet. Goodwill arising on acquisition on or after 31st March 2004 is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill arising on acquisition before 31st March 2004 is stated at cost less accumulated amortisation and any impairment losses and is amortised on the straight-line basis over its estimated useful life of 20 years.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the recoverable amount of a cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised. Any impairment in goodwill is recognised immediately in the income statement and is not subsequently reversed. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### (h) Impairment of assets excluding goodwill

Intangible assets acquired from a business acquisition occurred on or after 31st March 2004 with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For other assets, an assessment is made at each balance sheet date of whether there is any indication of impairment, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, AcrossAsia Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Impairment of assets excluding goodwill (Continued)**

An impairment loss is recognised only if the carrying amount of an asset (cash-generating unit) exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset (cash-generating unit), however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(i) **Property and equipment, investment properties and depreciation**

Property and equipment and investment properties are fixed assets and are stated at cost less accumulated depreciation and any impairment losses. The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation or recognised, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Property and equipment, investment properties and depreciation (Continued)**

Depreciation is calculated on the straight-line basis or the double-declining balance basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Methods	Rates
Land use rights	Straight-line	0% to 1%
Buildings	Straight-line	5%
Building renovations and leasehold improvements	Straight-line	10% to 50%
Communication equipment	Straight-line	10%
Office furniture, fixtures and equipment		
– For Retail segment	Double-declining balance	15% to 25%
– For other segments	Straight-line	12% to 50%
Cable television distribution network	Straight-line	7%
Equipment for rent	Straight-line	33%
Vehicles		
– For Retail segment	Double-declining balance	25% to 50%
– For other segments	Straight-line	20% to 25%
Investment properties	Straight-line	0% to 5%

Improvements to leasehold buildings are depreciated over the shorter of the lease terms or the above rates.

The depreciation policy of construction in progress is set out in (j) and (p) below.

The gain or loss on disposal or retirement of a fixed asset recognised in the consolidated income statement is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Property and equipment held under finance leases are recorded and depreciated on the same basis as described above.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) **Construction in progress**

Construction in progress consists mainly of cable television distribution networks and cellular communication networks under construction. Expenditures relating to the construction, including direct costs of constructions and interest and other ancillary financing costs incurred on funds borrowed to finance the construction, if any, during the period of construction are capitalised as part of the costs of construction in progress. Capitalisation of interest and other ancillary financing costs cease upon completion or at the end of the prematurity period of a cable television distribution network. The accumulated costs are reclassified to the appropriate category of property and equipment when completed and ready for use or at the end of the prematurity period.

No depreciation is provided for a cellular communication network under construction until such time when the cellular communication network is completed and put into operational use. The depreciation policy for the construction in progress of a cable television distribution network is set out in (p) below.

(k) **Intangible assets**

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition.

Intangible assets other than goodwill are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to AcrossAsia Group and the cost can be measured reliably. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Intangible assets acquired separately or from a business acquisition prior to 31st March 2004 are amortised on the straight-line basis over their estimated useful lives ranging from 1 to 10 years. The useful lives of the intangible assets acquired from business acquisitions occurring on or after 31st March 2004 are assessed to be either finite or indefinite. Where amortisation is charged on finite assets, this expense is taken to the income statement.

(l) **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to AcrossAsia Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement.



## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) **Leased assets (Continued)**

Assets held under capitalised finance leases are included in property and equipment and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease term.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where AcrossAsia Group is the lessor, assets leased by AcrossAsia Group under operating leases are included in property and equipment and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where AcrossAsia Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

(m) **Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale are measured at fair value, except for unquoted equity instruments whose fair value cannot be reliably measured are stated at cost less any impairment losses. Gains or losses on investments held for trading are recognised in the consolidated income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity and are dealt with as movements in the investment revaluation reserve, until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in the consolidated income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to relevant stock exchange quoted market bid prices at the close of business on the balance sheet date, on an individual investment basis.

All regular way purchases of financial assets are recognised on the trade date which is the date AcrossAsia Group commits to purchase the asset. All regular way sales of financial assets are recognised on the settlement date which is the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Inventories**

Inventories are stated at the lower of cost and net realisable value, after due allowances for any obsolete or slow-moving items. Cost is determined on the weighted average basis, and in the case of merchandise inventories, determined on the conventional retail method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred in the process of disposal.

(o) **Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Other receivables are recognised and carried at cost less allowance for any uncollectable amounts.

(p) **Capitalisation, revenue and expense recognition during the prematurity period**

The prematurity period is defined as the period in which the cable television distribution network is partially under construction and partially in service. Prematurity period begins when the first subscriber's revenue is earned and ends when the construction of the distribution network is completed, including a reasonable time to provide for installation of subscriber drops and related hardware. Management has determined the length of the prematurity period to be two to five years.

During the prematurity period:

- Costs of the network, including materials, direct labour and construction overheads, are fully capitalised. For projects already earning revenues, depreciation is computed monthly by dividing the project's total estimated capitalised cost at the end of the prematurity period by the estimated useful lives, with the quotient being multiplied by a certain percentage related to the number of subscribers. That certain percentage is calculated by dividing the actual or expected number of subscribers at the end of the month with the expected number of subscribers at the end of the prematurity period.
- Costs related to subscribers and general and administrative expenses are charged to the consolidated income statement.
- Costs of network services incurred based on the actual number of subscribers are charged to the consolidated income statement.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(q) Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision reflecting the passage of time is included in the finance costs in the consolidated income statement.

Gains from the expected disposal of assets are not taken into account in measuring the provision. Property and equipment that are retired from active use are carried at the lower of the carrying amount or estimated net selling price less costs of disposal.

**(r) Trade and other payables**

The trade and other payables are carried at their nominal value.

**(s) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to AcrossAsia Group and when the revenue can be measured reliably, on the following basis:

- (i) insertion fees, when the advertisement is placed in the channel;
- (ii) subscription fees for cable television programmes, on the time apportionment basis for subscription packages or upon rendering of programmes for pay-per-view programmes;
- (iii) converter and fixed line broadband rental income, on a time apportionment basis;
- (iv) income from installation, when the installation services have been completed;
- (v) cable television membership joining fees, upon commencement of programme delivery;
- (vi) subscription fees for fast speed Internet access, upon rendering of the access to the Internet;
- (vii) revenue from corporate and others access network, at the time the connection takes place;
- (viii) service connection fees, on actual call usage and forfeiture of stored value upon expiry of prepaid cellular cards and calling cards;
- (ix) fees for distribution and maintenance of hardware equipment and software packages, and service fees for technology solutions rendered, when the underlying services are rendered;

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) **Revenue recognition (Continued)**

- (x) fees from shares' administration services, when the underlying services are rendered;
- (xi) sale of merchandises, when the significant risks and rewards of ownership have been transferred to the buyer;
- (xii) consignment sales, when consignment goods sold to customers;
- (xiii) sale of power cards (prepaid cards), on the actual usage and expiry of the power cards;
- (xiv) sale of tokens, upon direct sale to the buyer;
- (xv) rental income, on a straight-line basis over the lease term of the ongoing lease;
- (xvi) interest income, on a time proportionment basis taking into account the principal outstanding and at the effective interest rate applicable; and
- (xvii) dividend income, when the shareholders' right to receive payment has been established.

(t) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs commences when the activities to prepare the assets are in progress and expenditure and borrowing costs are being incurred. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(u) **Foreign currencies**

Individual companies within AcrossAsia Group maintain their books and records in the primary currencies of their respective operations ("measurement currencies"). In the financial statements of the individual companies, transactions in foreign currencies during the year are translated into the respective measurement currencies at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective measurement currencies at the applicable rates of exchange ruling at that date, non-monetary assets and liabilities denominated other currencies are translated at historical rates. Exchange gains or losses are dealt with in the income statement of the individual companies.



## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) **Foreign currencies (Continued)**

AcrossAsia Group prepares consolidated financial statements in Hong Kong dollar (the “reporting currency”). On consolidation, all the assets and liabilities of the companies of AcrossAsia Group with measurement currencies other than the reporting currency are translated into the reporting currency at the applicable rates of exchange ruling at the balance sheet date and all the income and expense items of the companies of AcrossAsia Group with measurement currencies other than the reporting currency are translated at the applicable average exchange rates for the year. The resulting exchange differences are dealt with as movements of the translation reserve. On disposal of a foreign entity, accumulated exchange differences are recognised in the consolidated income statement as a component of the gain or loss on disposal.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into the reporting currency at the exchange rates ruling at the dates of the cash flow. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into the reporting currency at the applicable average exchange rates for the year.

(v) **Employee benefits**

*Paid leave carried forward*

AcrossAsia Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

*Retirement and other benefits scheme*

AcrossAsia Group operates various defined contribution retirement benefits schemes (the “Schemes”) under existing legislation in the countries in which AcrossAsia Group operates, for those employees who are eligible to participate in the Schemes. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Schemes. The assets of the Schemes are held separately from those of AcrossAsia Group in an independently administered fund. AcrossAsia Group’s employer contributions vest fully with the employees when contributed into the Schemes, except for AcrossAsia Group’s employer voluntary contributions, which are refunded to AcrossAsia Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Schemes.

AcrossAsia Group’s Indonesian subsidiaries contribute to the Indonesian government’s statutory issuance and retirement fund (“ASTEK”) at 3.7% of the employees basic salaries and the Indonesian employees contribute another 2%. The ASTEK fund is responsible for the entire insurance claim relating to accidents incurred by the employees at the work place and for the entire retirement benefit obligations of the related employees.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) **Employee benefits (Continued)**

*Retirement and other benefits scheme (Continued)*

AcrossAsia Group's Indonesian subsidiaries have accrued for employees' service entitlements in accordance with the Decree of the Ministry of Manpower of Indonesia relating to settlement arising from employment termination and determination of severance and compensation pay.

*Share option schemes*

The Company operates a number of share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of AcrossAsia Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or AcrossAsia Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their expiry date are deleted from the register of outstanding options and have no impact on the consolidated income statement or balance sheet.

(w) **Deferred tax**

Deferred income tax is provided, using the liability method, on all significant temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(x) **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and at banks, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) **Cash and cash equivalents (Continued)**

For the purpose of the balance sheet, cash and bank deposits comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(y) **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when AcrossAsia Group becomes a party to the contractual provisions of the instrument. Further details of accounting and other policies for financial instruments are set out in Note 42 to the financial statements.

(z) **Bonds issuance cost**

Expenses incurred in connection with the issuance of bonds are deducted from the proceeds thereof and amortised over the term of the bonds using the straight-line method.

(aa) **Treasury bonds**

Repurchased instruments of indebtedness that are not retired are treated in the consolidated balance sheet as if they were retired. The difference between the face value of the instruments of indebtedness and the fair value which represents gain or loss on repurchase is credited or charged to the consolidated income statement.

(ab) **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(ac) **Use of estimates**

The preparation of the financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the amounts reporting in the financial statements and accompanying notes. Actual results could differ from these estimates.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

AcrossAsia Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of AcrossAsia Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the "Broadband Services" segment primarily engages in the provision of broadband network services, broadband Internet services and cable television services;
- (b) the "Cellular Services" segment primarily engages in the provision of GSM1800 cellular services;
- (c) the "IT Solutions" segment primarily engages in the provision of IT systems integration and solution services;
- (d) the "Retail" segment primarily engages in retail operations; and
- (e) the "Others" segment comprises, principally, AcrossAsia Group's corporate management, administration and service operations.

In determining AcrossAsia Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices or on mutually agreed terms.

AcrossAsia Group has no change in business segments during 2004.

## Notes to the Financial Statements

For the year ended 31st December 2004

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segments

The following tables present revenue and results and certain asset, liability and expenditure information of AcrossAsia Group's business segments.

AcrossAsia Group	Broadband		IT	Cellular	Others	Eliminations	Consolidated
	Retail	Services	Solutions	Services			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2004							
Segment revenue:							
Sales to external customers	1,666,139	274,525	501,516	40,967	-	-	2,483,147
Intersegment sales	-	10,559	5,675	-	-	(16,234)	-
<b>Total</b>	<b>1,666,139</b>	<b>285,084</b>	<b>507,191</b>	<b>40,967</b>	<b>-</b>	<b>(16,234)</b>	<b>2,483,147</b>
Segment results	104,078	18,926	30,033	(72,319)	(38,626)	(4,036)	38,056
Interest income							27,665
Gain on deemed disposal of a subsidiary							44,653
Gain on disposal of an associate							63,160
Profit from operations							173,534
Finance costs							(117,241)
Share of results of associates (less amortisation of goodwill on acquisition of associates)	35,381	-	4,232	-	-	-	39,613
Profit before income tax							95,906
Income tax expense							(29,164)
Profit before minority interests							66,742
Minority interests							(28,291)
Net profit from ordinary activities attributable to shareholders							38,451



## Notes to the Financial Statements

For the year ended 31st December 2004

### 3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

AcrossAsia Group	Broadband		IT	Cellular	Others	Eliminations	Consolidated
	Retail	Services	Solutions	Services			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December 2004							
Segment assets	3,584,409	449,904	194,573	22,562	560,534	(570,297)	4,241,685
Interests in associates	31,806	-	-	122,208	-	-	154,014
Unallocated assets							232,320
<b>Total assets</b>							<b>4,628,019</b>
Segment liabilities	858,849	114,798	37,370	108,175	22,900	(95,525)	1,046,567
Unallocated liabilities							1,726,108
<b>Total liabilities</b>							<b>2,772,675</b>
Year ended 31st December 2004							
Other segment information:							
Depreciation of property and equipment	40,977	40,399	24,721	22,643	165	-	128,905
Depreciation of investment properties	569	-	613	-	-	-	1,182
Amortisation of intangible assets	-	-	1,267	183	-	-	1,450
Amortisation of goodwill	3,052	1,311	-	1,290	-	-	5,653
Impairment recognised in the income statement	-	-	-	-	4,479	-	4,479
Bad debt expense/ provision for doubtful debts	-	2,064	201	173	-	-	2,438
Provision for inventories	-	297	-	-	-	-	297
Capital expenditure:							
Property and equipment	62,141	32,766	60,658	3,898	-	-	159,463
Intangible assets	-	-	-	247,342	-	-	247,342

## Notes to the Financial Statements

For the year ended 31st December 2004

## 3. SEGMENT INFORMATION (Continued)

## (a) Business segments (Continued)

AcrossAsia Group	Broadband		IT	Cellular	Others	Eliminations	Consolidated
	Retail	Services	Solutions	Services			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2003							
Segment revenue:							
Sales to external customers	-	247,727	540,153	31,433	-	-	819,313
Intersegment sales	-	5,802	6,124	-	-	(11,926)	-
<b>Total</b>	<b>-</b>	<b>253,529</b>	<b>546,277</b>	<b>31,433</b>	<b>-</b>	<b>(11,926)</b>	<b>819,313</b>
Segment results	-	9,009	36,229	(27,253)	(21,625)	208	(3,432)
Interest income							15,598
Profit from operations							12,166
Finance costs							(92,170)
Share of results of associates (less amortisation of goodwill on acquisition of associates)	44,351	-	3,294	-	-	-	47,645
Loss before income tax							(32,359)
Income tax expense							(20,671)
Loss before minority interests							(53,030)
Minority interests							3,445
Net loss from ordinary activities attributable to shareholders							(49,585)

## Notes to the Financial Statements

For the year ended 31st December 2004

### 3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

AcrossAsia Group	Broadband		IT	Cellular	Others	Eliminations	Consolidated
	Retail	Services	Solutions	Services			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December 2003							
Segment assets	-	447,859	426,091	439,565	406,448	(550,025)	1,169,938
Interests in associates	925,657	-	9,297	-	-	-	934,954
Unallocated assets							153,216
<b>Total assets</b>							<b>2,258,108</b>
Segment liabilities	-	123,999	95,885	125,853	8,667	(101,734)	252,670
Unallocated liabilities							941,191
<b>Total liabilities</b>							<b>1,193,861</b>
Year ended 31st December 2003							
Other segment information:							
Depreciation of property and equipment	-	47,125	15,916	25,054	339	-	88,434
Depreciation of investment properties	-	-	725	-	-	-	725
Amortisation of intangible Assets	-	-	1,345	206	-	-	1,551
Amortisation of goodwill	12,715	942	-	2,233	-	-	15,890
Write back of impairment recognised in the income statement	-	180	-	-	-	-	180
Bad debt expenses/ provision for doubtful debts	-	706	917	344	-	-	1,967
Provision for inventories	-	63	-	-	-	-	63
Capital expenditure:							
Property and equipment	-	24,312	8,789	16,350	-	-	49,451
Investment properties	-	-	885	-	-	-	885
Intangible assets	-	-	2,204	23,105	-	-	25,309

(b) Geographical segments

Over 90% of AcrossAsia Group's revenue, assets and capital expenditure are attributable to its customers and operations in Indonesia. Accordingly, no analysis by geographical segments is presented.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 4. TURNOVER, REVENUE AND GAINS

Turnover represents: i) fees/revenue earned for the provision of broadband services, cellular services, IT solutions and share administration services; ii) the net invoiced value of goods sold, after allowances for returns and discounts; and iii) revenue generated from the operation of family entertainment centres.

An analysis of turnover, other operating income and gains is as follows:

	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>		
Broadband Services		
– Insertion fees	31,623	19,271
– Subscription fees for cable television programmes	144,232	142,863
– Converter and fixed line broadband rental income, installation income and cable television membership joining fees	53,706	30,526
– Subscription fees for high speed Internet access	6,387	11,580
– Corporate and other access network service fees	38,577	43,487
	<b>274,525</b>	247,727
Cellular Services		
– Service connection fees	40,967	31,433
Retail		
– Store sales	1,244,832	–
– Consigned sales	697,673	–
– Family entertainment center operation	74,993	–
– Wholesales	5,349	–
Less: sales returns, allowances and discounts	(356,708)	–
	<b>1,666,139</b>	–
IT Solutions		
– Fees for distribution and maintenance of hardware equipment and software packages and service fees for technology solutions rendered	499,886	537,579
Others		
– Share administration fee*	1,630	2,574
	<b>2,483,147</b>	819,313

\* The financial information of the share administration business is classified under the IT Solutions segment.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 4. TURNOVER, REVENUE AND GAINS (Continued)

	2004 HK\$'000	2003 HK\$'000
<b>Other operating income and gains</b>		
Interest income	<b>27,665</b>	15,598
Rental income	<b>9,947</b>	–
Foreign exchange gains, net	–	16,286
Net gain on disposal of property and equipment	<b>33</b>	–
Unrealised gain on revaluation of short term investments	<b>10,467</b>	1,504
Others	<b>13,468</b>	18,913
	<b>61,580</b>	52,301
<b>Total</b>	<b>2,544,727</b>	871,614



## Notes to the Financial Statements

For the year ended 31st December 2004

## 5. PROFIT FROM OPERATIONS

AcrossAsia Group's profit from operations is arrived at after charging:

	2004 HK\$'000	2003 HK\$'000
Cost of sales and services rendered	<b>1,772,113</b>	616,357
Depreciation of property and equipment:		
Owned assets	<b>128,811</b>	88,434
Leased assets	<b>94</b>	–
	<b>128,905</b>	88,434
Depreciation of investment properties	<b>1,182</b>	725
Amortisation of goodwill*	<b>5,653</b>	3,175
Amortisation of intangible assets*	<b>1,450</b>	1,551
	<b>7,103</b>	4,726
Staff costs, including Directors' remuneration (Note 7):		
Salaries, allowances and benefits in kind	<b>176,844</b>	98,160
Retirement benefits scheme contributions (defined contribution schemes)	<b>146</b>	175
	<b>176,990</b>	98,335
Impairment/(write back of impairment) of:**		
Property and equipment	–	(180)
Long term investments	<b>4,479</b>	–
	<b>4,479</b>	(180)
Minimum lease payments under operating leases in respect of land and buildings	<b>112,698</b>	19,097
Outgoings in respect of investment properties	<b>2,889</b>	–
Net loss on disposal of property and equipment	–	7,657
Property and equipment written off	<b>2,402</b>	–
Repairs and maintenance expenditure on property and equipment	<b>7,077</b>	2,827
Bad debts expense/provision for doubtful debts	<b>2,438</b>	1,967
Provision for inventories	<b>297</b>	63
Provision for customer loyalty program	<b>3,557</b>	–
Loss on disposal of subsidiaries	–	2,158
Auditors' remuneration	<b>3,251</b>	1,932
Foreign exchange losses, net	<b>20,468</b>	–

## Notes to the Financial Statements

For the year ended 31st December 2004

### 5. PROFIT FROM OPERATIONS (Continued)

	2004 HK\$'000	2003 HK\$'000
and crediting:		
Interest income	<b>27,665</b>	15,598
Rental income	<b>9,947</b>	–
Net gain on disposal of property and equipment	<b>33</b>	–
Unrealised gain on revaluation of short term investments	<b>10,467</b>	1,504
Foreign exchange gains, net	–	16,286

\* The amortisation of goodwill and intangible assets is included in “General and administrative expenses” on the face of the consolidated income statement.

\*\* The impairment/(write back of impairment) of long term investments and property and equipment is included in “Other operating expenses” on the face of the consolidated income statement.

### 6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>51,260</b>	56,733
Notes payable wholly repayable within five years	<b>21,075</b>	19,522
Bonds payable wholly repayable within five years	<b>30,204</b>	–
Other borrowings wholly repayable within five years	<b>14,656</b>	15,915
Finance leases	<b>46</b>	–
	<b>117,241</b>	92,170

## Notes to the Financial Statements

For the year ended 31st December 2004

## 7. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	75	60
Other emoluments:		
Salaries, allowances and benefits in kind	3,466	5,297
Performance related bonuses	–	1,000
Retirement benefits scheme contributions	12	24
	<b>3,478</b>	6,321
	<b>3,553</b>	6,381

The remuneration, excluding share option benefit, of individual Directors for 2004 is as follows:

	Fees		Salaries, allowances and benefits in kind		Performance related bonuses		Retirement benefits scheme contributions		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Cheng Wen CHENG	10	10	1,000	3,300	–	1,000	12	24	1,022	4,334
Mr. Marshall Wallace COOPER	10	10	1,517	1,417	–	–	–	–	1,527	1,427
Mr. Jonathan Limbong PARAPAK	10	10	832	463	–	–	–	–	842	473
Mr. Richard Arthur WOOLCOTT #	10	10	117	117	–	–	–	–	127	127
Mr. Kwok Ming CHEUNG #	10	10	–	–	–	–	–	–	10	10
Mr. King Fai TSUI**	20	–	–	–	–	–	–	–	20	–
Mr. Stephen HUNG**	5	10	–	–	–	–	–	–	5	10
	<b>75</b>	<b>60</b>	<b>3,466</b>	<b>5,297</b>	<b>–</b>	<b>1,000</b>	<b>12</b>	<b>24</b>	<b>3,553</b>	<b>6,381</b>

There was no arrangement under which a Director waived or agreed to waive any remuneration during 2004 (2003: Nil).

During 2004, no share options were granted to the Directors in respect of their services to AcrossAsia Group (2003: Nil).

\* Appointed on 30th September 2004

\*\* Resigned on 15th June 2004

# Independent non-executive Director

## Notes to the Financial Statements

For the year ended 31st December 2004

### 8. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid employees are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	12,542	7,395
Performance related bonuses	–	1,062
Retirement benefits scheme contributions	–	24
	<b>12,542</b>	<b>8,481</b>

The five highest paid employees during 2003 included two Directors, details of whose remuneration are set out in Note 7 above.

The number of five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	3	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
	<b>5</b>	<b>5</b>

During 2004, no share options were granted to the five (2003: three) non-director, highest paid employees in respect of their services to AcrossAsia Group (2003: Nil).

### 9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided, as AcrossAsia Group had no assessable profits arising in Hong Kong during 2004 (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which AcrossAsia Group operations, based on existing legislation, interpretations and practices in respect thereof.

AcrossAsia Group's subsidiaries and associates incorporated and operating in Indonesia are subject to Indonesian income tax at a maximum rate of 30% (2003: 30%) of the individual entities' respective assessable profits in accordance with Indonesian income tax law.

## Notes to the Financial Statements

For the year ended 31st December 2004

## 9. INCOME TAX EXPENSE (Continued)

	2004 HK\$'000	2003 HK\$'000
AcrossAsia Group:		
Current income tax*	473	–
Deferred income tax*	20,138	12,873
	<b>20,611</b>	12,873
Share of tax attributable to associates:		
Current income tax*	6,684	8,222
Deferred income tax/(tax benefits)*	1,869	(424)
	<b>8,553</b>	7,798
Income tax expense	<b>29,164</b>	20,671

\* Imposed outside Hong Kong

A reconciliation of the weighted statutory tax rate to the effective tax rate is as follows:

	2004 %	2003 %
Weighted statutory tax rate	30	24
Allowance on deferred tax assets	39	(94)
Non-deductible items	3	(16)
Non-taxable items	(37)	27
Others	–	(5)
Effective tax rate	<b>35</b>	(64)

The increase in the weighted statutory tax rate is caused by a change in the profitability of AcrossAsia Group's subsidiaries in the respective countries.

## 10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for 2004 dealt with in the financial statements of the Company was HK\$2,786,000 (2003: HK\$13,723,000).

## 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities of AcrossAsia Group attributable to shareholders for 2004 of HK\$38,451,000 (2003: loss of HK\$49,585,000), and 5,064,615,385 (2003: 5,064,615,385) ordinary shares in issue during 2004.

Diluted earnings/(loss) per share for the years ended 31st December 2004 and 2003 were not disclosed, as there were no potential dilutive ordinary shares.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 12. PROPERTY AND EQUIPMENT

#### AcrossAsia Group

	Land use rights and buildings	Building renovations and leasehold improve- ments	Commun- ication equipment	Office furniture, fixtures and equipment	Cable television distribution network	Construction in progress	Equipment for rent	Vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost:</b>									
At 1st January 2004	32,095	18,026	226,934	66,644	425,604	21,827	46,591	1,167	838,888
Additions	1,940	14,355	158	57,791	20,297	27,668	36,440	814	159,463
Acquisition of subsidiaries									
(Note 37(a))	774,169	132,930	-	929,046	-	-	-	16,417	1,852,562
Deemed disposal of a subsidiary									
(Note 37(b))	-	(3,926)	(203,645)	(6,203)	-	(2,282)	-	(10)	(216,066)
Disposals	-	(2,440)	-	(8,867)	-	(19,267)	(2,566)	(122)	(33,262)
Transfers	-	-	-	158	-	(17,766)	17,608	-	-
Translation adjustments	(29,507)	(6,840)	(23,447)	(39,346)	(32,302)	2,840	(5,702)	(712)	(135,016)
At 31st December 2004	778,697	152,105	-	999,223	413,599	13,020	92,371	17,554	2,466,569
<b>Accumulated depreciation and impairment:</b>									
At 1st January 2004	2,246	14,375	53,804	41,751	125,201	12,797	27,554	772	278,500
Depreciation provided during the year	8,836	11,880	23,561	39,014	25,254	-	19,198	1,162	128,905
Acquisition of subsidiaries									
(Note 37(a))	126,705	65,252	-	557,174	-	-	-	11,962	761,093
Deemed disposal of a subsidiary									
(Note 37(b))	-	(3,492)	(73,537)	(4,336)	-	-	-	(5)	(81,370)
Disposals	-	(2,270)	-	(5,762)	-	-	(2,545)	(98)	(10,675)
Translation adjustments	(4,865)	(3,713)	(3,828)	(23,771)	(11,793)	(262)	(2,979)	(519)	(51,730)
At 31st December 2004	132,922	82,032	-	604,070	138,662	12,535	41,228	13,274	1,024,723
<b>Net book value:</b>									
At 31st December 2004	645,775	70,073	-	395,153	274,937	485	51,143	4,280	1,441,846
At 31st December 2003	29,849	3,651	173,130	24,893	300,403	9,030	19,037	395	560,388



## Notes to the Financial Statements

For the year ended 31st December 2004

### 12. PROPERTY AND EQUIPMENT (Continued)

The net book value of AcrossAsia Group's property and equipment held under finance leases included in the total amount of vehicles at 31st December 2004, amounted to HK\$261,000 (2003: HK\$Nil).

AcrossAsia Group's land use rights and buildings included above are located in Indonesia and are held under the following lease terms:

	2004 HK\$'000	2003 HK\$'000
Medium term leases	511,308	4,663
Short term leases	133,525	25,186
Freehold	942	–
	<b>645,775</b>	<b>29,849</b>

Under the relevant rules and regulations of Indonesia, AcrossAsia Group can apply for the renewal of its land use rights and buildings upon their expiry.

At 31st December 2004, certain property and equipment with an aggregate carrying value of HK\$79,952,000 (2003: HK\$42,471,000) were pledged as security for certain banking and other borrowing facilities of AcrossAsia Group (Note 41).

Company	Office furniture, fixtures and equipment HK\$'000
<b>Cost:</b>	
At 1st January 2004	
and 31st December 2004	901
<b>Accumulated depreciation:</b>	
At 1st January 2004	700
Depreciation provided during the year	154
At 31st December 2004	854
<b>Net book value:</b>	
At 31st December 2004	47
At 31st December 2003	201

## Notes to the Financial Statements

For the year ended 31st December 2004

### 13. INVESTMENT PROPERTIES

AcrossAsia Group	HK\$'000
<b>At cost:</b>	
At 1st January 2004	50,365
Acquisition of subsidiaries	93,622
Translation adjustments	(4,394)
At 31st December 2004	139,593
<b>Accumulated depreciation:</b>	
At 1st January 2004	1,438
Depreciation provided during the year	1,182
Acquisition of subsidiaries	7,366
Translation adjustments	(125)
At 31st December 2004	9,861
<b>Net book value:</b>	
At 31st December 2004	129,732
At 31st December 2003	48,927
<b>Fair value:</b>	
At 31st December 2004	257,937
At 31st December 2003	69,293

The fair values of the investment properties of AcrossAsia Group were determined individually at the balance sheet date by AcrossAsia Group, with reference to current prices on an active market from similar property, and if such current prices are not available, based on recent transaction prices or recent valuation of the investment properties by independent professionally qualified valuers or recent prices of less active market or comparable properties, after adjusting for any changes in economic conditions and other factors (such as differences in nature, condition or location) considered appropriate by the Directors.

The fair values of the investment properties to the extent of HK\$257,937,000 (2003: HK\$67,718,000) were determined based on recent valuations performed by independent professionally qualified valuers who hold recognised qualification and have recent experience in the location and category of the investment properties being valued.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 13. INVESTMENT PROPERTIES (Continued)

The investment properties are situated in Indonesia and are held under the following lease terms:

	2004 HK\$'000	2003 HK\$'000
Medium term leases	122,497	44,859
Short term leases	6,574	4,068
Freehold	661	–
	<b>129,732</b>	48,927

At 31st December 2004, certain investment properties with an aggregate carrying value of approximately HK\$44,533,000 (2003: HK\$48,790,000) were pledged as security for certain banking and other borrowing facilities of AcrossAsia Group (Note 41).

### 14. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Listed shares, at cost	554,549	557,690
Unlisted shares, at cost	9,869	9,870
	<b>564,418</b>	567,560
Due from subsidiaries	493,771	505,461
	<b>1,058,189</b>	1,073,021
Provision for impairment	(497,086)	(497,086)
	<b>561,103</b>	575,935
Market value of listed shares	<b>501,907</b>	769,142

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from PT Broadband Multimedia Tbk ("Broadband Multimedia") of approximately HK\$89,161,000 (2003: HK\$106,984,000), which bears interest at three-month LIBOR rate plus 2.5% (2003: three-month LIBOR rate plus 2.5%) per annum for the amount denominated in United States dollar and one-month SBI rate plus 2% (2003: one-month SBI rate plus 2%) per annum for the amount denominated in Indonesian Rupiah.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31st December 2004 are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			2004	2003	
PT Multipolar Corporation Tbk ("Multipolar") * (a)	Indonesia	Rp935,884,000,000	<b>50.1</b>	50.1	Investment holding, systems integration and application service provider
PT Sharestar Indonesia *	Indonesia	Rp500,000,000	<b>50.1</b>	50.1	Shares registration, payroll and customer relationship management services
PT Reksa Puspita Karya *	Indonesia	Rp25,000,000	<b>50.1</b>	50.1	Investment holding
PT Tryane Saptajagat *	Indonesia	Rp50,000,000	<b>50.1</b>	50.1	Investment holding
PT Broadband Multimedia Tbk * (a) & (b)	Indonesia	Rp187,150,000,000	<b>66.1</b>	66.1	Operation of last-mile broadband HFC network and cable television
PT AsiaNet Multimedia ("AsiaNet") * (c)	Indonesia	US\$1,333,333	<b>97.5</b>	97.5	Investment holding
PT Natrindo Global Telekomunikasi *	Indonesia	Rp25,000,000,000	<b>88.0</b>	88.0	Operation of wireless VSAT network
PT Natrindo Kartu Panggil *	Indonesia	Rp5,000,000	<b>87.6</b>	87.6	Provision of prepaid telephone calling cards
PT Inti Mitratama Abadi *	Indonesia	Rp60,000,000,000	<b>58.5</b>	58.5	Investment holding
PT Link Net *	Indonesia	Rp12,500,000,000	<b>97.0</b>	97.0	Internet service provider
PT Tirta Mandiri Sejahtera *	Indonesia	Rp5,000,000	<b>88.0</b>	88.0	Investing holding
PT Matahari Putra Prima Tbk ("Matahari") * (a) & (d)	Indonesia	Rp1,352,997,000,000	<b>25.1</b>	–	Operation of department stores and supermarket chains

## Notes to the Financial Statements

For the year ended 31st December 2004

## 14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			2004	2003	
PT Matahari Super Ekonomi * ^	Indonesia	Rp2,500,000,000	24.9	–	Retail business
PT Nadya Putra Investama * ^	Indonesia	Rp2,000,000,000	25.1	–	General trading
PT Taraprima Reksabuana * ^	Indonesia	Rp24,000,000,000	25.1	–	Sales and marketing of mineral water
PT Matahari Boston Drugstore * ^	Indonesia	Rp2,000,000,000	25.1	–	Drugstore
PT Matahari Graha Fantasi * ^	Indonesia	Rp40,000,000,000	12.6	–	Family entertainment
Prime Connection Limited * ^	British Virgin Islands	US\$50,000	25.1	–	Investment holding
Cyberworks Group Limited (“Cyberworks”) *	British Virgin Islands	US\$1,000	100	100	Investing holding
PT Multifiling Mitra Indonesia (“Multifiling”) * (e)	Indonesia	Rp1,004,000,000	25.2	–	Provision of record filing services
PT Natrindo Telepon Seluler (“NTS”) * (f)	Indonesia	Rp391,982,240,500	–	51.5	Operation of GSM 1800 cellular network

\* audited by certified public accountants other than RSM Nelson Wheeler, Hong Kong

^ acquired through the acquisition of Matahari Group

Except for Multipolar, Broadband Multimedia, AsiaNet and Cyberworks, all the shares of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for 2004 or formed a substantial portion of the net assets of AcrossAsia Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Details of the acquisition and disposal of subsidiaries of AcrossAsia Group during the years ended 31st December 2004 and 2003 are set out in Note 37 to the financial statements.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 14. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

- (a) Multipolar and Matahari are listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. Broadband Multimedia is listed on the Surabaya Stock Exchange in Indonesia.
- (b) The Company directly owns 56.0% (2003: 57.6%) equity interest in Broadband Multimedia and Multipolar (a 50.1% (2003: 50.1%) owned subsidiary) owns 20.2% (2003: 16.7%) equity interest in Broadband Multimedia.
- (c) The Company directly owns 95% (2003: 95%) equity interest in AsiaNet and Multipolar (a 50.1% (2003: 50.1%) owned subsidiary) owns 5% (2003: 5%) equity interest in AsiaNet.
- (d) On 27th September 2004, Multipolar acquired 66,680,500 additional shares in Matahari. Multipolar's equity interest in Matahari increased from 47.4% to 50.1%. As a result, Matahari became a subsidiary of Multipolar and an indirect subsidiary of the Company.
- (e) On 29th December 2004, Multipolar acquired 4,000 additional shares in Multifiling. Multipolar's equity interest in Multifiling increased from 50% to 50.2%. As a result, Multifiling became a subsidiary of Multipolar and an indirect subsidiary of the Company.
- (f) On 24th December 2004, NTS capitalised certain debts owned by it to its shareholders and increased its issued capital to Rp391,982,240,500. The effective interest of AcrossAsia Group in NTS decreased to 33.6% (2003: 51.5%), and thus NTS became an associate of AcrossAsia Group.

None of the subsidiaries had any loan capital in issue at any time during 2004 (2003: Nil).

At 31st December 2004, 136,879,310 shares (2003: 95,500,000) in Broadband Multimedia with a market value of approximately HK\$166,134,000 (2003: HK\$206,548,000) as at 31st December 2004 were pledged as security for banking and other borrowing facilities of AcrossAsia Group, as further detailed in Note 41 to the financial statements.

At 31st December 2004, 373,913,000 shares (2003: 409,524,000 shares) in Matahari with a market value of approximately HK\$207,029,000 (2003: HK\$197,168,000) were pledged as security for banking and other borrowing facilities of AcrossAsia Group, as further detailed in Note 41 to the financial statements.



## Notes to the Financial Statements

For the year ended 31st December 2004

## 15. INTERESTS IN ASSOCIATES

Company	2004			2003		
	Listed shares	Unlisted shares	Total	Listed shares	Unlisted shares	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	–	3,463	3,463	–	–	–
Goodwill on acquisition	–	–	–	–	–	–
	–	3,463	3,463	–	–	–
Market value of listed shares	–	N/A		–	N/A	

## AcrossAsia Group

	2004			2003		
	Listed shares	Unlisted shares	Total	Listed shares	Unlisted shares	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	–	154,014	154,014	760,940	8,838	769,778
Goodwill on acquisition	–	–	–	165,176	–	165,176
	–	154,014	154,014	926,116	8,838	934,954
Market value of listed shares	–	N/A		572,722	N/A	

Particulars of the principal associates as at 31st December 2004 are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of ownership interest attributable to		Principal activities
			AcrossAsia Group		
			2004	2003	
PT Aneka Tirta Nusa ("ATN") # (b)	Indonesia	Rp387,988,100,000	33.6	–	Investment holding
PT Natrindo Telepon Seluler # (Note 14(f))	Indonesia	Rp391,982,240,500	33.6	51.5	Operation of GSM 1800 cellular network
PT Bintang Sidoraya #+	Indonesia	Rp10,000,000,000	10.0	–	Sales and marketing of beer

## Notes to the Financial Statements

For the year ended 31st December 2004

### 15. INTERESTS IN ASSOCIATES (Continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of ownership interest attributable to		Principal activities
			AcrossAsia Group 2004	2003	
PT Matahari Leisure #+	Indonesia	Rp1,908,225,000	12.6	–	Manufacture of amusement machines
Canwick Limited (“Canwick”) #	British Virgin Islands	US\$2	50.0	–	Investment holding
PT Matahari Putra Prima Tbk # (Note 14(d))	Indonesia	Rp1,352,997,000,000	–	23.6	Operation of department stores and supermarket chains
PT Multifiling Mitra Indonesia # (Note 14(e))	Indonesia	Rp1,000,000,000	–	25.0	Provision of record filing services

# audited by certified public accountants other than RSM Nelson Wheeler, Hong Kong

+ acquired through the acquisition of Matahari Group

Except for Canwick, all the shares of the above associates are indirectly held by the Company.

The above table lists the associates of AcrossAsia Group which, in the opinion of the Directors, principally affected the results for 2004 or formed a substantial portion of the net assets of AcrossAsia Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) All associates are private limited companies.

(b) ATN was acquired in December 2004.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 15. INTERESTS IN ASSOCIATES (Continued)

The amount of goodwill included in the interests in associates arising on the acquisition of associates in prior years is as follows:

#### AcrossAsia Group

	HK\$'000
<b>Cost:</b>	
At 1st January 2004	382,583
Reclassification	(361,667)
Translation adjustments	(20,916)
At 31st December 2004	–
<b>Accumulated amortisation:</b>	
At 1st January 2004	217,407
Amortisation provided during the year	9,156
Reclassification	(214,678)
Translation adjustments	(11,885)
At 31st December 2004	–
<b>Net book value:</b>	
At 31st December 2004	–
At 31st December 2003	165,176

Goodwill on acquisition of associates is amortised on the straight-line basis over its estimated useful life of 20 years.

Goodwill arising on the acquisition of Matahari in prior years has been reclassified to Goodwill (Note 17).

## Notes to the Financial Statements

For the year ended 31st December 2004

### 16. LONG TERM INVESTMENTS

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Listed equity investments	1,469	1,238
Unlisted equity investments	74,123	5,059
	<b>75,592</b>	<b>6,297</b>

### 17. GOODWILL

The movements in the goodwill capitalised as an asset arising from the acquisition of subsidiaries are as follows:

AcrossAsia Group	HK\$'000
<b>Cost:</b>	
At 1st January 2004	152,228
Acquisition of subsidiaries	41,339
Reclassification (Note 15)	361,667
Deemed disposal of a subsidiary	(94,329)
Translation adjustments	(23,765)
At 31st December 2004	437,140
<b>Accumulated amortisation:</b>	
At 1st January 2004	12,805
Amortisation provided during the year	5,653
Reclassification (Note 15)	214,678
Deemed disposal of a subsidiary	(870)
Translation adjustments	(8,527)
At 31st December 2004	223,739
<b>Net book value</b>	
At 31st December 2004	213,401
At 31st December 2003	139,423

Goodwill on acquisition of subsidiaries occurred prior to 31st March 2004 is amortised on the straight-line basis over its estimated useful life of 20 years. Goodwill occurring on or after 31st March 2004 is not amortised and is tested for impairment annually.

## Notes to the Financial Statements

For the year ended 31st December 2004

## 18. INTANGIBLE ASSETS

## AcrossAsia Group

	Application software licenses HK\$'000	Exclusive marketing and distribution rights HK\$'000	GSM 1800 cellular license HK\$'000	IMT 2000/3G license HK\$'000	Patents HK\$'000	Total HK\$'000
<b>Cost:</b>						
At 1st January 2004	7,928	1,696	23,096	-	-	32,720
Additions	8	-	-	247,334	-	247,342
Acquisition of subsidiaries	-	-	-	-	1,454	1,454
Deemed disposal of a subsidiary	(916)	-	(21,834)	247,334	-	(270,084)
Translation adjustments	(660)	(121)	(1,262)	-	(51)	(2,094)
At 31st December 2004	6,360	1,575	-	-	1,403	9,338
<b>Accumulated amortisation and impairment:</b>						
At 1st January 2004	1,773	1,696	-	-	-	3,469
Amortisation provided during the year	1,450	-	-	-	-	1,450
Acquisition of subsidiaries	-	-	-	-	-	-
Translation adjustments	(717)	(121)	-	-	-	(838)
At 31st December 2004	2,506	1,575	-	-	-	4,081
<b>Net book value:</b>						
At 31st December 2004	3,854	-	-	-	1,403	5,257
At 31st December 2003	6,155	-	23,096	-	-	29,251

## Notes to the Financial Statements

For the year ended 31st December 2004

### 19. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are follows:

	<b>AcrossAsia Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Deferred tax assets	<b>27,395</b>	28,499
Deferred tax liabilities	<b>5,285</b>	–
	<b>22,110</b>	28,499

Deferred tax assets/liabilities of AcrossAsia Group as at the balance sheet date, without taking into consideration the offsetting of balances within the same jurisdiction, comprise of the following:

	<b>AcrossAsia Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Deferred tax assets		
Accumulated tax losses carried forward	<b>82,800</b>	103,464
Provision for doubtful debts	<b>20,511</b>	15,161
Depreciation on construction in progress in relation to cable television distribution network during the prematurely period	<b>8,850</b>	11,211
Depreciation on other property and equipment	<b>2,028</b>	–
Provision for stores restructuring	<b>26,841</b>	–
Estimated liability for termination, gratuity and compensation benefits of employees	<b>8,335</b>	–
Provision for possible loss from uncollectible promissory notes	<b>2,511</b>	–
Unrealised holding loss on investments in debt and equity securities	<b>1,932</b>	–
Provision for possible loss on long-term investments	<b>163</b>	–
Others	<b>4,021</b>	4,585
	<b>157,992</b>	134,421
Less: Provision for unrealisable items	<b>(80,655)</b>	(101,110)
	<b>77,337</b>	33,311
Deferred tax liabilities		
Depreciation and amortisation	<b>49,860</b>	4,812
Unrealised increase in value of mutual funds	<b>3,327</b>	–
Fire loss	<b>1,787</b>	–
Others	<b>253</b>	–
	<b>55,227</b>	4,812

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through the future taxable profits is probable.



## Notes to the Financial Statements

For the year ended 31st December 2004

### 20. NON-CURRENT PREPAYMENTS, DEPOSITS AND RECEIVABLES

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Rental and other deposits	87,375	6,602
Prepaid rent, net (a)	145,863	–
Advance payments for acquisition of property and equipment(c)	358,432	4,310
Deposits for investments	29,276	–
Loans to employees (b)	8,291	862
Trade receivables (Note 23)	–	3,340
Prepaid expenses and others	59,266	7,860
	<b>688,503</b>	<b>22,974</b>

Notes:

- The amount represents rental rights on stores covering periods from more than one year up to 20 years, after net of allowance for possible loss from non-utilisation/recovery due to stores restructuring.
- The loans to employees are unsecured and interest-free.
- The amount mainly represents advances for purchases of store spaces and equipment to be used for AcrossAsia Group's retail operations. The amount at 31st December 2004 included advances to a related company totalling HK\$33,482,000 (2003: HK\$Nil) which are unsecured and interest-free.

### 21. DUE FROM RELATED COMPANIES

AcrossAsia Group

	31st December 2004 HK\$'000	1st January 2004 HK\$'000	Maximum amounts outstanding during the year HK\$'000
PT JO Metropolitan	–	27	27
PT Lippo General Insurance	–	10	10
PT Matahari Putra Prima Tbk*	–	1,427	1,427
PT Multifiling Mitra Indonesia	–	956	956
PT Lippo Securities Tbk	17,129	–	17,740
PT Sarana Karya Cemerlang	1,339	–	1,387
PT Natrindo Telepon Seluler*	3,612	–	3,612
	<b>22,080</b>	<b>2,420</b>	

\* Associate of AcrossAsia Group

## Notes to the Financial Statements

For the year ended 31st December 2004

### 21. DUE FROM RELATED COMPANIES (Continued)

These companies are directly or indirectly owned, controlled or influenced by the principal shareholders of the Company, through share ownership, management agreements or other agreements, or are minority shareholders of a non-wholly owned subsidiary of AcrossAsia Group.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from PT Lippo Securities Tbk which bears interest at 11% per annum.

### 22. INVENTORIES

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Merchandise	<b>343,428</b>	–
Finished goods	<b>47,503</b>	29,386
	<b>390,931</b>	29,386

Merchandise represent inventory items for retailing. These consist of ladies', men's and children's wear, shoes, bags, cosmetics and accessories, electrical and hobby equipment, toys, stationery and sports gadgets, household appliances and bathroom accessories, daily needs, foods and beverages.

At 31st December 2004, inventories with carrying amount of approximately HK\$38,655,000 (2003: HK\$28,769,000) were pledged to secure certain banking and other borrowing facilities granted to AcrossAsia Group (Note 41).

### 23. TRADE RECEIVABLES

AcrossAsia Group's trading terms with its customers other than in the Retail segment are mainly on credit. AcrossAsia 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.

AcrossAsia Group's sales to customers in the Retail segment are mainly on cash basis, either in cash, debit card or credit card payments. There is no fixed credit policy as their major trade receivables arise from credit card sales and all age fall into one month.

AcrossAsia Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 23. TRADE RECEIVABLES (Continued)

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

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	<b>129,157</b>	181,542
3 to 6 months	<b>9,693</b>	3,196
Over 6 months	<b>10,718</b>	14,483
	<b>149,568</b>	199,221
Less: Provision for doubtful debts	<b>(6,972)</b>	(6,437)
Total trade receivables	<b>142,596</b>	192,784
Portion classified as current assets	<b>(142,596)</b>	(189,444)
Non-current portion (Note 20)	–	3,340

The trade receivables of AcrossAsia Group at 31st December 2004 included trading receivables from certain related companies totalling HK\$17,794,000 (2003: HK\$46,720,000) which are unsecured, interest-free and are repayable principally in accordance with normal trading terms.

At 31st December 2004, trade receivables with a carrying value of approximately HK\$164,033,000 (2003: HK\$130,242,000) were pledged to secure certain banking and other borrowing facilities granted to AcrossAsia Group (Note 41).

### 24. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	AcrossAsia Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deposits	<b>31</b>	78	<b>31</b>	78
Prepaid operating expenses	<b>31,220</b>	13,346	<b>271</b>	829
Prepaid taxes	<b>64,213</b>	22,626	–	–
Advances/deposits to suppliers and contractors	<b>46,278</b>	9,552	–	–
Other receivables	<b>37,416</b>	22,635	–	–
	<b>179,158</b>	68,237	<b>302</b>	907

## Notes to the Financial Statements

For the year ended 31st December 2004

### 24. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS (Continued)

As at 31st December 2004, there is no balance due from related company included in other receivables (2003: HK\$8,005,000). The balance as at 31st December 2003 represented the maximum balance during 2003.

The advances/deposits to suppliers and contractors are unsecured, interest-free and have no fixed terms of repayment.

### 25. SHORT TERM INVESTMENTS

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Listed equity securities, at market value	61,565	19,871
Listed debt securities, at market value (Note (a))	29,292	–
Managed funds (Note (b))	87,831	128,241
Mutual funds (Note (c))	27,036	–
	<b>205,724</b>	<b>148,112</b>

Notes:

- (a) Investments in listed debt securities include bonds and floating rate notes which bear interest at annual rates ranging from 10.65% to 18.25% and 4.66% to 4.69%, respectively. The debt securities have maturity periods from 2005 to 2011.
- (b) Investments in managed funds were intended to be used to purchase any investments such as bonds, promissory notes, commercial papers, receivables, other debentures and other securities.
- (c) Investments in mutual funds were managed by certain licensed investment companies in Hong Kong and Indonesia.

### 26. CASH AND BANK DEPOSITS AND PLEDGED BANK DEPOSITS

Bank deposits earn interest at floating rates based on prevailing short term deposits rates. Short term bank deposits are made for varying periods, normally with an original maturity of less than one month, depending on the immediate cash requirements of AcrossAsia Group.

At 31st December 2004, certain cash and bank deposits (including pledged bank deposits) of AcrossAsia Group amounting to approximately HK\$933,546,000 (2003: HK\$26,248,000) were denominated in Indonesian Rupiah.

At 31st December 2004, certain bank deposits of AcrossAsia Group of HK\$1,337,000 (2003: HK\$9,179,000) were pledged to secure certain banking facilities of AcrossAsia Group (Note 41).

## Notes to the Financial Statements

For the year ended 31st December 2004

### 27. SHARE CAPITAL

Shares	2004 HK\$'000	2003 HK\$'000
Authorised:		
150,000,000,000 (2003: 150,000,000,000) ordinary shares of HK\$0.1 each	<b>15,000,000</b>	15,000,000
Issued and fully paid:		
5,064,615,385 (2003: 5,064,615,385) ordinary shares of HK\$0.1 each	<b>506,462</b>	506,462

There were no movements in the Company's share capital, including the carrying amount and the number of ordinary shares in issue, during the years ended 31st December 2004 and 2003.

#### Share options

Details of the Company's share option schemes and the share options issued under the schemes are set out in Note 36 to the financial statements.

### 28. RESERVES

#### (a) AcrossAsia Group

The amounts of AcrossAsia Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

#### (b) Company

	2004 HK\$'000	2003 HK\$'000
Share premium	<b>32,877</b>	32,877
Capital reserve	<b>631,394</b>	631,394
	<b>664,271</b>	664,271

There were no movements in the Company's reserves during the years ended 31st December 2004 and 2003.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 28. RESERVES (Continued)

The capital reserve was principally arising from the capitalisation of certain shareholders' loans and the corporate reorganisation of AcrossAsia Group in preparation for the listing of the Company's shares on GEM in 2000 as also detailed in the prospectus of the Company dated 6th July 2000 (the "Prospectus").

### 29. PROVISIONS

#### AcrossAsia Group

	<b>Store restructuring (a)</b>	<b>Customer loyalty program (b)</b>	<b>Employees' benefits (c)</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	–	–	3,985	3,985
Acquisition of subsidiaries	24,661	48,538	52,535	125,734
Provided during the year	–	3,557	3,939	7,496
Utilised	–	(6,034)	(3,038)	(9,072)
Translation adjustments	(850)	(1,587)	(2,190)	(4,627)
<b>At 31st December 2004</b>	<b>23,811</b>	<b>44,474</b>	<b>55,231</b>	<b>123,516</b>
Current	23,811	22,236	18,121	64,168
Non-current	–	22,238	37,110	59,348
<b>At 31st December 2004</b>	<b>23,811</b>	<b>44,474</b>	<b>55,231</b>	<b>123,516</b>

Notes:

- (a) AcrossAsia Group's subsidiaries makes provisions for store restructuring which mainly consisted of severance pay for employees and rental related expenses.
- (b) AcrossAsia Group's subsidiaries operate a customer loyalty program under which subsidiaries provide credit points to customers for their purchases in department stores and supermarkets. The credit points can be converted into purchase vouchers for purchases in department stores and supermarkets.
- (c) Provisions for employees' benefits were computed in accordance with the requirements of the Decree/Law of the Ministry of Manpower of Indonesia relating to settlement arising from employment termination and determination of severance and compensation benefits of employees.

The above accruals were determined based on actuarial calculations as at 31st December 2004 prepared by an independent actuary, adopting the projected unit credit method.

Current and non-current portions of provisions as at 31st December 2003 were included in "Other payables and accruals" and "Non-current other payables" respectively, in the financial statements for the year ended 31st December 2003.

## Notes to the Financial Statements

For the year ended 31st December 2004

## 30. INTEREST-BEARING BORROWINGS

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Bank overdrafts:		
Secured	–	1
Bank loans:		
Secured	<b>666,656</b>	418,809
Other borrowings:		
Secured	<b>43,954</b>	43,178
Unsecured	<b>116,091</b>	286,654
	<b>160,045</b>	329,832
	<b>826,701</b>	748,642

The maturities of the borrowings are as follows:

Bank overdrafts repayable within one year or on demand	–	1
Bank loans repayable:		
Within one year	<b>438,646</b>	196,610
In the second year	<b>90,601</b>	53,250
In the third to fifth years, inclusive	<b>137,409</b>	168,949
	<b>666,656</b>	418,809
Other borrowings:		
Within one year	<b>33,938</b>	83,610
In the second year	<b>126,107</b>	211,680
In the third to fifth years, inclusive	–	34,542
	<b>160,045</b>	329,832
Total bank and other borrowings	<b>826,701</b>	748,642
Portion classified as current liabilities	<b>(472,584)</b>	(280,221)
Non-current portion	<b>354,117</b>	468,421

Approximately HK\$167,348,000 (2003: HK\$53,284,000) of AcrossAsia Group's bank loans are denominated in United States dollar and bear interest at 6% to 9.5% (2003: 6.5% to 9%) per annum. Approximately HK\$499,308,000 (2003: HK\$365,526,000) of AcrossAsia Group's bank loans and overdrafts are denominated in Indonesian Rupiah and bear interest at rates ranging from 13% to 16% (2003: 16% to 23%) per annum.



## Notes to the Financial Statements

For the year ended 31st December 2004

### 30. INTEREST-BEARING BORROWINGS (Continued)

Approximately HK\$40,215,000 (2003: HK\$49,072,000) of AcrossAsia Group's other borrowings at 31st December 2004 are denominated in United States dollar and bear interest at rates ranging from 3% to 8.75% (2003: 3.25% to 5.48%) per annum. Approximately HK\$119,830,000 (2003: HK\$280,760,000) of AcrossAsia Group's other borrowings are denominated in Indonesia Rupiah and bear interest at rates ranging from 11.5% to 23% (2003: 9.5% to 23%) per annum.

Details of the assets pledged to secure AcrossAsia Group's banking and other borrowing facilities are set out in Note 41 to the financial statements.

### 31. NOTES PAYABLE

Notes payable of AcrossAsia Group, including amounts payable under debentures, promissory notes and bearer notes issued by AcrossAsia Group, are unsecured, bear interest at rates ranging from 3.4% to 25% (2003: 3.4% to 25%) per annum and are repayable as follows:

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Within one year or on demand	<b>38,037</b>	62,882
In the second year	<b>75,478</b>	33,793
In the third to fifth years, inclusive	<b>25,112</b>	19,077
	<b>138,627</b>	115,752
Portion classified as current liabilities	<b>(38,037)</b>	(62,882)
Non-current portion	<b>100,590</b>	52,870

### 32. BONDS PAYABLE

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Nominal value	<b>753,346</b>	–
Treasury bonds	<b>(45,201)</b>	–
	<b>708,145</b>	–
Unrealised bonds issuance cost	<b>(19,964)</b>	–
Amounts payable in the third to fifth years, inclusive	<b>688,181</b>	–

The bonds were issued by Matahari, which became a non-wholly owned subsidiary of Multipolar and an indirect non-wholly owned subsidiary of AcrossAsia Group on 27th September 2004.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 32. BONDS PAYABLE (Continued)

Details of the bonds payable are as follows:

Name of issuer	: PT Matahari Putra Prima Tbk	PT Matahari Putra Prima Tbk
Issuance date	: 11th May 2004	25th September 2002
Nature of the bond	: "Second Matahari Bonds" ("Obligasi II Matahari Putra Prima Tahun 2004 Dengan Tingkat Bunga Tetap") and "First Matahari Syariah Ijarah Bonds" ("Obligasi Syariah Ijarah I Matahari Putra Prima Tahun 2004")	"First Matahari Bonds" ("Obligasi I Matahari Putra Prima Tahun 2002 Dengan Tingkat Bunga Tetap")
Trustee	: PT Bank Negara Indonesia (Persero) Tbk	PT Bank Negara Indonesia (Persero) Tbk
Face value	: Rp450 million in Rp50 million denomination	Rp450 billion in Rp50 million denomination
Maturity date	: Lump sum on 11th May 2009	Lump sum on 25th September 2007
Rating for the year 2004/2005 by Pefindo	: idA+ (Stable Outlook) for "Second Matahari Bonds", and idA+ (sy) (Stable Outlook) for "First Matahari Syariah Ijarah Bonds"	idA+ (Stable Outlook)
Bond listing	: Surabaya Stock Exchange, Indonesia	Surabaya Stock Exchange, Indonesia
Effective interest rate	: 13.8% per annum for 5 years quarterly repayable starting 11th August 2004 until 11th May 2009	17.875% per annum for 5 years quarterly repayable starting 25th December 2002 until 25th September 2007
Payment agent	: PT Kustodian Sentral Efek Indonesia	PT Kustodian Sentral Efek Indonesia
Collateral	: Certain land rights, buildings and equipment with fair values representing 115% of the total face amount of the bonds.	Certain land rights, buildings and equipment with fair values representing 125% of the total face amount of the bonds.

Based on the bonds Indenture, Matahari is required to comply with certain conditions, such as maintaining several financial ratios.

As at 31st December 2004, the fair values of the bonds were approximately their carrying amounts.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 33. FINANCE LEASE OBLIGATIONS

AcrossAsia Group leases certain of its motor vehicles under finance leases, with remaining lease terms within 1 year.

At 31st December 2004, the total future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows, were as follows:

#### AcrossAsia Group

	Minimum lease payments 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2003 HK\$'000
Amounts payable:				
Within one year	<b>131</b>	–	<b>116</b>	–
In the second year	–	–	–	–
Total minimum finance lease payments	<b>131</b>	–	<b>116</b>	–
Future finance charges	<b>(15)</b>	–		
Present value of finance lease obligations	<b>116</b>	–		
Portion classified as current liabilities	<b>(116)</b>	–		
Non-current portion	–	–		

## Notes to the Financial Statements

For the year ended 31st December 2004

### 34. DUE TO RELATED COMPANIES

The amounts due to related companies of AcrossAsia Group are unsecured and interest-free, except for an amount of HK\$4,000,000 (2003: HK\$4,000,000) at 31st December 2004, which bears interest at Hong Kong dollar prime lending rate plus 1% per annum (2003: Hong Kong dollar prime leading rate plus 1% per annum).

The amounts due to related companies of AcrossAsia Group have no fixed terms of repayment, except for certain amounts totalling approximately HK\$6,437,000 (2003: HK\$6,717,000) which are not repayable within twelve months from the balance sheet date.

The amount due to a related company of the Company amounted to HK\$4,000,000 (2003: HK\$4,000,000) is unsecured, bears interest at Hong Kong dollar prime lending rate plus 1% per annum (2003: Hong Kong dollar prime lending rate plus 1% per annum) and is not repayable within twelve months from the balance sheet date.

### 35. TRADE PAYABLES

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

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	423,936	78,022
3 to 6 months	9,515	13,179
6 to 12 months	20,278	23,283
	<b>453,729</b>	114,484

The trade payables of AcrossAsia Group at 31st December 2004 included payable to certain related companies totalling HK\$2,387,000 (2003: HK\$2,494,000). The balances are unsecured, interest-free and are payable principally in accordance with normal trading terms.

### 36. SHARE OPTION SCHEMES

The Company adopted the Pre-IPO Plan and the 2002 Scheme under which the participants (including the Directors) were or may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the respective plan and scheme.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 36. SHARE OPTION SCHEMES (Continued)

(a) **Pre-IPO Plan**

The Pre-IPO Plan was adopted on 23rd June 2000. The purpose of the Pre-IPO Plan is to recognise the contribution of participants to the growth of AcrossAsia Group and/or to the listing of the Company's shares on GEM. The participants of the Pre-IPO Plan include full-time and part-term employees (including executive and non-executive Directors), consultants and advisers of AcrossAsia Group and its associates. The subscription price for the shares under the Pre-IPO Plan is equal to the offer price of HK\$3.28 per share in connection with the listing of the Company's shares on GEM.

As at 31st December 2004, options granted on the Grant Date to 12 participants (other than the Directors of the Company) to subscribe for an aggregate of 12,885,000 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 22nd June 2010 in accordance with the following schedule:

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

A summary of the principal terms of the Pre-IPO Plan and details of the options granted under the Pre-IPO Plan are set out in the Prospectus.

The following options were outstanding under the Pre-IPO Plan during 2004:

Participant	Number of underlying shares		
	As at 1st January 2004	Lapsed during 2004	As at 31st December 2004
Directors	21,779,000	(2,364,000)	19,415,000
Others	12,885,000	(95,200)	12,789,800
Total	34,664,000	(2,459,200)	32,204,800

## Notes to the Financial Statements

For the year ended 31st December 2004

### 36. SHARE OPTION SCHEMES (Continued)

(a) **Pre-IPO Plan (Continued)**

Options granted under the Pre-IPO in respect of 32,204,800 shares of the Company represented approximately 0.63% of the enlarged issued share capital thereof.

No options under the Pre-IPO Plan were exercised or cancelled during 2004.

The subscription price for the shares under the Pre-IPO Plan is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(b) **2002 Scheme**

The purpose of the 2002 Scheme is to reward the participants who have contributed or may contribute to AcrossAsia Group. The participants of the 2002 Scheme are employees of AcrossAsia Group (including Directors) and other persons including consultants, advisors, agents, customers, suppliers, service providers, affiliated persons, contractors, business partners or connected persons of AcrossAsia Group or its associates or affiliates. A consideration of HK\$1 is payable upon acceptance of the offer of the grant of an option. The 2002 Scheme will remain valid until 13th May 2012.

The subscription price for the shares under the 2002 Scheme is determined by the Directors which will be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of offer of the relevant option; (ii) the average of the closing prices of the shares as stated in the daily quotation shares issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a share.

A summary of the principal terms of the 2002 Scheme is set out in the Company's circular dated 28th March 2002.

No options had been granted under the 2002 Scheme since the adoption date and up to 31st December 2004.

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.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Acquisition of subsidiaries**

The fair value of the net assets acquired as a consequence of the acquisition of additional interests in certain former associates which became subsidiaries of the Company during 2004 is as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Property and equipment	1,091,469	–
Investment properties	86,256	–
Interests in associates	27,612	–
Long term investments	73,912	–
Intangible assets	1,454	–
Deferred tax assets	15,445	–
Due from related companies	18,169	–
Prepayments, deposits and other current assets	669,195	–
Inventories	443,091	–
Trade receivables	14,926	–
Short term investments	148,480	–
Cash and bank deposits	618,058	–
Bonds payable	(687,063)	–
Finance lease obligations	(163)	–
Due to a related company	(3,999)	–
Provisions	(125,734)	–
Trade payables	(453,775)	–
Other payables and accruals	(327,296)	–
Tax payable	(623)	–
Minority interests	(51,998)	–
	<b>1,557,416</b>	–
Net assets attributable to AcrossAsia Group before acquisition of additional interest	<b>(367,550)</b>	–
Minority interests	<b>(1,185,083)</b>	–
Goodwill	<b>41,339</b>	–
Consideration satisfied by cash	<b>46,122</b>	–



## Notes to the Financial Statements

For the year ended 31st December 2004

### 37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) **Acquisition of subsidiaries (Continued)**

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004 HK\$'000	2003 HK\$'000
Cash consideration paid	<b>(46,122)</b>	–
Cash and bank deposits acquired	<b>618,058</b>	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>571,936</b>	–

On 27th September 2004, Multipolar acquired 66,680,500 additional shares in Matahari. Multipolar's equity interest in Matahari increased from 47.4% to 50.1%. As a result, Matahari became a subsidiary of Multipolar and an indirect subsidiary of the Company. Matahari is engaged in the operation of department stores and supermarket chains.

On 29th December 2004, Multipolar acquire 4,000 additional shares in Multifiling. Multipolar's equity interest in Multifiling increased from 50% to 50.2%. As a result, Multifiling became a subsidiary of Multipolar and an indirect subsidiary of the Company. Multifiling is engaged in the provision of record filing services.

From the dates of acquisition, the additional interests in the above subsidiaries have contributed approximately HK\$924,000 to the net profit of AcrossAsia Group. If the combination had taken place at 1st January 2004, the profit for AcrossAsia Group would have been approximately HK\$39,375,000 and revenue from continuing operations would have been approximately HK\$5,701,356,000.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) **Deemed disposal/disposal of subsidiaries**

The fair value of net assets disposed of as a consequence of dilution of interest in a subsidiary during 2004 is as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property and equipment	<b>134,696</b>	229
Goodwill	<b>93,459</b>	–
Intangible assets	<b>270,084</b>	–
Deferred tax assets	–	19
Due from related companies	<b>11</b>	3,368
Inventories	<b>490</b>	–
Trade receivables	<b>4,471</b>	892
Prepayments, deposits and other current assets	<b>3,311</b>	328
Pledged bank deposits	<b>8,789</b>	–
Cash and bank deposits	<b>2,723</b>	364
Interest-bearing borrowings	<b>(28,250)</b>	–
Other payables and accruals	<b>(281,273)</b>	(1,442)
Due to related companies	<b>(4,308)</b>	–
Receipts in advance	<b>(1,973)</b>	–
Tax payable	<b>(1,417)</b>	(1,600)
	<b>200,813</b>	2,158
Net assets attributable to AcrossAsia Group after the deemed disposal	<b>(148,072)</b>	–
Minority interests	<b>(97,394)</b>	–
Net (gain)/loss on deemed disposal/disposal of subsidiaries	<b>(44,653)</b>	2,158
Total consideration	–	–
Satisfied by cash	–	–

## Notes to the Financial Statements

For the year ended 31st December 2004

### 37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) **Deemed disposal/disposal of subsidiaries (Continued)**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2004 HK\$'000	2003 HK\$'000
Cash and bank deposits disposed of	<b>(2,723)</b>	(364)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>(2,723)</b>	(364)

(c) **Major non-cash transactions**

During 2004, AcrossAsia Group disposed of its entire interests in an associate at HK\$122,208,000 resulted in a receivable from a third party. The receivable was subsequently settled by the allotment of shares of the third party.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 38. OPERATING LEASE ARRANGEMENTS

#### As lessee

AcrossAsia Group leases certain of its premises under operating lease arrangements. Rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments. Leases for premises are negotiated for terms from one to twenty years.

At the balance sheet date, total future minimum lease payments under non-cancellable operating leases are as follows:

	AcrossAsia Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	<b>300,379</b>	11,856	–	–
In the second to fifth years, inclusive	<b>245,695</b>	17,564	–	–
After five years	<b>1,751,072</b>	9,285	–	–
	<b>2,297,146</b>	38,705	–	–

## Notes to the Financial Statements

For the year ended 31st December 2004

### 39. COMMITMENTS

In addition to the operating lease commitments detailed in Note 38 above, AcrossAsia Group had the following capital commitments in respect of the acquisition of property and equipment at the balance sheet date:

	2004 HK\$'000	2003 HK\$'000
Contracted, but not provided for*	<b>43,846</b>	–

\* In June 2002, Matahari entered into a property agency agreement with an independent third party in conducting feasibility studies and identifying new potential areas for future store development. Based on the above agency agreement, Matahari agreed to purchase store spaces owned by PT Lippo Land Development Tbk, a related company. The above purchase transaction was made under terms comparable to those that would be obtained in similar transactions with other third parties.

AcrossAsia Group did not have any related parties transactions in respect of capital commitment in 2003.

The Company did not have any significant capital commitments as at 31st December 2004 (2003: Nil).

### 40. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	AcrossAsia Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantee given to a financing company for a loan granted to a subsidiary	–	–	–	101,215

## Notes to the Financial Statements

For the year ended 31st December 2004

### 41. PLEDGE OF ASSETS

AcrossAsia Group's banking and other borrowing facilities other than bonds payable at the balance sheet date are secured by:

- (i) Property and equipment with a carrying value of approximately HK\$79,952,000 as at 31st December 2004 (2003: HK\$42,471,000) (Note 12).
- (ii) Investment properties with a carrying value of approximately HK\$44,533,000 as at 31st December 2004 (2003: HK\$48,790,000) (Note 13).
- (iii) 136,879,310 shares (2003: 95,500,000 shares) in Broadband Multimedia, a subsidiary, with market value of approximately HK\$166,134,000 as at 31st December 2004 (2003: HK\$206,548,000) (Note 14).
- (iv) 373,913,000 (2003: 409,524,000) shares in Matahari with a market value of approximately HK\$207,029,000 as at 31st December 2004 (2003: HK\$197,168,000) (Note 14).
- (v) Inventories with a carrying value of approximately HK\$38,655,000 as at 31st December 2004 (2003: HK\$28,769,000) (Note 22).
- (vi) Trade receivables with a carrying value of approximately HK\$164,033,000 as at 31st December 2004 (2003: HK\$130,242,000) (Note 23).
- (vii) Bank deposits of approximately HK\$1,337,000 as at 31st December 2004 (2003: HK\$9,179,000) (Note 26).

### 42. FINANCIAL INSTRUMENTS

#### Fair value estimation

##### *Current financial assets and liabilities*

AcrossAsia Group's carrying amounts for current financial assets and liabilities approximate their fair values due to the short maturity of these instruments.

##### *Non-current financial assets and financial liabilities*

For long term investments in listed shares of approximately HK\$1,469,000 (2003: HK\$1,238,000), which are stated at quoted market price, their carrying amount approximates their fair value. For long term investments in unlisted shares of approximately HK\$74,123,000 (2003: HK\$5,059,000), whose fair value cannot be reliably measured without incurring excessive costs, they are carried at cost less any impairment losses. The Directors believe that the carrying amount of those investments represents AcrossAsia Group's best estimate of their fair value.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 42. FINANCIAL INSTRUMENTS (Continued)

A comparison by category of carrying amounts and fair values of other non-current financial assets and liabilities, whose fair values have been calculated primarily by discounting the expected future cash flows at the prevailing interest rates or current market rates available to AcrossAsia Group for similar financial instruments, is set out below.

	Carrying amounts		Fair values	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other non-current financial assets	<b>30,371</b>	6,494	<b>30,371</b>	4,224
Long term floating rate borrowings, non-current portion	<b>202,486</b>	302,136	<b>175,163</b>	202,683
Long term fixed rate borrowings, non-current portion	<b>151,631</b>	166,285	<b>130,195</b>	147,329
Notes payable, non-current portion	<b>100,590</b>	52,870	<b>85,265</b>	45,370
Bonds payable, non-current portion	<b>688,181</b>	–	<b>492,982</b>	–
Other non-current liabilities	<b>6,437</b>	6,717	<b>6,045</b>	6,172



## Notes to the Financial Statements

For the year ended 31st December 2004

### 42. FINANCIAL INSTRUMENTS (Continued)

#### Interest rate risk

The following table sets out the carrying amount, by maturity, of AcrossAsia Group's financial instruments that are exposed to interest rate risk:

#### As at 31st December 2004

	Within one year HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Total HK\$'000
Fixed rate				
Bank loans	15,540	24,240	34,783	74,563
Other borrowings	28,027	92,608	–	120,635
Finance lease payables	116	–	–	116
Notes payable	38,037	75,478	25,112	138,627
Bonds payable	–	–	688,181	688,181
Floating rate				
Cash and bank deposits	950,453	–	–	950,453
Pledged bank deposits	1,337	–	–	1,337
Bank loans	423,106	66,361	102,626	592,093
Other borrowings	5,911	33,499	–	39,410

#### As at 31st December 2003

#### Fixed rate

Bank loans	9,170	–	9,290	18,460
Other borrowings	28,925	156,995	–	185,920
Finance lease payables	–	–	–	–
Notes payable	62,882	33,793	19,077	115,752

#### Floating rate

Cash and bank deposits	40,617	–	–	40,617
Pledged bank deposits	9,179	–	–	9,179
Bank overdrafts	1	–	–	1
Bank loans	187,440	53,250	159,659	400,349
Other borrowings	54,685	54,685	34,542	143,912

## Notes to the Financial Statements

For the year ended 31st December 2004

### 42. FINANCIAL INSTRUMENTS (Continued)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instruments. The other financial instruments of AcrossAsia Group that are not included in the above tables are non-interest bearing, and are therefore not subject to interest rate risk, or are interest bearing at fixed rate, as further detailed elsewhere in the financial statements.

### 43. FINANCIAL RISK MANAGEMENT

The main financial risks faced by AcrossAsia Group are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks, as well as economic risk and business risk of AcrossAsia Group, which are summarised below. AcrossAsia Group also monitors the market price risk arising from all financial instruments.

#### (a) Credit risk

Financial instruments that potentially subject AcrossAsia Group to significant concentrations of credit risk consist principally of bank deposits, trade receivables, other receivables, amounts due from related companies and certain investments. AcrossAsia Group's exposure to credit risk arises from default of other parties, with maximum exposure equal to the carrying amount of these instruments.

AcrossAsia Group maintains bank deposits with various financial institutions. AcrossAsia Group's policy is designed to limit exposure to any one institution. AcrossAsia Group performs periodic evaluations of the relative credit standing of those financial institutions that are considered in AcrossAsia Group's investment strategy.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of entities comprising AcrossAsia Group's customer base. AcrossAsia Group normally grants trade credits to recognised and creditworthy customers and receivable balances are monitored on an ongoing basis by senior management.

AcrossAsia Group has significant concentration of credit risk with respect to its short term investments. As further detailed in Note 25 to the financial statements, AcrossAsia Group has invested in certain managed funds, debt securities, bonds and other investments with a carrying value of approximately HK\$205 million at 31st December 2004. The managed funds have to date invested primarily in various fixed-income products, including, but not limited to, promissory notes and commercial paper issued by various companies and accordingly, may expose AcrossAsia Group to various credit and other risks, which are beyond the direct control of AcrossAsia Group. Such investments are closely monitored by senior management on an ongoing basis. AcrossAsia Group's exposure to credit risk would arise from default of the issuer, with maximum exposure equal to the carrying amount of the investments.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 43. FINANCIAL RISK MANAGEMENT (Continued)

(a) **Credit risk (Continued)**

With respect to credit risk arising from the other financial assets of AcrossAsia Group, AcrossAsia Group's exposure to credit risk arises from default of the other parties, with maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk for those financial assets within AcrossAsia Group.

(b) **Foreign currency risk**

As a result of significant operations in Indonesia, AcrossAsia Group's balance sheet can be affected significantly by movements in Indonesian Rupiah/Hong Kong dollar exchange rates. AcrossAsia Group seeks to mitigate the effect of its structural currency exposure by borrowing in Indonesian Rupiah.

AcrossAsia Group also has transactional currency exposures. Such exposures arise from sales or purchases or borrowings by AAL's subsidiaries in currencies other than the subsidiaries' measurement currency.

A substantial portion of AcrossAsia Group's revenue and cost of sales and services rendered are denominated in Indonesian Rupiah and United States dollar. AcrossAsia Group also generates expenses and liabilities in Indonesian Rupiah and United States dollar. As a result, AcrossAsia Group is required to convert Indonesian Rupiah into other currencies, particularly United States dollar, to meet its foreign exchange liabilities as they became due. Any adverse movement in the exchange rate of Indonesian Rupiah against the United States dollar would have an adverse effect on the result of AcrossAsia Group.

Moreover, the Indonesian government may in the future decide to introduce a scheme of exchange controls or other currency controls with a view to stabilising the exchange rate of the Indonesian Rupiah. The imposition of any such exchange controls may adversely affect the ability of AcrossAsia Group to exchange Indonesian Rupiah denominated revenue into United States dollar or other foreign currency denominated liabilities and may adversely affect AcrossAsia Group's financial condition.

(c) **Interest rate risk**

AcrossAsia Group's exposure to market risk for changes in interest rates relates primarily to its long term borrowing obligations and interest bearing assets.

AcrossAsia Group's policy is to manage its interest cost using a mixture of fixed and variable rate borrowings. At 31st December 2004, approximately 62% of AcrossAsia Group's interest-bearing borrowings were at a fixed rate of interest.

Further details of interest rate risk of AcrossAsia Group are set out in Note 42 to the financial statements.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 43. FINANCIAL RISK MANAGEMENT (Continued)

(d) **Liquidity risk**

AcrossAsia Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, promissory notes, finance leases, other payables and balances with related companies. Approximately HK\$354.1 million, HK\$100.6 million and HK\$688.2 million of AcrossAsia Group's total borrowings, notes payable and bonds payable, respectively, at the balance sheet date will mature in more than one year. Due to the dynamic nature of underlying business, AcrossAsia Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(e) **Market risk**

Market risk is the risk that the value of financial assets will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

AcrossAsia Group is exposed to market risk on its investments in listed securities and managed funds.

Senior management seeks to manage market risk by employing the services of a professional investment manager as well as internal monitoring. Monitoring of AcrossAsia Group's market exposure is carried out by senior management on an ongoing basis.

(f) **Economic risk**

A significant portion of AcrossAsia Group's operations may be adversely affected by significant political or economic uncertainties in Indonesia.

(g) **Business risk**

The success of AcrossAsia Group's business strategies will depend on certain factors outside its control. Accordingly, evaluation of AcrossAsia Group's businesses and its prospects was difficult, and there could be no assurance that AcrossAsia Group would succeed in these businesses.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, AcrossAsia Group had the following material transactions with related parties during 2004:

	AcrossAsia Group	
	2004 HK\$'000	2003 HK\$'000
Services fee from distribution and maintenance of hardware equipment and software packages and services fee for technology solutions rendered to:		
– PT AIG Lippo	<b>1,339</b>	1,267
– PT Bank Lippo Tbk	<b>31,428</b>	76,236
– PT Matahari Putra Prima Tbk*	<b>2,881</b>	3,395
Interest income from:		
– PT Bank Lippo Tbk	<b>202</b>	443
– PT Lippo Securities Tbk	<b>436</b>	–
– PT Ciptadana Sekuritas	<b>2,270</b>	–
Share administration fee income from:		
– PT Bank Lippo Tbk	<b>629</b>	1,181
– PT Lippo E-Net Tbk	<b>210</b>	224
– PT Lippo Karawaci Tbk	<b>291</b>	62
Insertion fee income for services rendered to:		
– PT Cosmopolitan Indonesia	–	17,040
Subscription fees for cable television programmes:		
– PT Aryaduta Hotel Tbk	<b>11,863</b>	212
Subscription fees for fast speed Internet access:		
– PT Bank Lippo Tbk	<b>1,072</b>	1,159
Operating lease rentals charged by:		
– PT Matahari Putra Prima Tbk *	<b>1,080</b>	1,371
– PT Lippo Cikarang Tbk	<b>566</b>	–
Interest expense on loans obtained from:		
– PT Bank Lippo Tbk	–	2,843

## Notes to the Financial Statements

For the year ended 31st December 2004

### 44. RELATED PARTY TRANSACTIONS (Continued)

	<b>AcrossAsia Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interest expenses on temporary advances from:		
– PT Multifiling Mitra Indonesia*	<b>230</b>	100
Pension fund expense charged by:		
– PT AIG Lippo	<b>670</b>	1,130
Achieve management fee charged by:		
– PT Multifiling Mitra Indonesia*	–	659
– PT Ciptadana Securities Tbk	–	365
Marketing expenses charged by:		
– Avel Pty. Limited, Australia	<b>2,656</b>	–
Insurance expense charged by:		
– PT Lippo General Insurance	<b>1,611</b>	–

\* Matahari and Multifiling became subsidiaries of AcrossAsia Group in September and December 2004 respectively.

The above companies are directly or indirectly owned, controlled or influenced by the principal beneficial shareholders of the Company, through share ownership, management agreements or other arrangements.

The Directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, and were made according to terms similar to those offered to the major customers of AcrossAsia Group or those offered by the related parties to their major customers, or based on mutually agreed terms.

## Notes to the Financial Statements

For the year ended 31st December 2004

### 45. POST BALANCE SHEET EVENT

On 11th March 2005, PT Ayunda Prima Mitra (“Ayunda”), a wholly-owned subsidiary of Broadband Multimedia (an effective 66.14% owned subsidiary of the Company), entered into a conditional Subscription and Shareholders Agreement with, inter alia, Astro Multimedia Corporation N.V. and Astro Multimedia N.V. (collectively the “Astro Shareholders”) whereby Ayunda and the Astro Shareholders agreed to subscribe 49% and 51% interests in PT Direct Vision (“PTDV”) for cash consideration of US\$14.7 million (approximately HK\$114.7 million) and US\$15.3 million (approximately HK\$119.3 million) respectively subject to certain conditions precedent. PTDV will be engaged in the provision of Direct-to-Home multi-channel digital satellite pay television, radio and interactive multimedia services in Indonesia. Details of such transaction were disclosed in the Company’s announcement dated 11th March 2005.

### 46. COMPARATIVE FIGURES

Certain comparative figures in relation to “Provisions”, “Other payables and accruals” and “Non-current other payables” have been reclassified to conform with the current year’s presentation (Note 29).

### 47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 22nd March 2005.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of AcrossAsia Limited (the “Company”) will be held at Boardroom 3–4, M/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 12th May 2005 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December 2004.
2. To consider the re-election of the retiring Directors and to authorise the Board of Directors to fix the Directors’ remuneration.
3. To consider the re-appointment of RSM Nelson Wheeler as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional authorised and issued shares in the capital of the Company and to make or grant offers, agreements and options including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options including rights to subscribe for or convert into shares, the making or granting of which might require the exercise of such powers to allot, issue and deal with additional shares in the capital of the Company after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any option granted under the Company’s share option schemes or any other option, scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this Resolution, and the said approval shall be limited accordingly;



## Notice of Annual General Meeting

(d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Company’s Memorandum and Articles of Association to be held; and
- (iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange); and

(e) the authority conferred by this Resolution shall be in substitution for all previous authorities granted to the Directors of the Company, except that it shall be without prejudice to and shall not affect the exercise of the power of the Directors of the Company pursuant to such authorities to allot additional shares of the Company up to and in accordance with the approval therein contained prior to the date of this Resolution.”

B. **“THAT:**

(a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase issued shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Securities and Futures Commission, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

## Notice of Annual General Meeting

- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company, on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors of the Company;
- (c) the aggregate nominal amount of shares which are authorised to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Company's Memorandum and Articles of Association to be held; and
  - (iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting.”
- C. “**THAT** conditional on the passing of Resolution 4B as set out in the notice convening this Meeting of which this Resolution forms a part, the general mandate granted to the Directors of the Company to allot and issue shares pursuant to the said Resolution 4A be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company under the authority granted pursuant to such Resolution 4B, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this Resolution.”

## Notice of Annual General Meeting

5. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:

“**THAT** the existing Article 116 of the Articles of Association of the Company be deleted and replaced with the following new Article 116:

**“Rotation and retirement of Directors** 116. At each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by lot. In addition, there shall also be required to retire by rotation at an annual general meeting of the Company any Director who has been a Director at each of the preceding two annual general meetings of the Company, was not elected or re-elected at either such annual general meeting, has not ceased to be a Director (either by resignation, retirement, removal or otherwise) and has not been re-elected by any general meeting of the Company since either such annual general meeting, notwithstanding any other provisions in these Articles. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.””

By Order of the Board

**Kelsch Woon Kun WONG**

*Company Secretary*

Hong Kong, 30th March 2005

*Head Office and Principal Place of*

*Business in Hong Kong:*

Room 4302, 43rd Floor

Tower One

Lippo Centre

89 Queensway

Hong Kong

Notes:

1. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more separate proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.*
2. *To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy thereof) must be deposited at the Company's Head Office and Principal Place of Business in Hong Kong at Room 4302, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.*
3. *Delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.*