

ACROSS ASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report **2001**

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Davy Kwok Fai LEE

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Gerard Joseph McMAHON

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Kwok Ming CHEUNG

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Compliance Officer

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(Chairman of the Audit Committee)

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Kwok Ming CHEUNG

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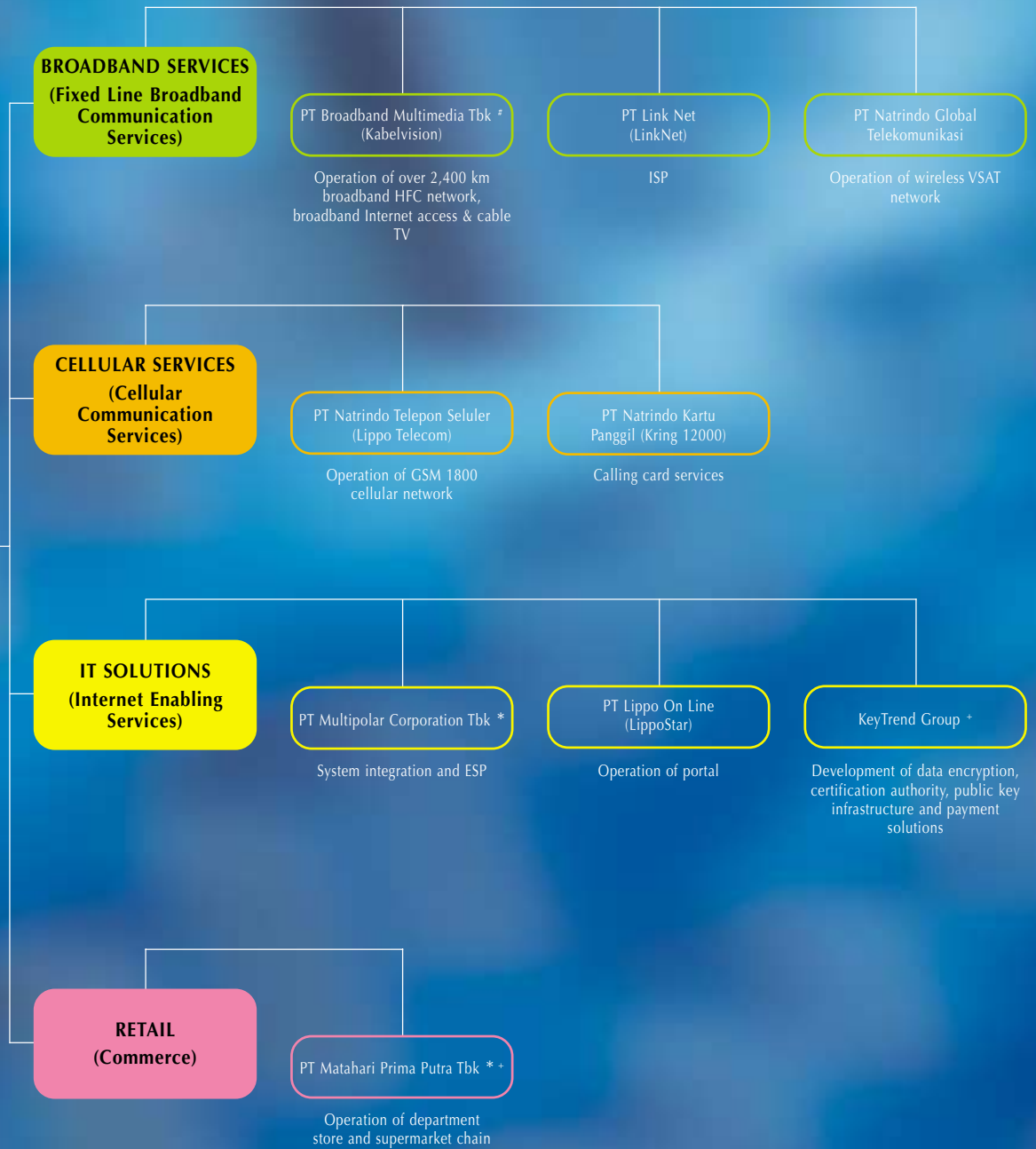
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Websites of the Company and Major Subsidiaries and Associates

www.acrossasiamm.com
www.kabelvision.com
www.lippotel.com
www.multipolar.com
www.link.net.id
www.lippostar.com
www.matahari.co.id
www.keytrend.com.hk
www.asiapay.com.hk

Corporate Structure

The Company



* Listed on the Jakarta Stock Exchange and Surabaya Stock Exchange

Listed on the Surabaya Stock Exchange

+ Associates

Chairman's Statement



Mr. Richard Woolcott, Chairman

While strengthening its dominant position in Indonesia, AAM Group will continue to capitalize on its competitive advantages and seek out further growth opportunities organically as well as through partnerships.

I am pleased to present the Company's second annual report for the year 2001.

The year 2001 was marked by a global economic downturn - the Internet bubble had burst and companies were faced with a severe market slowdown. Responding to these negative market conditions, AAM Group focused on reducing its short-term operating loss and cash burn in order to secure its long-term development. AAM Group embarked on two major actions in 2001: to restructure all its under-performing non-core units and to strengthen its core units through improvement of operations and better delivery of quality services.

Our restructuring of the non-core units has been completed at the end of 2001, which will lead to significant reduction of recurring expenses and operating loss in coming years. Development of the core units continues along our four core lines of business: Fixed Line Broadband Communication Services, Cellular Communication Services, Internet Enabling Services and Commerce. We aim at developing our core units to become a leader in each of their industry sectors. In 2001, AAM Group has achieved strong revenue growth in spite of the negative economic downturn and operating results show an improving trend.

As the global economic trend remains uncertain, we are continuing our effort to further strengthen our operations through upgrading our management team and practices and adopting a conservative and disciplined approach to the overall control of operating and capital expenditures.

While strengthening its dominant position in Indonesia, AAM Group will continue to capitalize on its competitive advantages and seek out further growth opportunities organically as well as through partnerships.

I wish to thank the Board for their continued support and invaluable contributions. On behalf of the Board, I would like to express our gratitude and appreciation towards our devoted management and staff. AAM Group's growth is directly linked to their hard work and dedication and I look forward to their continuous commitment towards bringing quality services to our customers and maximum returns to our shareholders.

Richard Woolcott

Chairman

Hong Kong, 27th March 2002

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

	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated results				
Turnover	663,468	391,920	272,909	175,854
Gross profit	124,947	89,090	89,268	54,683
(Loss) Profit from ordinary activities but before minority interests	(169,570)	(143,930)	9,260	(282,190)
(Loss) Profit attributable to shareholders	(216,460)	(171,839)	4,146	(148,365)
Consolidated assets and liabilities				
Shareholders' equity	586,642	839,390	434,929	N/A
Non-current assets	1,430,302	1,378,349	1,195,002	N/A
Current assets	368,781	406,166	107,692	N/A
Current liabilities	693,598	599,593	414,507	N/A
Non-current liabilities	148,210	3,177	98,102	N/A

Notes:

1. Pursuant to a group reorganisation in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company became the holding company of AAM Group on 22nd May, 2000. The summary of the consolidated results for the years ended 31st December, 1998, 1999 and 2000 and the consolidated assets and liabilities as at 31st December, 1999 and 2000 was prepared as if the current group structure had been in existence throughout those years.
2. As the Company has only become the holding company of AAM Group since 22nd May, 2000, no audited consolidated financial statements for AAM Group had been prepared before 31st December, 2000. The consolidated results of AAM Group for the years ended 31st December, 1998 and 1999 and the consolidated assets and liabilities as at 31st December, 1999 were extracted from the Company's Prospectus dated 6th July, 2000.

Subsequent to the bursting of the Internet bubble, the worldwide economic downturn in 2001 has had major impact on the economic conditions of the markets served by AAM Group. Indonesia, AAM Group's main market, was particularly affected as it faced additional domestic challenges that slowed foreign investment and corporate spending.

Responding to this negative economic environment, AAM Group focused its effort on improving its near-term performance in order to secure its long-term development.

CORE UNITS AND NON-CORE UNITS

In 2001, AAM Group directed its focus towards achieving positive EBITDA (earnings before interest, tax, depreciation and amortization), reducing AAM Group's cash burn rate and the generation of positive cash flow. Two key actions were initiated: the restructuring of all under-performing non-core units and the development and nurturing of core units.

An analysis of the loss from operations for 2001 is shown below highlighting the performance disparity between the core units and non-core units. The headquarters overhead is shown as a separate unit.

(in HK\$ million)	2001			
	Core units	Non-core units	Headquarters	Total
Turnover	593.5	70.0	–	663.5
Loss from operations	(18.2)	(149.2)	(36.9)	(204.3)
Headcount	1,408	98	29	1,535
Headcount changes (fourth quarter 2001 vs third quarter 2001)	33	(148)	(5)	(120)

Non-core units recorded HK\$70.0 million in revenue (10.5% of AAM Group's turnover) but a loss from operations of HK\$149.2 million (73.1% of AAM Group's loss from operations) whereas core units achieved HK\$593.5 million in revenue (89.5% of AAM Group's turnover) and a loss from operations of HK\$18.2 million for 2001 (8.9% of AAM Group's loss from operations).

The performance disparity between core and non-core units clearly demonstrated the significance of the restructuring effort.

RESTRUCTURING OF NON-CORE UNITS

In order to preserve AAM Group's value of investment, curtail operating loss and cash burn and redirect resources towards the development of core units, AAM Group exercised various strategies in the restructuring of its non-core units.

Non-core Subsidiaries

AAM Group merged non-core subsidiaries with complementary companies thus accelerating the complementary companies' development, adjusted business models of non-core subsidiaries to improve cash income, and ceased or disposed of the operations of those non-core subsidiaries that have no viable business models.

Restructuring of non-core subsidiaries was completed by the end of 2001 and consisted of the following:

- LippoShop, an e-commerce business in Indonesia, discontinued all its operations in November 2001.
- PT Link Net's ISP business, LinkNet, was re-aligned with PT Broadband Multimedia ("Broadband Multimedia") to further strengthen Broadband Multimedia's bundled service offerings.
- AsiaPay (HK) Limited, an e-payment service and solutions provider in Hong Kong, merged with KeyTrend Technology Holdings Limited, a leading e-security solutions provider in Asia, in August 2001.
- Asia MobileNet (HK) Limited, a wireless ASP (Application Service Provider) was disposed of in December 2001.

The restructuring of non-core subsidiaries has reduced AAM Group's headcount from its peak of 2,003 in June 2001 to 1,535 at the end of 2001, a reduction of 23%.

As a result, the negative impacts on AAM Group of recurring expenses (HK\$76.1 million for 2001) and loss from operations (HK\$149.2 million for 2001) attributable to the non-core subsidiaries in the future have now been eliminated. The restructuring effort will have significant positive effect on the future performance of AAM Group.

Non-core Associates

During 2001, a share of loss of associates of HK\$29.6 million was attributed to non-core associates (excluding PT Matahari Putra Prima Tbk (“Matahari”). AAM Group made a provision for impairment of HK\$40.0 million for non-performing associates in 2001 and will therefore eliminate all future “share of loss of associates” attributable to those associates.

CONSOLIDATED INCOME STATEMENT

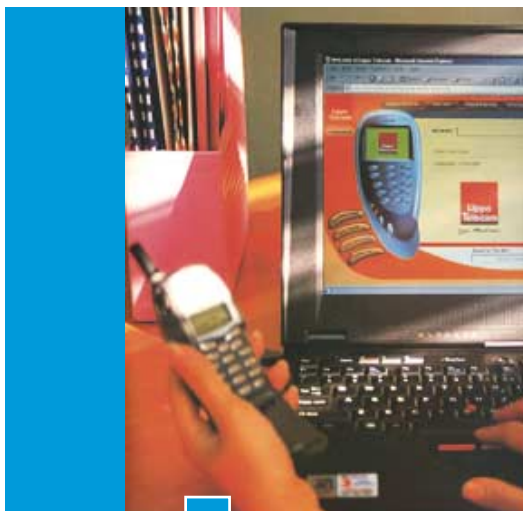
This “Consolidated Income Statement” review of the Audited Annual Results is separated into two main sections: Continuing Operations and Discontinuing Operation. Continuing operations consisted of both core units and non-core units while discontinuing operation consisted of LippoShop, the only unit discontinued in 2001. The provisions made for the restructuring costs of non-core units were included in the calculations for both loss from continuing operations and loss from discontinuing operation.

Continuing Operations

Turnover

AAM Group’s turnover of continuing operations increased substantially by 65.9% to HK\$630.5 million in 2001 compared to HK\$380.1 million in 2000.

Fixed Line Broadband Communication Services revenue continued its growth as revenue for Broadband Multimedia increased tremendously to 96.3% to HK\$106.0 million in 2001 from HK\$54.0 million in 2000.



Revenue from Cellular Communication Services reached HK\$23.9 million primarily due to the 2001 commercial launch of the GSM 1800 cellular service in East Java by PT Natrindo Telepon Seluler (“Natrindo”).



Revenue from Internet Enabling Services increased substantially by 57.0% to HK\$500.7 million in 2001 from HK\$319.0 million in 2000 accounting for 75.5% of AAM Group's turnover. PT Multipolar Corporation Tbk ("Multipolar") was the main contributor to this increase, as it enjoyed a robust growth of 62.8% with revenue of HK\$472.4 million.

Gross Profit

Gross profit of continuing operations increased remarkably by 33.4% to HK\$116.4 million in 2001 compared to HK\$87.2 million in 2000.

However, gross profit margin lowered to 18.5% in 2001 mainly due to the depreciation of Rupiah, the higher programming costs of Broadband Multimedia which were denominated in US dollars, the promotional offering and depreciation of the cellular network for the newly launched GSM 1800 cellular service of Natrindo and the tighter competition in both the IT Solutions and retail sectors.

Operating Expenses

Total operating expenses (excluding other income) of continuing operations increased to HK\$325.0 million in 2001 compared to HK\$271.9 million in 2000. This was mainly due to the inclusion of restructuring costs and provisions amounting to HK\$84.8 million (including a provision for impairment of HK\$40.0 million for AAM Group's non-performing associates) for the non-core units as well as the substantial development and start-up costs of several new businesses during 2001: cellular communication, wireless ASP, on-line payment, etc.

Other income of HK\$37.4 million for 2001 was mainly contributed by net gain on revaluation of short-term investments and net gain on disposals of property and equipment.

Loss from Operations

Loss from operations reduced to HK\$171.2 million for 2001 from HK\$184.4 million for 2000.

Discontinuing Operation

As part of AAM Group's restructuring actions, LippoShop ceased all operations in November 2001. It was the only unit discontinued in 2001.

LippoShop's revenue increased to HK\$33.0 million in 2001 from HK\$11.8 million in 2000 and gross profit increased to HK\$8.6 million in 2001 from HK\$1.8 million in 2000. Loss from operations including restructuring costs and provisions decreased to HK\$33.1 million in 2001 from HK\$47.9 million in 2000 due to tight cost control.

Total staff retrenchment costs of HK\$2.6 million were reflected in the consolidated financial statements for 2001 including benefits to be paid to certain employees of LippoShop. A total provision of HK\$8.8 million was made for trade receivables, property and equipment and inventories to write down the cost to its net realizable value.

Share of Profit of Associates

AAM Group's share of profit of associates lowered to HK\$24.4 million for 2001 compared to HK\$120.7 million for 2000 due to a lower profit reported by Matahari. Matahari's lower contribution was further offset by the losses and write-offs of other non-core associates.



Loss attributable to Shareholders

Loss attributable to shareholders of AAM Group for 2001 was HK\$216.5 million compared to that for 2000 of HK\$171.8 million.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operations of AAM Group were financed primarily by operational revenue, internal resources, net proceeds from the placing of the Company's shares in July 2000 in connection with its listing on the GEM and borrowings (including vendor financing) during 2001. As at 31st December, 2001, total borrowings amounted to HK\$452.0 million and were mainly denominated in Indonesian Rupiah and United States Dollar with interest generally chargeable at market rates. Part of the borrowings were secured by current assets, land use rights and buildings, office furniture, fixtures and equipment as well as corporate guarantee and long-term investments of AAM Group, and had maturity dates ranging from less than a year to 5 years.

AAM Group's revenue, cost of sales and services, expenses and liabilities were substantially denominated in United States Dollar and Indonesian Rupiah and hence it has exposure in the conversion of Indonesian Rupiah to other currencies. The exposure may be reduced if the Indonesian government introduces exchange control measures with a view to stabilising the Indonesian Rupiah. AAM Group has been able to set fixed exchange rates of Indonesian Rupiah to United States Dollar for a portion of its cost of sales. Such rates were fixed at below Indonesian Rupiah 9,000 to

one United States Dollar and formed part of AAM Group's long-term vendor contracts. AAM Group will continue to take measures to minimize its foreign exchange exposure.

As at 31st December, 2001, AAM Group had cash and bank balances and short-term investments of HK\$132.4 million, net assets of HK\$586.6 million and net current liabilities of HK\$324.8 million. In addition to the aforesaid restructuring of non-core units, AAM Group has implemented and is continuing to implement the following management plan: reduction of overhead costs and strengthening of cost control, restructuring of short-term liabilities into long-term liabilities; successful procurement of long-term funding totalling approximately HK\$291.0 million, seeking of strategic investors for its cellular and broadband businesses; 22% rate increase for Broadband Multimedia's cable TV services; strengthening of the network and increase of the penetration of the cable TV and broadband services of Broadband Multimedia; fostering of operational synergy between LinkNet and Broadband Multimedia; development of high margin IT solutions and service offerings of Multipolar; and expansion of Matahari as Indonesia's leading retailer (collectively the "Management Plan"). The Directors are pleased to report that AAM Group has to-date substantially reduced its net current liabilities. The financial position is being further improved through implementation of the Management Plan. AAM Group's gearing ratio, representing total borrowings divided by shareholders' funds, was 77% as at 31st December 2001. AAM Group provided corporate guarantees of approximately HK\$86 million to vendors' affiliated finance companies in connection with the supply of hardware, licensing of certain firmware and software and provision of ancillary services to AAM Group.

DEVELOPMENT OF CORE BUSINESS

In 2001, AAM Group continued to focus on the development of its four core lines of business: Broadband Communication Services, Cellular Communication Services, Internet Enabling Services and Commerce.

Core units' revenue grew 72.5% to HK\$593.5 million in 2001 from HK\$344.1 million in 2000. Loss from operations in 2001 reduced considerably by 45.6% to HK\$55.0 million in 2001 from HK\$101.1 million in 2000 mainly through the reduction of recurring operating expenses, after taking into account the results of the newly launched Cellular Communication Services, of which the loss from operations increased to HK\$41.5 million in 2001 from HK\$1.0 million in 2000.



Fixed Line Broadband Communication Services

Revenue from core units of Fixed Line Broadband Communication Services almost doubled to HK\$106.0 million in 2001 from HK\$54.0 million in 2000 and its contribution to AAM Group's total turnover increased to 16.0%. The loss from operations reduced to HK\$33.1 million in 2001 from HK\$45.2 million in 2000.

Broadband Multimedia focuses on offering broadband services to both corporate and individual consumers. These services focus on last mile fixed-line network development in the central business districts and residential areas of Indonesia's largest cities including broadband network services, broadband Internet services and cable TV services.

Broadband Multimedia is the only operator in Indonesia with a two-way HFC (Hybrid Fibre Coaxial) "hardwire to the customers" broadband network. This rapidly expanding network now totals 2,464 km, passing more than 207,000 homes and covering major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.

In addition, Broadband Multimedia is the only cable TV operator in Indonesia offering 62 channels of programming under the brand name "Kabelvision". Cable TV subscribers have increased to 76,050 during 2001, with penetration increasing to 28.0% in 2001 from 20.3% in 2000.

During 2001, total individual and corporate broadband Internet subscribers increased by 273.0% to 6,135 compared to 2000, demonstrating good impetus in the strategy to increase broadband subscribers' penetration.

As part of the business restructuring effort, LinkNet, in addition to its subscription fee-based Internet access and value-added services, is now focused on providing high-speed Internet access using Broadband Multimedia's network.

Cellular Communication Services



Cellular Communication Services, through Natrindo, launched its new GSM 1800 cellular service under the brand name "Lippo Telecom" in East Java in April 2001. East Java has a population of 35 million and an underserved cellular market with low single-digit penetration. Natrindo is in its early stages of development. Investment to improve its market penetration, value added service offerings and operating efficiency are expected to help achieve profit from operations in the future. Natrindo is well-poised to grow with the market as it matures.

Revenue from core units of Cellular Communication Services reached HK\$15.2 million in 2001 and loss of operations increased to HK\$41.5 million in 2001 from HK\$1.0 million in 2000 due to the launch of the new GSM 1800 cellular service.

Natrindo's network uses state-of-the-art technology and is designed to deliver traditional voice as well as data communication services. It is managed by a team of experienced experts in mobile communication with regional experience in Asia. The new cellular service has an initial capacity of 70,000 subscribers and its subscriber base grew rapidly to 64,000 by the end of 2001.

While the East Java business is operational, Cellular Communication Services is actively exploring ways to develop a nation-wide operation.

Internet Enabling Services

Revenue from core units of Internet Enabling Services increased considerably by 62.8% to HK\$472.4 million for 2001 from HK\$290.1 million in 2000. Profit from operations increased over 5 times to HK\$56.4 million in 2001 from HK\$10.1 million in 2000 as a result of decreased operating expenses and gains from the revaluation of short-term investments and profit on disposals of property and equipment.

The main contributor to both top line and bottom line results was Multipolar. Multipolar, with over 20 years of experience, continues to strengthen its market position as the leading provider of IT system integration and solution services to the financial services industry. It is entering into new market segments such as oil & exploration, retail, distribution, telecommunication and offering higher margin value-added services.



In enhancing its service offerings, Multipolar has also started to implement the ESP (Enterprise Service Provider) model in cooperation with Oracle.

Commerce

Matahari, a 44% owned associate of AAM Group, remains as AAM Group's core unit in Commerce business.

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

Matahari continued its strong performance with total revenue increased by 27.3% to HK\$4.1 billion in 2001 compared to 2000. Its net profit was HK\$76.8 million after its new management team made prudent provisions and markdowns totalling Rp193 billion (HK\$146.3 million).



PROSPECTS

Following a challenging year 2001 and with its restructuring completed, AAM Group is well positioned to continue the development of each of its core units into industry leaders. Such a leadership position will be achieved through a competent management team, strong organization, quality service offerings and customer satisfaction and will pave the way towards steady revenue growth and solid bottom line performance including free cash flow.

AAM Group has adjusted its lines of business and formed the following Business Groups. Each Business Group manages a number of synergistic core units engaged in one particular business segment serving common customer bases. All Business Groups are led by experienced management teams determined to build and lead their business groups to success.

The Business Group **Broadband Services** continues the development of Fixed Line Broadband Communication Services and related business and enhance the overall service offerings for multimedia and data communication business to consumers and corporations.

The Business Group **Cellular Services** continues the development of Cellular Communication Services. It has gained a foothold in East Java and is also focused on exploring opportunities for national network expansion.

The Business Group **IT Solutions** continues the development of Internet Enabling Services and related services. It continues the drive towards offering higher value-added business solution and IT services to business customers in selected segments.

The Business Group **Retail**, represented by Matahari, will continue to expand its retail network in Indonesia. In addition, Matahari will further strengthen its professional management team to improve its product and service offerings to customers and to facilitate Retail's strong growth.



The following is a comparison of the actual business progress to the business objectives set out in the Prospectus for 2001:

Business Objectives	Actual Business Progress
1. For the period from 1st January, 2001 to 30th June, 2001	
(1) Fixed Line Broadband Communication Services	
(i) <i>Technology Development</i>	
Continue broadband network expansions, acquisitions and upgrades	Total number of homes-passes reached 193,000 and connected hotel rooms increased from 4,839 to 18,723
Deploy VPN networks	In progress
Upgrade Internet backbone/ bandwidth	Completed
Develop commercial Internet exchange system	Deferred due to market response
Expand VSAT capacity by circa 10 cities with 3-10 nodes in every city	VSAT terminals have been installed in 17 cities throughout Indonesia
(ii) <i>Market and Business Development</i>	
Expand corporate network services offerings	In progress; 395 corporate subscribers at the end of June 2001
Expand prepaid telephony to new markets	Deferred due to market response
Begin marketing of bundled services package	Ongoing
Marketing of broadband Internet services through VSAT and cellular networks	VSAT broadband Internet services introduced

Continued expansion of telemarketing centre by one sales person for every additional 2,000 home-passes	Telemarketing is operational and focusing on premium programming; acquisition of new customer is shifting to more effective door-to-door sales
Advertising and marketing campaign activities	Ongoing; direct door-to-door sales for fixed line broadband communication services is strengthened
Deploy VPN services	In preparation
Pursue alliance & investment opportunities	In progress

(2) Cellular Communication Services

(i) *Technology Development*

Begin WAP connectivity development	Deferred due to market response
Joint GRIC (Global Roaming International Co-operation) for global roaming	A membership for GSM MOU was signed to join a de facto international body

(ii) *Market and Business Development*

Introduce WAP ISP connectivity	Deferred due to market response
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(3) Internet Enabling Services

(i) *Technology Development*

Continue to develop new web applications to support introduction of new content and features	Completed Two features: e-mail and directory are ready to roll out
Enhance content and CRM technology applications	In progress
Develop further technology ideas & alliance	In progress
Source & review technology based investment opportunities	In progress

(ii) *Market and Business Development*

Expand essential content and features for targeted market segments	The portal is continuously being repositioned in response to market preferences
Identify and invest in up and coming content providers with unique topics	Completed Current content providers include AP, AFX, Antara and IMQ. New content group is being set up for the purpose
Enhance the sophistication of community and value-added value features via offerings such as personal home page hosting, multi-language translation, etc.	The portal is continuously being repositioned in response to market preferences
Continue to deepen localized news and content	In progress

Commence syndication of proprietary content to other sites as additional revenue	Ongoing with Lycos Asia
Create competitive differentiator in the Internet & e-commerce market through focus on providing total solution from front-end, middleware and back-end solutions	Completed
Partnership with global regional companies in providing e-content program management Internet certificate authentication	Completed Partnership with Aretae for WEB & WEB content development and partnership with KeyTrend for secured Internet transaction technology (PKI, SSL, SET, CA, etc.)
Partnership with global services, companies in providing disaster recovery services, quality assurance services, outsourcing services	In progress
Develop market for outsourcing services	In progress (with focus on banking industry, distribution industry and manufacturing industry market development)
Introduce advanced Internet security solutions and e-payment system	Partnership with KeyTrend (PKI, SSL, SET, CA, etc.), CISCO (VPN, VLAN) and OASIS (e-payment system). Launch C2C online payment products and B2C payment acceptance in Hong Kong
Roll-out software management services which cover maintenance, enhancement & modification	Partnership with ALDON and TestBench/400 to provide integrated S/W management services covering S/W enhancement, modification development, automated testing factory, and automated S/W distribution continue to improve to be certified Integrated S/W Development Centre



Introduce contact-centre outsourcing services	Completed
Development of Internet exchange centre	Completed
Access to CRM solution and service provider	Completed Partnership with ORACLE e-business suite to provide integrated CRM solution and provide consultancy, implementation, S/W management and facility management outsourcing
 (4) Commerce	
 (i) <i>Technology Development</i>	
Add advanced commerce features such as improved payment and data security & fulfillment capabilities	Completed
Actively look out for regional B2B & B2C technology and idea opportunities	In progress
 (ii) <i>Market and Business Development</i>	
Launch electronic bill presentment and payment over TV (Internet access through Set Top Box and displayed on TV)	Deferred due to market response
Continued expansion of offerings in terms of variety and value	Completed
Refine B2B & B2C target market focus & product offerings	Ongoing efforts concentrated on increasing B2B market

Continue to expand quantity/ variety with new partnership and in-house developed offerings, and enhance quality of on-line stores	Completed Category expansion has taken place in order to add variety to the offering. Partnerships and quality enhancements of stores is on-going
Actively look out for regional B2B ideas, opportunities and partnership	In progress

2. For the period from 1st July, 2001 to 31st December, 2001

(1) Fixed Line Broadband Communication Services

(i) *Technology Development*

Continue network expansions, acquisitions and upgrades	Additional 252 km was activated during the period and a total of 2,464 km was activated upto 2001. Total number of home-passes reached 207,000
Upgrade POP networking	In progress
Develop Asia Internet Gateway system	In progress
Develop further applications	In progress
Expand VSAT capacity by circa 10 cities with 3-10 nodes in every city	VSAT terminals have been installed in 17 cities throughout Indonesia



(ii) *Market and Business Development*

Expand network services offerings by leasing the network for Internet banking, Internet telephony and others	Completed Network was leased to six ISPs for delivery of a high speed Internet to subscribers “Always on” Internet transmission services were provided by Kabelvision to corporations and residents A synergy among business unit was developed to implement bundling of services Infrastructure for remote trading is provided to Jakarta Stock Exchange and its members
Expand prepaid telephony offerings	In progress; network consolidation with ISP and cellular provider was being reviewed
Expand TV channels through additional programming	Kabelvision provides 58 channels (including two additional channels in the period) of cable television programming and advertising insertions Revised channel line up will be introduced in 2002
Advertising and marketing campaign activities	Channels with advertisement increased to 12
Continued expansion of telemarketing centre	Completed
Continue deployment of value added IP telephony	In progress; further development and trial will be commenced in 2002
Establish alliances with international telecommunications companies for VOIP	In progress; further development and trial will be commenced in 2002
Establish wireless global roaming	In progress; to be trialed in 2002
Pursue alliance & investment opportunities	Completed Partnerships were established to build an infrastructure in Jakarta Inner Ring Road Project

(2) Cellular Communication Services

(i) Technology Development

Continue network expansions, acquisitions and upgrades

In the process of acquiring repeaters to upgrade and expand network coverage into selected areas. More than 80 BTS (Base Transmitter Stations) were already installed

Develop further applications

In progress; deploying mail to SMS applications, VAS (Value Added Services) based on IVR: various applications such as fortune telling, horoscope, etc were ready for commercialisation

(ii) Market and Business Development

Advertising and marketing campaigning activities

Multi-channels sales distribution structure, aggressive marketing campaign highlighting differentiation of products (tailor-made) and pricing (value for money) were being developed

Continued expansion of telemarketing centre

Completed
Telemarketing centre was in place and additional staff were being recruited. Integration of direct sales staff generated significant sales contribution

Establish wireless global roaming

In progress; international roaming with StarHub (Singapore) and arrangements with other global operators were established which will be in place in the first quarter of 2002

Pursue alliance & investment opportunities

Completed
Strategic marketing and distribution alliances were established with leading private and state banks and the state-owned Post Office. 154 Post Office outlets will be utilised as point of sales and collection centres



(3) Internet Enabling Services

(i) *Technology Development*

Develop and support the provision of “killer applications”	Developed a component based e-Teller solution for Bank Branch Automation System with shorter customization and deployment timeframe
Acquire WAP Solutions	Partnership with IBM Websphere Solution providing multi-channel services delivery system including WAP Solutions for Banking System
Source and review technology based investment opportunities	Still evaluating the alternatives for core banking applications

(ii) *Market and Business Development*

Broaden and deepen the scope of WAP content available	Delayed due to low market response
Enhance content and CRM technology applications	On going; ORACLE CRM applications was implemented
Drive the development of rich multimedia content including streaming video targeting users with broadband access	Delayed until 2002
Increase penetration on Internet access provider and e-commerce market	In progress
Roll-out WAP solution services	Delayed until 2002 due to lack of market response

(4) Commerce

(i) *Technology Development*

Add advanced e-commerce features

Improved data security

Upgrade and improve fulfillment capabilities

Cancelled due to restructuring in response to the market

(ii) *Market and Business Development*

Begin i-TV (Internet access through Set Top Box and displayed on TV) e-payment services

Delayed until 2002

Commence provision of backend fulfillment systems as a service to other Internet firms to maximize capacity utilization

Cancelled due to restructuring in response to the market

Refine B2B and B2C target market focus & product offerings

Cancelled due to restructuring in response to the market

Actively look out for regional B2B ideas, opportunities and partnership

Cancelled due to restructuring in response to the market



Executive Directors

Dr. Cheng Wen CHENG, aged 57, has been an executive Director and the President and Chief Executive Officer (“CEO”) of the Company since June 2000. He has over 25 years of international experience in research and development and management. Prior to joining AAM 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 and Vice President of Taiwan International Standard Electronics Ltd. He also worked for Bell Telephone Manufacturing Company in Belgium and Bell Laboratories in the United States of America (“USA”). Dr. Cheng 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. Davy Kwok Fai LEE, aged 43, has been an executive Director of the Company since May 2000. He is also Vice President, Company Secretary and Compliance Officer of the Company. Prior to joining AAM Group, he has been the Group Company Secretary of Lippo Limited since 1991. He has over 18 years’ experience in the field of corporate secretarial management, legal compliance, human resources management and general administration. He has intimate knowledge of Hong Kong’s capital markets gained in his working experience with listed companies. He was admitted as an Associate of the Chartered Institute of Bankers in 1989 and Associate of the Institute of Chartered Secretaries and Administrators (“ICSA”) in 1983 and elected as a Fellow of ICSA and the Hong Kong Institute of Company Secretaries in 1995.

Non-executive Directors

Mr. Stephen HUNG, aged 43, has been a non-executive Director of the Company since June 2000. He is currently co-Chairman of The Taipan.net Limited and Vice Chairman of Hong Kong listed eSun.com Holdings Limited. He was formerly co-Head of Investment Banking at Merrill Lynch responsible for the Asia-Pacific region and subsequently formed his own investment banking firm in 1992, Amida Capital Limited, and also served as Vice Chairman and chief executive of American Dream Parks & Entertainment Group between 1994-1998.

Mr. Gerard Joseph McMAHON, aged 58, has been a non-executive Director of the Company since June 2000. Since 1997, he has acted as non-executive director of the following Hong Kong listed companies: Sun Hung Kai & Company Limited and Guangnan (Holdings) Limited, and a commissioner of the following Indonesian listed companies: Matahari and PT Siloam Health Care Tbk. He is also the Chairman of Asian Capital Finance Limited (a registered financial adviser) and McMahon Brothers (Hong Kong) Limited. He was, until the end of 1996, an Executive Director and member of the Hong Kong Securities and Futures Commission (“SFC”), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. He was also admitted as a barrister in Hong Kong.

Independent Non-executive Directors

Mr. Richard Arthur WOOLCOTT, aged 74, 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 organizations, and is a 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 40, has been an independent non-executive Director of the Company since June 2000. He is a partner and head of the Banking and Commercial Department of Y. T. Chan & Co., Solicitors. His areas of practice include banking, securities, Internet and information technology, corporate finance, corporate acquisitions, joint ventures and provident fund. 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.

Senior Management

Mr. Jeffrey Koes WONSONO, aged 42, joined AAM Group in September 1994 and is the Vice President of the Company, CEO of the Company’s Indonesia Office and the President Commissioner of Multipolar. Prior to joining AAM 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. Fung Ming CHEN, aged 56, has been the Vice President-Operations of the Company since October 2000 and Deputy President of Broadband Multimedia since June 2001. Before joining AAM Group, he worked at Philips Electronics Group from 1982 with the last position held as Director-Key Account, CFO and Vice President of Component Division, Asia Pacific. He has over 26 years’ experience in the operation field. He has a Master degree in Physics and a Master degree in Computer Science from the University of Wisconsin, USA.

Dr. I Gusti Made MANTERA, aged 58, joined AAM Group in September 2000 and is the CEO of Multipolar IT Division. Prior to joining AAM Group, he was an Executive of Standard Chartered Bank, Indonesia from 1999 to 2000. Before joining Standard Chartered Bank, Indonesia, he worked for IBM Indonesia for 20 years with last position as the CEO and acted as Deputy President of Bank Bali until 1999. He holds a PhD degree in Control Engineering from University of Tasmania, Australia.

Mr. Billy SINDORO, aged 42, joined AAM Group in 2000, and is Vice Chairman of the Company's Indonesia Office, the President of Lippo Telecom and President of Broadband Multimedia. Prior to joining AAM Group, he has worked with the Lippo Group for 17 years holding various senior executive and non-executive positions in listed, non-listed and joint venture companies, including Managing Director of PT Bank Lippo Tbk and President Director of AIG Lippo Life. Mr. Sindoro holds a Bachelor of Arts degree in Finance and a Masters degree in Business Administration from the University of South Dakota, USA.

Mr. Marshall Wallace COOPER, aged 41, joined AAM Group in April 1999 and is the Chief Financial Officer of the Company and Broadband Multimedia. Mr. Cooper has 17 years' experience in Asia. Prior to joining AAM Group, he served as Asia-Pacific controller for an oil and gas service company and as regional controller and finance manager for a mining company. He holds a Bachelor degree in statistics (Operations Research Analysis) from Perth Institute of Technology, Australia, and a Bachelor degree in Accounting and a Master degree in Business Administration from the University of Texas, USA.

The Directors are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (together "AAM Group") for the year ended 31st December, 2001 ("2001").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of fixed line broadband communication services, cellular communication services, Internet enabling services and commerce.

Analyses of AAM Group's turnover by principal activity and by geographical location, together with their respective contributions to (loss) profit before taxation for 2001 are as follows:

Analysis by principal activity:

	Turnover		(Loss) Profit before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Fixed line broadband communication services	105,957	53,975	(36,871)	(44,299)
Cellular communication services	23,853	7,141	(39,096)	(14,245)
Internet enabling services	500,707	318,993	96,124	40,648
Commerce	32,951	11,811	(34,809)	(47,864)
Others	–	–	(139,580)	(52,430)
	<u>663,468</u>	<u>391,920</u>	<u>(154,232)</u>	<u>(118,190)</u>

Analysis by geographical location*:

	Turnover		Loss before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Indonesia	662,209	379,804	(4,099)	(31,272)
Others	1,259	12,116	(150,133)	(86,918)
	<u>663,468</u>	<u>391,920</u>	<u>(154,232)</u>	<u>(118,190)</u>

* Turnover by geographical location is determined mainly on the basis of the location where services were provided.



CUSTOMERS AND SUPPLIERS

For 2001, the five largest customers accounted for approximately 49% of AAM Group's total turnover (2000 – 48%), while the five largest suppliers of AAM Group accounted for approximately 82% (2000 – 35%) of AAM Group's total purchases. The largest customer of AAM Group accounted for 17% (2000 – 27%) of AAM Group's total turnover while the largest supplier accounted for 36% (2000 – 15%) of AAM Group's total purchases.

None of the Directors, their associates (as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”)), or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the five largest customers and suppliers of AAM Group.

RESULTS AND APPROPRIATIONS

Details of AAM Group's results for 2001 are set out in the consolidated income statement on page 42 of the annual report.

The Directors do not recommend the payment of a dividend in respect of the year.

PENSION COSTS

Particulars of pension costs for 2001 are set out in Note 38 to the accompanying consolidated financial statements.

SHARE CAPITAL

Details of share capital are set out in Note 34 to the accompanying consolidated financial statements.

RESERVES

Movements in reserves and accumulated losses of AAM Group during 2001 are set out in the consolidated statement of changes in shareholders' equity on page 45 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during 2001.

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 13 to the accompanying consolidated financial statements.

PROPERTY AND EQUIPMENT

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

BANK LOANS

Particulars of bank loans as at 31st December, 2001 are set out in Notes 26 and 27 to the accompanying consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions are set out in Note 3 to the accompanying consolidated financial statements.

COMMITMENTS AND CONTINGENT LIABILITIES

Particulars of commitments and contingent liabilities as at 31st December, 2001 are set out in Notes 39 and 40 respectively to the accompanying consolidated financial statements.

USE OF PROCEEDS

AAM Group has raised approximately HK\$590 million through placing of the Company's shares upon the listing of the Company on the GEM on 13th July, 2000. After deducting related expenses, the net proceeds were approximately HK\$ 531 million.

AAM Group's use of the proceeds up to 31st December, 2001 was substantially in accordance with the intended use stated in the Prospectus and the comparison is set out below:

	Intended use	Actual use
	HK\$'000	HK\$'000
Capital expenditure and working capital to develop the wired broadband network infrastructure in Indonesia	147,000	130,000
Capital expenditure and working capital to develop the wireless broadband network infrastructure in Indonesia	60,000	103,000
Capital expenditure, advertising & marketing, and additional working capital for broadband access and technology development in Indonesia	71,000	65,000
Capital expenditure, advertising & marketing, and additional working capital for content development in Indonesia	75,000	43,000
Capital expenditure, advertising & marketing, and additional working capital for commerce development in Indonesia	65,000	71,000
Capital expenditure and advertising & marketing for technology, content and commerce development in Singapore	19,000	19,000
Capital expenditure, advertising & marketing, and additional working capital for technology, content, and commerce development in Hong Kong	22,000	22,000
Repayment of loan extended by Maxipo International Ltd.	12,000	12,000
Strategic investments and additional working capital of AAM Group	58,000	59,000
	<u>529,000</u>	<u>524,000</u>
Total	<u>529,000</u>	<u>524,000</u>

The remaining net proceeds have been deposited in licensed banks in Hong Kong and Indonesia.

SUBSEQUENT EVENTS

Particulars of subsequent events are set out in Note 46 to the accompanying consolidated financial statements.

DIRECTORS

The Directors who held office during 2001 and up to the date of this report were:

Executive Directors

Dr. Cheng Wen CHENG

Mr. Davy Kwok Fai LEE

Mr. Lak Chuan NG (Resigned on 1st August, 2001)

Non-executive Directors

Mr. Canning Kin Ning FOK (Resigned on 12th March, 2002)

Mr. Stephen HUNG

Mr. Gerard Joseph McMAHON

Mr. Christopher James WILLIAMS (Resigned on 11th March, 2002)

Dr. Mochtar RIADY (Resigned on 14th May, 2001)

Independent non-executive Directors

Mr. Richard Arthur WOOLCOTT

Mr. Kwok Ming CHEUNG

Alternate Director

Ms. Edith SHIH (Ceased as Alternate Director on 12th March, 2002)

(Alternate Director of

Mr. Canning Kin Ning FOK)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Kwok Ming Cheung and Mr. Gerard Joseph McMahon retire by rotation. Mr. Cheung, being eligible, offers himself for re-election at the forthcoming annual general meeting. Mr. McMahon does not offer himself for re-election due to his other commitments.

The term of office of each of the non-executive Directors and the independent non-executive Directors is the period up to his retirement by rotation in accordance with the Articles of Association of the Company.

DIRECTORS' SERVICE CONTRACTS

Dr. Cheng Wen Cheng and Mr. Kwok Fai Lee have entered into service contracts with the Company for a term of three years commencing from 1st June, 2000 to 31st May, 2003 and from 1st April, 2000 to 31st March, 2003 respectively. Apart from the foregoing, no Director has a service contract with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in Note 9 to the accompanying consolidated financial statements, no contracts of significance in relation to AAM 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 2001 or at any time during 2001.

DISCLOSURE OF INTERESTS IN SECURITIES**(1) Directors and Chief Executive**

As at 31st December, 2001, the interests of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange under Rule 5.40 of the GEM Listing Rules were as follows:

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

As at 31st December, 2001, none of the Directors or the chief executive of the Company were interested in any equity or debt securities of the Company or any of its associated corporations.

(ii) Rights to Acquire Shares of the Company

Pursuant to the Pre-IPO Share Option Plan of the Company (the "Pre-IPO Plan"), the Directors and the chief executive of the Company were granted on 23rd June, 2000 (the "Grant Date") options to subscribe for shares of the Company at a subscription price of HK\$3.28 per share as follows:

Name	Number of underlying shares		Outstanding as of 31st December, 2001
	Granted	Lapsed	
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 (Note 1)
Mr. Richard Arthur Woolcott	3,546,000	–	3,546,000 (Note 2)
Mr. Davy Kwok Fai Lee	2,364,000	–	2,364,000 (Note 3)
Mr. Stephen Hung	2,364,000	–	2,364,000 (Note 3)
Mr. Gerard Joseph McMahon	2,364,000	–	2,364,000 (Note 3)
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 (Note 3)
Total	<u>26,152,000</u>	<u>–</u>	<u>26,152,000</u>

DISCLOSURE OF INTERESTS IN SECURITIES (Continued)

(1) Directors and Chief Executive (Continued)

Notes:

1. 1,330,000 shares shall become exercisable from 14th January, 2001; 2,364,000 shares shall become exercisable from each of 1st June, 2001, 1st June, 2002, 1st June, 2003, 1st June, 2004 and 1st June, 2005.
2. 354,600 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 709,200 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.
3. 236,400 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 472,800 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.
4. Mr. Lak Chuan Ng resigned as a Director of the Company with effect from 1st August, 2001. As a result, his option to subscribe for 6,618,184 shares lapsed with effect from 1st August, 2001 and his remaining option to subscribe for 3,231,816 shares lapsed on 1st February, 2002.
5. Mr. Christopher James Williams resigned as a Director of the Company with effect from 11th March, 2002. As a result, his option to subscribe for 1,891,200 shares lapsed with effect from 11th March, 2002 and his remaining option to subscribe for 472,800 shall lapse on 10th September, 2002.
6. Mr. Canning Kin Ning Fok resigned as a Director of the Company with effect from 12th March, 2002. As a result, his option to subscribe for 5,672,800 shares lapsed with effect from 12th March, 2002 and his remaining option to subscribe for 1,418,200 shall lapse on 11th September, 2002.
7. The exercise period for all such shares (except those mentioned in Notes 4, 5 and 6) shall end 10 years from the Grant Date (the "Expiry Date").

The Company also has a share option scheme (the "Post-IPO Scheme") under which the Directors and employees of AAM Group may be granted on or after 13th July, 2000 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Post-IPO Scheme. No options had been granted to the Directors and the chief executive of the Company under the Post-IPO Scheme as at 31st December, 2001.

Save as disclosed herein, as at 31st December, 2001, none of the Directors nor the chief executive of the Company nor their spouses or children under 18 years of age was granted or had exercised any right to subscribe for any equity or debt securities of the Company.

(2) Substantial Shareholders

As at 31st December, 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the persons (other than the Directors or the chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares	Approximate percentage
Cyport Limited	3,631,257,218	71.70
Lippo Cayman Limited (Note)	3,901,769,218	77.04
Lanius Limited (Note)	3,901,769,218	77.04

Note:

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

DISCLOSURE OF INTERESTS IN SECURITIES (Continued)**(3) Management Shareholders**

Save for the substantial shareholders and Mideast Pacific Strategic Holdings Limited which held 219,600,000 shares of the Company as at 31st December, 2001, the Directors are not aware of any persons who, as at 31st December, 2001, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were able, as a practical matter, to direct or influence the management of the Company.

SHARE OPTIONS

The purposes of the Pre-IPO Plan are to recognize the contribution of certain persons to the growth of AAM Group and/or to the listing of the Company's shares on the GEM. The participants of the Pre-IPO Plan includes full-time and part-time employees (including executive and non-executive Directors), consultants and advisers of AAM 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 in connection with the listing of the Company's shares on the GEM.

The purpose of the Post-IPO Scheme is to recognize the contribution of employees to AAM Group. The participants of the Post-IPO Scheme are employees of AAM Group. The subscription price for the shares under the Post-IPO Scheme is determined by the Directors which will be no less than the highest of (i) the closing price of shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the relevant option, (ii) the average of the closing price of the shares as stated in the daily quotations sheets 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.

Summaries of the principal terms of the Pre-IPO Plan and the Post-IPO Scheme were set out in the Prospectus.

The Directors consider it inappropriate to value the options granted under the Pre-IPO Plan and the Post-IPO Scheme as the market price of the Company's shares as at 31st December 2001 was below the subscription prices in respect of all the options granted. Any valuation based on assumption would not be meaningful.

SHARE OPTIONS (Continued)

Details of the options granted to persons other than the Directors of the Company under the Pre-IPO Plan and the Post-IPO Scheme are as follows:

(i) Pre-IPO Plan

Pursuant to the Pre-IPO Plan, 23 employees of AAM Group (other than the Directors of the Company) were granted on the Grant Date options to subscribe for an aggregate of 17,499,000 shares of the Company at a subscription price of HK\$3.28 per share. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Pre-IPO Plan as at 31st December, 2001 was 1,182,000. The option for each grantee is exercisable in accordance with the Pre-IPO Plan at any time during a period commencing from the respective commencement dates and ending on the Expiry Date in accordance with the following schedule:

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

Movement in options granted under the Pre-IPO Plan is set out in Note 36 to the accompanying consolidated financial statements.

Pursuant to the Post-IPO Scheme, 11 employees of AAM Group (other than the Directors of the Company) were granted options to subscribe for an aggregate of 10,635,676 shares of the Company on the respective dates of grant as shown in the following schedule. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Post-IPO Scheme as at 31st December, 2001 was 2,160,000. The options for such grantees are exercisable in accordance with the Post-IPO Scheme at any time during the relevant periods commencing from the respective commencement dates and ending on 21st June, 2010 at the respective subscription prices in accordance with the following schedule:

Date of grant	No. of employees	Commencement date	Subscription price (HK\$)	Approximate percentage of underlying shares per option
17th January, 2001	1	1st July, 2001	3.11	33.4
		1st July, 2002		33.3
		1st July, 2003		33.3
17th January, 2001	5	17th January, 2002	3.11	50
		17th January, 2003		50
11th May, 2001	1	10th April, 2002	2.42	30
		10th April, 2003		30
		10th April, 2004		40

SHARE OPTIONS (Continued)

(ii) Post-IPO Scheme

Date of grant	No. of employees	Commencement date	Subscription price (HK\$)	Approximate percentage of underlying shares per option
14th August, 2001	1	14th August, 2001	1.80	100
4th September, 2001	1	4th March, 2002	1.266	100
28th December, 2001	1	28th December, 2001	0.5	100
28th December, 2001	1	28th December, 2002 28th December, 2003	0.5	50 50

Movement in options granted under the Post-IPO Scheme is set out in Note 36 to the accompanying consolidated financial statements.

The options granted under the Pre-IPO Plan and the Post-IPO Scheme in respect of 56,337,816 shares and 7,791,732 shares of the Company respectively (totaling 64,129,548 shares and representing approximately 1.26% of the enlarged issued share capital thereof) were outstanding as at 31st December, 2001. Options granted under the Pre-IPO Plan and the Post-IPO Scheme to subscribe for an aggregate of 17,921,184 shares and 2,843,944 shares respectively were lapsed as at 31st December, 2001.

The maximum number of shares subject to the Pre-IPO Plan and the Post-IPO Scheme must not exceed 30% of the total issued shares of the Company from time to time.

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

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 31st December, 2001, an associate of the Sponsor held 250 shares in PT Multipolar Corporation Tbk.

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

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

COMPETING INTERESTS

Mr. Canning Kin Ning Fok, who was a non-executive Director, is the group managing director of Hutchison Whampoa Limited (“Hutchison”), a company whose shares are listed on the Main Board of the Stock Exchange. Hutchison is the holding company of a group of companies which carry on a diverse range of businesses including telecommunications and e-Commerce, owning and operating Internet and telecommunications infrastructure, and offering or planning to offer related services. With the businesses of AAM Group in Asia covering fixed line broadband communication services, cellular communication services, Internet enabling services and commerce, AAM Group might have had competition with Hutchison during 2001.

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 2001. There was a chance that such businesses might have competed with AAM Group during 2001.

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

AUDIT COMMITTEE

The Company established an audit committee on 23rd June, 2000 with written terms of reference in accordance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of AAM Group. The audit committee has met four times during 2001.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules regarding board practices and procedures throughout 2001.

AUDITORS

The accompanying financial statements have been audited by Messrs. Arthur Andersen & Co. which offer themselves for re-appointment for the ensuing year at the forthcoming annual general meeting.

On behalf of the Board of Directors

Richard Woolcott

Chairman

Hong Kong, 27th March, 2002



Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Report of the Auditors to the Shareholders of
ACROSSASIA MULTIMEDIA LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying balance sheet of AcrossAsia Multimedia Limited (the "Company") and the consolidated balance sheet of the Company and its subsidiaries (the "Group") as at 31st December, 2001, and the related consolidated income statement, changes in shareholders' 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.

We conducted our audit in accordance with International Standards on Auditing issued by 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 the Group as at 31st December, 2001, and of the results of the Group's operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board and comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to Note 2a to the financial statements which indicates that the Group incurred a loss attributable to shareholders of approximately HK\$216.5 million for the year ended 31st December, 2001, and had net current liabilities of approximately HK\$324.8 million as at 31st December, 2001. The financial statements have been prepared on a going concern basis. The appropriateness of this basis depends upon the success of the Group's future operations and the satisfactory outcome of the management plan as discussed in Note 2a to the financial statements. The financial statements do not include any adjustments, as discussed in Note 2a to the financial statements that might be necessary should the Group not be successful in its future operations or should the Group be unable to achieve the management plan.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong, 27th March, 2002.

Consolidated Income Statement

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Continuing Operations			
Turnover	4	630,517	380,109
Cost of sales and services rendered		(514,122)	(292,862)
Gross profit		116,395	87,247
Other income	4	37,355	271
Selling and distribution expenses		(44,365)	(37,424)
General and administrative expenses		(280,592)	(234,451)
Loss from continuing operations		(171,207)	(184,357)
Interest income	4	10,067	13,635
Interest expense		(39,038)	(23,245)
Loss before share of profit of associates and profit on discontinued operations	5	(200,178)	(193,967)
Discontinuing Operation			
Turnover	4	32,951	11,811
Cost of sales		(24,399)	(9,968)
Gross profit		8,552	1,843
Other income	4	768	3,289
Selling and distribution expenses		(9,976)	(15,004)
General and administrative expenses		(32,396)	(38,031)
Loss from discontinuing operation		(33,052)	(47,903)
Interest income	4	174	388
Interest expense		(1,931)	(605)
Loss before share of profit of associates and profit on discontinued operations	5	(34,809)	(48,120)
Loss before share of profit of associates and profit on discontinued operations		(234,987)	(242,087)
Share of profit of associates		24,396	120,700
Profit on discontinued operations	7	56,359	3,197
Loss before taxation		(154,232)	(118,190)
Taxation	8	(15,338)	(25,740)
Loss from ordinary activities but before minority interests		(169,570)	(143,930)
Minority interests		(46,890)	(27,909)
Loss attributable to shareholders	10	(216,460)	(171,839)
Loss per share			
– Basic (HK cents)	11	(4.27)	(3.50)

Balance Sheets

As at 31st December, 2001

	Note	Consolidated		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets					
Property and equipment	12	598,701	448,498	1,242	3,054
Investment in subsidiaries	13	–	–	587,420	716,150
Investment in associates	14	565,578	625,949	–	–
Long-term investments	15	14,092	22,487	–	–
Goodwill	16	173,867	222,348	–	–
Intangible assets	17	22,841	384	–	–
Deferred tax assets	18	35,828	36,184	–	–
Non-current prepayments and receivables	19	18,065	18,325	–	–
Due from related companies	20	1,330	4,174	–	–
Total non-current assets		1,430,302	1,378,349	588,662	719,204
Current assets					
Inventories	21	68,790	36,826	–	–
Trade receivables	22	65,573	58,044	–	–
Prepayments, deposits and other current assets	23	101,985	76,726	468	1,526
Short-term investments	24	60,098	617	–	–
Pledged bank deposits	25	39,108	44,579	–	–
Cash and bank deposits	25	33,227	189,374	9,704	124,478
Total current assets		368,781	406,166	10,172	126,004
Current liabilities					
Long-term borrowings, current portion	26	(87,587)	(110,954)	–	–
Short-term loans	27	(235,042)	(40,194)	–	–
Finance lease obligations, current portion	28	(676)	(6,490)	–	–
Trade payables	29	(94,369)	(94,665)	–	–
Receipts in advance	30	(15,951)	(9,161)	–	–
Accruals and other payables		(113,781)	(131,872)	(8,109)	(5,818)
Estimated liabilities for losses of discontinued operations	31	(123,447)	(180,733)	–	–
Taxation payable		(16,167)	(6,877)	–	–
Due to related companies	32	(6,578)	(18,647)	(83)	–
Total current liabilities		(693,598)	(599,593)	(8,192)	(5,818)
Net current (liabilities) assets		(324,817)	(193,427)	1,980	120,186
Total assets less current liabilities		1,105,485	1,184,922	590,642	839,390

Balance Sheets

As at 31st December, 2001

	Note	Consolidated		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current liabilities					
Long-term borrowings, non-current portion	26	(87,561)	–	–	–
Promissory notes	33	(41,805)	–	–	–
Non-current other payables		(10,709)	–	–	–
Finance lease obligations, non-current portion	28	(911)	(3,177)	–	–
Due to related companies, non-current portion	32	(7,224)	–	(4,000)	–
Total non-current liabilities		<u>(148,210)</u>	<u>(3,177)</u>	<u>(4,000)</u>	<u>–</u>
Minority interests		<u>(370,633)</u>	<u>(342,355)</u>	<u>–</u>	<u>–</u>
Net assets		<u>586,642</u>	<u>839,390</u>	<u>586,642</u>	<u>839,390</u>
Capital and reserves					
Share capital	34	506,462	506,462	506,462	506,462
Reserves	35	774,757	811,045	664,271	664,271
Accumulated losses		<u>(694,577)</u>	<u>(478,117)</u>	<u>(584,091)</u>	<u>(331,343)</u>
Total shareholders' equity		<u>586,642</u>	<u>839,390</u>	<u>586,642</u>	<u>839,390</u>

Approved by the Board of Directors on 27th March, 2002:

RICHARD WOOLCOTT
Director

CHENG WEN CHENG
Director

Consolidated Statement of Changes in Shareholders' Equity

For the Year ended 31st December, 2001

	Share capital HK\$'000	Share premium HK\$'000	Capital Reserve HK\$'000	Investment revaluation reserve HK\$'000	Equity transactions of associates HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1st January, 2000	1,292,528	-	12	6,557	(8,920)	(548,970)	(306,278)	434,929
Issuance of shares	18,000	580,186	-	-	-	-	-	598,186
Share issuance expenditures	-	(59,321)	-	-	-	-	-	(59,321)
Capitalisation of share premium	487,988	(487,988)	-	-	-	-	-	-
Capitalisation of shareholders' loans	-	-	148,236	-	-	-	-	148,236
Group reorganisation	(1,292,054)	-	1,316,554	-	-	-	-	24,500
Share in equity transactions of associates	-	-	-	-	9,702	-	-	9,702
Revaluation decrement of long-term investments	-	-	-	(6,557)	-	-	-	(6,557)
Loss attributable to shareholders	-	-	-	-	-	-	(171,839)	(171,839)
Translation adjustments	-	-	-	-	-	(138,446)	-	(138,446)
Balance as at 31st December, 2000	506,462	32,877	1,464,802	-	782	(687,416)	(478,117)	839,390
Loss attributable to shareholders	-	-	-	-	-	-	(216,460)	(216,460)
Translation adjustments	-	-	-	-	-	(36,288)	-	(36,288)
Balance as at 31st December, 2001	<u>506,462</u>	<u>32,877</u>	<u>1,464,802</u>	<u>-</u>	<u>782</u>	<u>(723,704)</u>	<u>(694,577)</u>	<u>586,642</u>

Consolidated Statement of Cash Flows

For the Year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Continuing Operations			
Net cash outflow from operating activities	37a	(104,603)	(91,481)
Investing activities			
Additions of property and equipment		(284,504)	(268,094)
Proceeds from disposals of property and equipment		14,970	786
Acquisitions of additional interests in subsidiaries	37b	(1,895)	(508)
Net cash outflow attributable to acquisitions of subsidiaries		-	(12,085)
Net cash outflow attributable to disposals of subsidiaries	37c	(9,373)	-
Acquisitions of additional interests in associates		(24,584)	(145,963)
Increase in long-term investments		-	(15,293)
Increase in intangible assets		(75)	-
Increase in non-current prepayments and receivables		(207)	(9,499)
Decrease in due from related companies		2,844	29,035
Increase in short-term investments		(50,373)	-
Decrease (Increase) in pledged bank deposits		5,471	(40,985)
Interest received		3,754	13,635
Dividend received		28,714	-
		(315,258)	(448,971)
Net cash outflow before financing activities		(419,861)	(540,452)
Financing			
Proceeds from issuance of shares	37d	-	598,186
Share issuance expenditures		-	(59,321)
Financing from shareholders' loans		-	148,236
Repayment of long-term borrowings		(110,954)	(48,186)
New long-term borrowings		175,148	-
Repayment of short-term loans		(40,194)	-
New short-term loans		222,560	40,194
Settlement of liabilities for discontinued operations		(927)	(69,578)
Repayment of capital element of finance lease obligations		(7,128)	(6,839)
Proceeds from issuance of shares of subsidiaries		-	55,123
Loans from minority interests of subsidiaries		11,750	3,251
New loans from associates		18,681	26,016
Increase in non-current other payables		10,709	-
Interest paid		(52,715)	(29,256)
Net cash provided by financing activities		226,930	657,826

Consolidated Statement of Cash Flows

For the Year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Discontinuing Operation			
Net cash outflow from operating activities	37a	<u>(26,794)</u>	<u>(639)</u>
Investing activities			
Additions of property and equipment		-	(39,994)
Proceeds from disposals of property and equipment		11,483	-
Decrease (Increase) in non-current prepayments and receivables		466	(1,307)
Increase in long-term investments		-	(3,577)
		<u>11,949</u>	<u>(44,878)</u>
Net cash outflow before financing activities		<u>(14,845)</u>	<u>(45,517)</u>
Financing			
New short-term loans	37d	<u>12,482</u>	<u>-</u>
(Decrease) Increase in cash and bank deposits		(195,294)	71,857
Cash and bank deposits, beginning of year		189,374	34,698
Effect of foreign exchange rate changes		<u>39,147</u>	<u>82,819</u>
Cash and bank deposits, end of year		<u><u>33,227</u></u>	<u><u>189,374</u></u>

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 of The Stock Exchange of Hong Kong Limited (the "GEM") since 13th July, 2000. The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of fixed line broadband communication services, cellular communication services, Internet enabling services and commerce.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, which are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"). Principal accounting policies are summarised below:

a. Basis of presentation

The financial statements have been prepared on a going concern basis.

For the year ended 31st December, 2001, AAM Group has reported a consolidated loss attributable to shareholders of approximately HK\$216,460,000 which included provisions for impairment in value of investment in associates, long-term investments and property and equipment of approximately HK\$48,774,000, and losses from discontinuing operation of approximately HK\$34,809,000. As at 31st December, 2001, AAM Group had net working capital deficiency of approximately HK\$324,817,000 primarily because a substantial portion of its non-current assets were financed by borrowings and payables which are due for repayment within twelve months from 31st December, 2001.

Subsequent to 31st December 2001, AAM Group has executed the following arrangements:

- (i) A subsidiary has obtained from an Indonesian bank additional banking facilities of approximately HK\$93,600,000 for two years to March 2004;
- (ii) A securities broker has entered into an agreement with a subsidiary whereby the securities broker has irrevocably committed to the subsidiary to organise at the subsidiary's discretion placements or disposals of up to 500,000,000 shares of PT Matahari Putra Prima Tbk ("Matahari"), an associate, for a consideration of up to approximately HK\$197,800,000, subject to adjustments, over a 12-month period to March 2003;
- (iii) Agreed with certain banks and creditors to reschedule the repayment terms of certain short-term borrowings of approximately HK\$146,600,000 to 2003 and the banks have agreed to continue providing credit facilities to AAM Group;

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

a. Basis of presentation (Continued)

- (iv) Agreed with certain trade creditors to extend the repayment terms of certain outstanding trade payables of approximately HK\$1,100,000 to 2003;
- (v) Agreed with the Indonesian Bank Restructuring Agency to settle loans totalling HK\$123,447,000 of AAM Group's disposed subsidiaries undertaken by AAM Group. Pursuant to such arrangement, AAM Group agreed to settle the loan and related interest by cash amounting to approximately HK\$3,800,000 and transfer of certain shares in the Company owned by a shareholder (see Note 31); and
- (vi) Agreed with certain trade creditors to settle certain outstanding trade payables of approximately HK\$16,900,000 by having an owner of the Company's shares to transfer its interest in the Company's shares to such creditors.

AAM Group has formulated a management plan to strengthen its financial position. It has to-date implemented the following actions under the management plan:

- (i) Restructuring of short-term liabilities into long-term liabilities as detailed above;
- (ii) Procurement of long-term funding of HK\$291,000,000 to strengthen its working capital position;
- (iii) Engagement of an international investment bank as financial advisor to find a strategic investor for its cellular business; and
- (iv) 22% rate increase for PT Broadband Multimedia Tbk ("Broadband Multimedia")'s cable television services.

AAM Group will further implement the following actions under the management plan:

- (i) Continuous restructuring of short-term liabilities into long-term liabilities;
- (ii) Continuous reduction of overhead costs and strengthening of cost control;
- (iii) Seeking of strategic investors as business partners for its cellular and broadband businesses;
- (iv) Strengthening of the network of Broadband Multimedia and increase of its penetration of cable television and broadband services based on the existing network;
- (v) Fostering of operational synergy between PT Link Net and Broadband Multimedia for resultant operational savings;
- (vi) Continuous development of higher margin IT solutions and service offerings of PT Multipolar Corporation Tbk; and
- (vii) Continuous expansion of Matahari as Indonesia's leading retailer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

a. Basis of presentation (Continued)

AAM Group's management is confident that the future operations of AAM Group will be successful, the above management plan will be materialized, relevant banks and creditors will continue to provide financial support to AAM Group and AAM Group is able to repay its liabilities when they fall due. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amount or the amount and classification of liabilities that might be necessary should AAM Group not be successful in its future operations or should AAM Group be unable to achieve the above management plan.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by stating investments at market rate as explained in Note 21.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries ("AAM Group") and also incorporate AAM Group's share of equity interest in associates. The results of subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

d. Subsidiaries

A subsidiary is a company in which the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

e. Associates

An associate is a company, not being a subsidiary, in which AAM Group holds 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its management. Investment in associates is accounted for using the equity method of accounting. In the consolidated financial statements, investment in associates is stated at AAM Group's share of the fair value of the separate net assets of the associates at the time of acquisition, plus/less AAM Group's share of undistributed post-acquisition profits/losses and reserves of the associates, distributions received from the associates and other necessary alterations in AAM Group's proportionate interest in the associates arising from changes in the equity of the associates that have not been included in the income statement. An assessment of investment in associates is performed when there is an indication that the investment has been impaired or the impairment losses recognised in prior years no longer exist. When AAM Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of AAM Group's commitment. In the Company's financial statements, investment in associates is stated at cost less provision for impairment in value, while income from associates is recorded to the extent of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

f. Goodwill

Goodwill arising on acquisition of interests in subsidiaries and associates, representing the excess of the cost of acquisition over AAM Group's share of the fair value of the separable net assets of the subsidiaries and associates acquired less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over the estimated economic useful lives ranging from 3 to 20 years. The Company's Directors review and evaluate, taking into consideration current results and future prospects of the related subsidiaries or associates, the carrying value of goodwill periodically.

g. Turnover and revenue recognition

Turnover comprises (i) insertion fees, (ii) subscriptions for cable television programs, (iii) converter and fixed line broadband rental, installation and cable television membership joining fees, (iv) corporate access network, (v) service connection fees, (vi) fees for distribution and maintenance of hardware equipment and software packages, and services fees for technology solutions rendered, (vii) subscriptions for fast speed Internet access, (viii) subscriptions for multimedia marketing and advertising fees, (ix) shares administration fees and (x) sale of merchandise.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to AAM Group. Insertion fees are recognised when the advertisement is placed in the channel. Fees for subscriptions for cable television programs are recognised on the time apportionment basis for subscription packages or upon rendering of programs for pay-per-view programs. Converter and fixed line broadband rental income is recognised on a time apportionment basis; income from installation is recognised when the installation services have been completed, whereas cable television membership joining fees are recognised upon commencement of program delivery. Revenue from corporate access network is recognised at the time of the connection takes place. Service connection fees are recognised based on actual call usage and forfeiture of stored value upon expiry of prepaid cellular cards and calling cards. Fees for distribution and maintenance of hardware equipment and software packages, and services fees for technology solutions rendered are recognised when the underlying services are rendered. Fees for subscriptions for fast speed Internet access are recognised upon rendering of the access to the Internet. Fees for subscriptions for multimedia marketing and advertising are recognised when the advertisement is placed in the channel. Fees from shares administration services are recognised when the underlying services are rendered. Sale of merchandise is recognised when the merchandise is delivered and title has passed. Interest income is recognised on a time proportion basis on the principal outstanding and at the rates applicable.

h. Taxation

Individual companies within AAM Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

h. Taxation (Continued)

Deferred taxation is provided under the liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recorded to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

i. Employee retirement benefits

The costs of employee retirement and insurance schemes are expensed in the period in which they are incurred.

j. Advertising and promotion costs

The costs of advertising and promotion are expensed in the period in which they are incurred.

k. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing costs are recognised as an expense in the period in which they are incurred.

l. Investments

AAM Group has adopted IAS 39 during 2001. There is no implementation effect.

Long-term investments

Long-term investments are available-for-sale financial assets which are stated at fair value. An increase in carrying amount arising from the revaluation of long-term investments is credited to shareholders' equity as an investment revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase, for the same investment, that has been credited to investment revaluation reserve and not subsequently reversed or utilised, it should be charged against that revaluation reserve. In all other cases, a decrease in carrying amount should be recognised as an expense. An increase on revaluation directly related to a previous decrease in carrying amount for the same investment that was recognised as an expense, is credited to income to the extent that it offsets the previously recorded decrease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

I. Investments (Continued)

Short-term investments

Short-term investments are stated at fair value and any change in fair value is recorded in the income statement of the year in which the change occurs.

All purchases and sales of long-term investments and short-term investments are recognised on the trade date.

m. Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to AAM Group and the cost can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives. The Company's Directors review and evaluate, taking into consideration current results and future prospects, the carrying value of intangible assets periodically.

n. Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property and equipment. Depreciation is provided on a straight-line basis over the estimated useful life of each asset. The annual rates of depreciation are as follows:

Land use rights	1%
Buildings	5%
Building renovations and leasehold improvements	10 to 50%
Communication equipment	10%
Office furniture, fixtures and equipment	12 to 50%
Cable television distribution network	7%
Construction-in-progress	*
Equipment for rent	33%
Vehicles and helicopters	20 to 25%

* Refer to Notes 2o and 2r for depreciation policy.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

n. Property and equipment and depreciation (Continued)

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Gains and losses on disposals of property and equipment are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

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

o. Construction-in-progress

Construction-in-progress consists mainly of cable television distribution network and cellular communication network. Expenditures relating to the construction, including interest and other ancillary financing costs incurred on loans obtained to finance the construction, if any, are capitalised as part of construction-in-progress. Capitalisation of interest and other ancillary financing costs ceases at the end of the prematurity period. The accumulated costs are reclassified to the appropriate property and equipment accounts upon completion or at the end of pre-maturity period.

No depreciation is provided for cellular communication network under construction until such time when the cellular communication network are completed and put into operational use. Refer to Section 2r. for depreciation policy for construction-in-progress of cable television distribution network.

p. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is calculated using the moving average method of costing and includes costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business less further costs expected to be incurred for disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction of expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

q. Leases

Finance leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets are transferred to AAM Group. Fixed assets held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current or non-current liabilities. Interest expense, which represents the difference between the minimum payments determined over the lease terms at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

r. Capitalisation, revenue and expense recognition during prematurity period

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 five years.

During the prematurity period:

- Costs of the network, including materials, direct labour and construction overhead, is 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 certain percentage related to the number of subscribers. That certain percentage is calculated by dividing actual or expected number of subscribers at the end of month with the expected number of subscribers at the end of the prematurity period.
- Cost related to subscribers and general and administrative expenses are charged to the income statement.
- Cost of network services that is incurred based on actual number of subscribers is charged to the income statement.

s. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

s. Impairment of assets (Continued)

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

As an exception, an impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

t. Provisions

A provision is recognised when, and only when AAM Group has a present obligation (legal or constructive) 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 obligations, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense.

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

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is not recognised until it is virtually certain that reimbursement will be received.

u. Foreign currency translation

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

u. Foreign currency translation (Continued)

AAM Group prepares consolidated financial statements in Hong Kong dollars (the “reporting currency”). On consolidation, all of the assets and liabilities of the companies of AAM Group with measurement currencies other than the reporting currency are translated into the reporting currency at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of the companies of AAM Group with measurement currencies other than the reporting currency are translated at the applicable average exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

The rate of exchange in effect on 31st December, 2001 was HK\$1 to Rp1,334, and the average exchange rate during the year ended 31st December, 2001 was HK\$1 to Rp1,319.

v. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

w. Receivables

Receivables are stated at the fair value of the consideration given and are carried at cost, after provision for impairment.

x. Minority interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

y. Segments

For management purposes, AAM Group is organised on a worldwide basis into four major operating businesses. The divisions are the basis upon which AAM Group reports its primary segment information.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

z. Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statement but disclosed when an inflow of economic benefits is probable.

aa. Subsequent events

Post-year-end events that provide additional information about AAM Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

ab. Use of estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

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.

3. RELATED PARTY TRANSACTIONS (Continued)

Particulars of significant transactions between AAM Group and related companies are summarised below:

	2001 HK\$'000	2000 HK\$'000
Services fee from distribution and maintainance of hardware equipment and software packages and services fee for technology solutions rendered to:		
– PT Bank Lippo Tbk	71,393	14,953
– PT Matahari Putra Prima Tbk	1,558	286
– PT Lippo General Insurance Tbk	342	–
– PT Lippo Securities Tbk	147	–
– PT Lippo E-Net Tbk	97	55
– PT Ciptadana Sekuritas	94	2,139
– PT Pacific Utama Tbk	47	38
– PT AIG Lippo	11	1,119
– PT Asuransi Jiwa Lippo Utama	11	–
– PT Media Manager Network	7	–
– PT Lippo Cikarang Tbk	3	787
– PT AON Lippo Indonesia	–	106
– PT Lippo Land Development Tbk	–	82
– Yayasan Universitas Pelita Harapan	–	52
– PT Lippo Karawaci Tbk	–	19
Interest income on time deposits placed with PT Bank Lippo Tbk	3,562	8,408
Interest income on temporary advances placed with PT Multifiling Mitra Indonesia	–	53
Shares administration fee income for services rendered to:		
– PT Bank Lippo Tbk	6,929	1,567
– PT Lippo E-Net Tbk	2,966	2,380
– PT Lippo Karawaci Tbk	430	154
– PT Siloam Health Care Tbk	280	85
– PT Bukit Sentul Tbk	248	361
– PT Pacific Utama Tbk	162	8
– PT Matahari Putra Prima Tbk	74	2,919
– PT Lippo General Insurance Tbk	71	37
– PT Lippo Securities Tbk	43	750
– PT Aryaduta Hotel Tbk	40	–
– PT Lippo Cikarang Tbk	36	130
– PT Lippo Land Development Tbk	28	130
– PT Lippo Enterprises Tbk	10	11

Notes to the Financial Statements

3. RELATED PARTY TRANSACTIONS (Continued)

	2001 HK\$'000	2000 HK\$'000
Payroll processing fee income for services rendered to:		
– PT Lippo E-Net Tbk	24	–
– PT Lippo General Insurance Tbk	22	–
– PT Lippo Securities Tbk	22	–
– PT Multifiling Mitra Indonesia	17	–
– PT Aryaduta Hotel Tbk	17	–
Customer relationship management fee income for services rendered to PT AIG Lippo	44	–
Subscriptions fee income for cable TV programs provided to:		
– PT Aryaduta Hotel Tbk	104	–
– PT JO Metropolitan	64	–
– PT Siloam Health Care Tbk	56	–
– PT Sahid Lippo International	41	–
Subscriptions fee income for fast speed Internet access provided to:		
– PT Bank Lippo Tbk	265	–
– PT Lippo E-Net Tbk	206	–
– PT AON Lippo Indonesia	62	–
Insertion fee income for services rendered to PT Bank Lippo Tbk	1,114	–
Sales of software package to PT Matahari Putra Prima Tbk	9,439	–
Sale of merchandise to:		
– PT Matahari Putra Prima Tbk	3,466	–
– PT Bank Lippo Tbk	858	–
Insurance expense charged by:		
– PT AON Lippo Indonesia	75	–
– PT Lippo General Insurance Tbk	63	582
Operating lease rentals charged by:		
– PT Matahari Putra Prima Tbk	1,283	681
– PT Bank Lippo Tbk	82	–
Interest expense on loans obtained from PT Bank Lippo Tbk	12,088	24,182
Interest expense on temporary advances obtained from:		
– PT Ciptadana Sekuritas	2,652	–
– PT Matahari Putra Prima Tbk	1,998	–
– PT Lippo E-Net Tbk	420	–
– PT Satriajati Patria Luhur	369	–
– PT Lippo Securities Tbk	19	–
– PT Multifiling Mitra Indonesia	–	677
Interest expense on loans obtained from Maxipo International Ltd.	–	483
Interest expense on loans obtained from Lippo Assets (International) Ltd.	8	–
Advisory fee charged by PT Lippo Securities Tbk	–	3,206
Pension fund expense charged by PT AIG Lippo	1,013	–
Advertising expense charged by PT Cosmopolitan Indonesia	3,670	–
Profit on discontinued operation from PT Lippo Merchant Finance	1,109	–
	<u>1,109</u>	<u>–</u>

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

3. RELATED PARTY TRANSACTIONS (Continued)

AAM Group's long-term borrowings of approximately HK\$18,368,000 (2000 – HK\$110,954,000) and short-term loans of approximately HK\$28,625,000 (2000 – HK\$29,726,000) were borrowed from PT Bank Lippo Tbk, a related company.

During the year ended 31st December, 2001, long-term loan of HK\$4,000,000 (2000 – Nil) was borrowed from Lippo Assets (International) Ltd., a related company.

The Directors of the Company are of the opinion that the above transactions with related parties were conducted under normal commercial terms in the ordinary course of business. The price of the above transactions was determined on their fair value.

4. TURNOVER AND REVENUE

Analysis of turnover and revenue by product category is as follows:

	2001 HK\$'000	2000 HK\$'000
Continuing Operations		
Fixed line broadband communication services		
– Insertion fees	10,631	4,915
– Subscriptions for cable television programs	75,708	41,310
– Converter and fixed line broadband rental, installation and cable television membership joining fees	17,708	7,750
– Corporate access network	1,910	–
	<u>105,957</u>	<u>53,975</u>
Cellular communication services		
– Service connection fees	<u>23,853</u>	<u>7,141</u>
Internet enabling services		
– Fees for distribution and maintenance of hardware equipment and software packages, and services fees for technology solutions rendered	457,788	257,447
– Subscriptions for fast speed Internet access	26,527	2,236
– Subscriptions for multimedia marketing and advertising fees	150	14,329
– Subscriptions for multimedia channels and content	–	12,282
	<u>484,465</u>	<u>286,294</u>

Notes to the Financial Statements

4. TURNOVER AND REVENUE (Continued)

	2001 HK\$'000	2000 HK\$'000
Others		
– Shares administration fee (a)	<u>16,242</u>	<u>32,699</u>
	<u>630,517</u>	<u>380,109</u>
Discontinuing Operation Commerce		
– Sale of merchandise	<u>32,951</u>	<u>11,811</u>
Total turnover	<u>663,468</u>	<u>391,920</u>
Interest income		
– Continuing operations	<u>10,067</u>	<u>13,635</u>
– Discontinuing operation	<u>174</u>	<u>388</u>
Total interest income	<u>10,241</u>	<u>14,023</u>
Other income		
– Continuing operations	<u>37,355</u>	<u>271</u>
– Discontinuing operation	<u>768</u>	<u>3,289</u>
Total other income	<u>38,123</u>	<u>3,560</u>
Total revenue	<u><u>711,832</u></u>	<u><u>409,503</u></u>

Note:

- a. The financial information of the shares administration fee business segment is classified under Internet enabling services business segment in Note 44a as they are under the same arrangement.

5. LOSS BEFORE SHARE OF PROFIT OF ASSOCIATES AND PROFIT ON DISCONTINUED OPERATIONS

Loss before share of profit of associates and profit on discontinued operations is determined after charging and crediting the following items:

	2001 HK\$'000	2000 HK\$'000
Continuing Operations		
After charging –		
Staff costs (including Directors' emoluments)	90,825	96,240
Operating lease rentals of premises		
– related companies (Note 3)	1,365	681
– third parties	16,701	9,758
Interest expense on		
– bank loans wholly repayable within one year		
• related companies (Note 3)	12,088	24,182
• third parties	16,174	3,319
– promissory notes	4,706	–
– finance lease obligations	753	595
– temporary advances/loans from related companies (Note 3)	3,904	1,160
– vendor financing	3,354	–
	<u>40,979</u>	<u>29,256</u>
Less: Interest expense capitalised as construction in progress*	(1,941)	(6,011)
	<u>39,038</u>	<u>23,245</u>
Net exchange loss	12,666	25,525
Depreciation of property and equipment		
– owned assets	65,749	33,292
– leased assets	1,912	2,292
	<u>67,661</u>	<u>35,584</u>
Net loss on disposals of property and equipment	4,729	–
Provision for impairment in value of property and equipment	665	–
Bad debt expenses/Provision for doubtful debts	8,697	3,874
Website development costs	–	7,956
Provision for obsolete and slow-moving inventories	1,097	1,524
Provision for impairment in value of long-term investments	8,120	8,356
Net loss on disposals of subsidiaries	111	–
Provision for impairment in value of investment in associates	39,989	–
Loss on revaluation of short-term investments	–	1,075
Advertising and promotion costs	44,365	37,424
Amortisation of goodwill	26,540	21,874
Amortisation of intangible assets	376	470
Auditors' remuneration	2,185	1,950
	<u><u>2,185</u></u>	<u><u>1,950</u></u>

Notes to the Financial Statements

5. LOSS BEFORE SHARE OF PROFIT OF ASSOCIATES AND PROFIT ON DISCONTINUED OPERATIONS (Continued)

	2001 HK\$'000	2000 HK\$'000
After crediting–		
Interest income from		
– third parties	6,609	5,562
– related companies (Note 3)	3,458	8,073
Gain on revaluation of short-term investments	9,108	–
Net gain on disposals of property and equipment	<u>–</u>	<u>334</u>
Discontinuing Operation		
After charging–		
Staff costs (including Directors' emoluments)	12,394	9,280
Operating lease rentals of premises	2,574	2,445
Interest expense on		
– promissory notes	369	605
– temporary advances/loans from related companies (Note 3)	<u>1,562</u>	<u>–</u>
	<u>1,931</u>	<u>605</u>
Net exchange loss	–	127
Depreciation of property and equipment		
– owned assets	7,978	3,986
Net loss on disposals of property and equipment	256	2
Provision for impairment in value of property and equipment	7,433	–
Bad debt expenses/ Provision for doubtful debts	1,030	–
Advertising and promotion costs	9,976	15,004
Amortisation of goodwill	<u>–</u>	<u>3,950</u>
After crediting–		
Interest income from		
– third parties	70	–
– related companies (Note 3)	104	388
Net exchange gain	<u>1,000</u>	<u>–</u>

* For the year ended 31st December, 2001, the rates of capitalisation of the borrowing costs were averaged to be approximately 27% (2000 – 22%) per annum.

6. DISCONTINUING OPERATION

PT Lippo Shop (“LippoShop”) was the only discontinuing unit. LippoShop discontinued all operations in November 2001, as part of AAM Group’s restructuring strategy. Total staff retrenchment costs of approximately HK\$2,600,000 were recorded in the consolidated financial statements to recognise benefits to be paid to certain employees of LippoShop as a result of the discontinuance.

The carrying amounts of assets and liabilities of the discontinuing operation were as follows:

	2001	2000
	HK\$’000	HK\$’000
Current assets	17,433	23,426
Non-current assets	10,038	39,887
Total assets	27,471	63,313
Current liabilities	(30,284)	(26,285)
Non-current liabilities	(33,507)	(39,863)
Net liabilities	(36,320)	(2,835)

7. PROFIT ON DISCONTINUED OPERATIONS

	2001	2000
	HK\$’000	HK\$’000
Gain relating to disposal of PT Multipolar Pratama (see Note 31)	56,359	3,197

Notes to the Financial Statements

8. TAXATION

Taxation (consolidated) consisted of:

	2001 HK\$'000	2000 HK\$'000
Provision for current taxation		
– The Company and its subsidiaries	(643)	(1,427)
– Associates	(16,310)	(8,469)
	<u>(16,953)</u>	<u>(9,896)</u>
Write-back of (Provision for) deferred taxation		
– The Company and its subsidiaries	3,107	21,608
– Associates	(1,492)	(37,452)
	<u>1,615</u>	<u>(15,844)</u>
	<u><u>(15,338)</u></u>	<u><u>(25,740)</u></u>

During 2001 and 2000, substantially all of AAM Group's loss was derived from subsidiaries and associates incorporated and operating in Indonesia. These subsidiaries and associates were subject to Indonesian income tax at a maximum of 30% of the individual entities' respective assessable profits in accordance with the Indonesian income tax law. No provision for Hong Kong profits tax was made as AAM Group had no assessable profits arising in or derived from Hong Kong. No Indonesian income tax was provided for the discontinuing operation as it had no assessable profit.

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

	2001	2000
Weighted statutory tax rate	16%	13%
Allowance on deferred tax assets	(24%)	(32%)
Non-deductible items	(14%)	(3%)
Non-taxable items	16%	2%
Difference between statutory tax rate and effective tax rate of associates	(4%)	(2%)
Effective tax rate	<u><u>(10%)</u></u>	<u><u>(22%)</u></u>

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of Directors' emoluments are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees for executive Directors	20	75
Fees for non-executive Directors	60	175
Other emoluments for executive Directors		
– Basic salaries and allowances	8,151	8,780
– Inducement to join AAM Group	–	1,000
Other emoluments for non-executive Directors	–	–
	<u>8,231</u>	<u>10,030</u>

No Director waived any emoluments during the year.

Analysis of Directors' emoluments by emolument range is as follows:

	2001	2000
HK\$0 to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
	<u>10</u>	<u>11</u>

During 2001, the three (2000 – four) executive Directors received individual emoluments of approximately HK\$4,531,000 (2000 – HK\$2,950,000), HK\$2,026,000 (2000 – HK\$1,852,000) and HK\$1,614,000 (2000 – HK\$1,195,000). Each of the six (2000 – seven) non-executive Directors received individual fees of approximately HK\$10,000 each (2000 – HK\$25,000 each). One non-executive Director did not receive any directors' fee during 2001.

Notes to the Financial Statements

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

- b. Details of emoluments paid to the five highest paid individuals (including Directors and other employees) are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries and allowances	14,033	10,530
Inducement to join AAM Group	–	1,000
	<u>14,033</u>	<u>11,530</u>

Two (2000 – Four) of the highest paid individuals were Directors of the Company, whose emoluments are included in Note 9 a. above.

Analysis of the five highest paid individuals by emolument range is as follows:

	2001	2000
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	3	–
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
	<u>5</u>	<u>5</u>

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders included a loss of approximately HK\$252,748,000 (2000 – HK\$331,343,000) dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for 2001 of approximately HK\$216,460,000 (2000 – HK\$171,839,000) and on the weighted average of approximately 5,064,615,000 shares (2000 – 4,904,536,000 shares deemed to be in issue) in issue.

Diluted loss per share for 2001 and 2000 is not presented because the effect of the outstanding employee shares options was anti-dilutive.

12. PROPERTY AND EQUIPMENT

Movements of property and equipment (consolidated) are as follows:

	2001								2000	
	Land use rights and buildings	Building renovations and leasehold improvements	Communication equipment	Office furniture, fixtures and equipment	Cable television distribution network	Construction-in-progress	Equipment for rent	Vehicles and helicopters	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost										
Beginning of year	20,395	10,562	16,322	90,204	9,244	322,256	24,047	16,435	509,465	248,191
Additions	43,517	7,602	16,438	26,924	5,217	182,485	8,711	3,993	294,887	320,259
Additions through acquisition	-	-	-	-	-	-	-	-	-	5,740
Disposals	(1,087)	(1,979)	(62)	(13,715)	(5)	(4,376)	(165)	(7,963)	(29,352)	(2,181)
Attributable to disposals of subsidiaries	-	(1,283)	-	(13,650)	-	-	-	-	(14,933)	-
Transfer	124	2,964	156,274	619	-	(159,981)	-	-	-	-
Translation adjustments	(2,053)	(820)	(3,175)	(6,350)	(776)	(20,684)	(1,962)	(1,176)	(36,996)	(62,544)
End of year	<u>60,896</u>	<u>17,046</u>	<u>185,797</u>	<u>84,032</u>	<u>13,680</u>	<u>319,700</u>	<u>30,631</u>	<u>11,289</u>	<u>723,071</u>	<u>509,465</u>
Accumulated depreciation and accumulated impairment losses										
Beginning of year	(581)	(1,690)	(1,443)	(18,994)	(869)	(18,113)	(12,343)	(6,934)	(60,967)	(36,269)
Provision for the year	(393)	(4,068)	(13,114)	(22,718)	(2,650)	(24,110)	(5,218)	(3,368)	(75,639)	(39,570)
Provision for impairment	-	(1,098)	-	(6,925)	-	-	(75)	-	(8,098)	-
Disposals	-	414	11	5,131	-	-	64	3,776	9,396	1,727
Attributable to disposals of subsidiaries	-	327	-	5,075	-	-	-	-	5,402	-
Translation adjustments	49	175	257	1,746	97	1,673	1,017	522	5,536	13,145
End of year	<u>(925)</u>	<u>(5,940)</u>	<u>(14,289)</u>	<u>(36,685)</u>	<u>(3,422)</u>	<u>(40,550)</u>	<u>(16,555)</u>	<u>(6,004)</u>	<u>(124,370)</u>	<u>(60,967)</u>
Net book value										
End of year	<u>59,971</u>	<u>11,106</u>	<u>171,508</u>	<u>47,347</u>	<u>10,258</u>	<u>279,150</u>	<u>14,076</u>	<u>5,285</u>	<u>598,701</u>	<u>448,498</u>
Beginning of year	<u>19,814</u>	<u>8,872</u>	<u>14,879</u>	<u>71,210</u>	<u>8,375</u>	<u>304,143</u>	<u>11,704</u>	<u>9,501</u>	<u>448,498</u>	<u>211,922</u>

Refer to Note 41 for the pledges of certain property and equipment of AAM Group.

Notes to the Financial Statements

12. PROPERTY AND EQUIPMENT (Continued)

Certain property and equipment (consolidated) included in above are held under finance leases. Details of these assets are as follows:

	2001			Total HK\$'000	2000 Total HK\$'000
	Building renovations and leasehold improvements HK\$'000	Office furniture, fixtures and equipment HK\$'000	Vehicles and helicopters HK\$'000		
Cost					
Beginning of year	399	1,784	12,502	14,685	8,873
Additions	-	-	690	690	5,812
Disposal	-	-	(7,557)	(7,557)	-
Attributable to disposals of a subsidiary	(399)	(1,784)	-	(2,183)	-
Translation adjustments	-	-	(2,958)	(2,958)	-
End of year	-	-	2,677	2,677	14,685
Accumulated depreciation					
Beginning of year	(33)	(509)	(7,031)	(7,573)	(5,281)
Provision for the year	-	-	(1,912)	(1,912)	(2,292)
Disposal	-	-	6,190	6,190	-
Attributable to disposals of a subsidiary	33	509	-	542	-
Translation adjustments	-	-	1,885	1,885	-
End of year	-	-	(868)	(868)	(7,573)
Net book value					
End of year	-	-	1,809	1,809	7,112
Beginning of year	366	1,275	5,471	7,112	3,592

13. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consisted of:

	2001	2000
	HK\$'000	HK\$'000
Listed shares, at cost	557,690	557,690
Unlisted shares, at cost	9,870	9,870
	<hr/>	<hr/>
	567,560	567,560
Due from subsidiaries	516,946	441,625
	<hr/>	<hr/>
	1,084,506	1,009,185
Less: Provision for impairment in value	(497,086)	(293,035)
	<hr/>	<hr/>
	587,420	716,150
	<hr/>	<hr/>
Quoted market value of listed shares	621,089	1,077,223
	<hr/>	<hr/>

The amounts due from subsidiaries are unsecured and non-interest bearing, except for the amounts due from PT Broadband Multimedia Tbk of approximately HK\$125,104,000 (2000 - Nil), which bear interests at 9.5% per annum for United States Dollar receivables and 18% per annum for Rupiah receivables. The Company has agreed not to demand repayment from the subsidiaries before 1st January, 2003.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 31st December, 2001.

Notes to the Financial Statements

13. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 31st December, 2001 are as follows:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to AAM Group	Principal activities
PT Multipolar Corporation Tbk (a & b)	Indonesia	Rp935,884,000,000	50.1%	Investment holding, system integration and application service provider
<i>Subsidiaries</i>				
PT Sharestar Indonesia	Indonesia	Rp500,000,000	50.1%	Shares registration, payroll and customer relationship management services
PT Reksa Puspita Karya	Indonesia	Rp25,000,000	50.1%	Investment holding
PT Tryane Saptajagat	Indonesia	Rp50,000,000	50.1%	Investment holding
PT Computrade Indonesia	Indonesia	Rp2,500,000,000	50.1%	Trading and distributor
PT Primarindo Sistel (c)	Indonesia	Rp250,000,000	50.1%	Operations of GSM 1800 cellular network
PT Netstar Indonesia (d)	Indonesia	Rp5,000,000	49.6%	Selling of Sun system
PT Broadband Multimedia Tbk (a & b)	Indonesia	Rp187,150,000,000	66% (e)	Operation of last-mile broadband HFC network and cable TV
PT AsiaNet Multimedia (a)	Indonesia	US\$1,333,333	97.5% (f)	Investment holding
<i>Subsidiaries</i>				
PT Natrindo Global Telekomunikasi	Indonesia	Rp25,000,000,000	88%	Operation of wireless VSAT network
PT Natrindo Kartu Panggil	Indonesia	Rp5,000,000	88%	Provision of prepaid telephone calling cards
PT Natrindo Telepon Seluler	Indonesia	Rp12,500,000,000	87.7%	Operation of GSM 1800 cellular network
PT Inti Mitratama Abadi	Indonesia	Rp60,000,000,000	58.5%	Operation of GSM 1800 cellular network
PT Multimedia Netlink	Indonesia	Rp1,250,000,000	97.5%	Marketing Services

13. INVESTMENT IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to AAM Group	Principal activities
PT Lippo On Line	Indonesia	Rp12,500,000,000	97%	Operation of broad horizontal portal
PT Link Net	Indonesia	Rp12,500,000,000	97%	Internet service provider
PT Lippo Shop	Indonesia	Rp50,000,000,000	89.5%	Operation of commerce
PT Dialmart Indotama	Indonesia	Rp6,000,000,000	89.5%	Phone and catalog shopping
Cyberworks Group Limited (a)	British Virgin Islands	US\$1,000	100%	Investment holding
<i>Subsidiaries</i>				
Cyber Trade Group Inc.	British Virgin Islands	US\$50,000	100%	Investment holding
Easy Link Hi-Tech Limited	British Virgin Islands	US\$0.1	100%	Investment holding
Connet Inc.	British Virgin Islands	US\$1	100%	Investment holding
Nastek Inc.	British Virgin Islands	US\$1	100%	Investment holding
e-Planet Corporation	British Virgin Islands	US\$100	100%	Investment holding

Notes:

- a. The shares of PT Multipolar Corporation Tbk, PT Broadband Multimedia Tbk, PT AsiaNet Multimedia and Cyberworks Group Limited were held directly by the Company. The shares of other subsidiaries are held indirectly.
- b. PT Multipolar Corporation Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. PT Broadband Multimedia Tbk is listed on the Surabaya Stock Exchange in Indonesia. All other subsidiaries are private limited companies.
- c. On 28th December, 2001, AAM Group acquired 50.1% interest in PT Primarindo Sistel for consideration of approximately HK\$22,785,000 (see Notes 33 and 37).
- d. On 28th December, 2001, AAM Group acquired 49.6% interests in PT Netstar Indonesia for a cash consideration of HK\$1,874,000.
- e. The Company directly owns 57.6% equity interest in PT Broadband Multimedia Tbk and PT Multipolar Corporation Tbk (a 50.1% owned subsidiary) owns 16.7% equity interest in PT Broadband Multimedia Tbk.
- f. The Company directly owns 95% equity interest in PT AsiaNet Multimedia and PT Multipolar Corporation Tbk (a 50.1% owned subsidiary) owns 5% equity interest in PT AsiaNet Multimedia.

None of the subsidiaries had any loan capital in issue at any time during 2001. Refer to Note 41 for the pledges of certain issued shares of a subsidiary owned by AAM Group.

Notes to the Financial Statements

14. INVESTMENT IN ASSOCIATES

Investment in associates (consolidated) consisted of:

	2001			2000		
	Listed shares HK\$'000	Unlisted shares HK\$'000	Total HK\$'000	Listed shares HK\$'000	Unlisted shares HK\$'000	Total HK\$'000
Investment, at cost	769,588	74,348	843,936	824,452	72,554	897,006
Less: Excess of acquisition cost over AAM Group's share of fair value of separable net assets at the dates of acquisition	(327,754)	(4,095)	(331,849)	(343,314)	(14,975)	(358,289)
Add: Share of undistributed post-acquisition profit (loss)	167,778	(29,601)	138,177	123,700	(10,452)	113,248
Less: Provision for impairment in value	–	(39,989)	(39,989)	–	–	–
	609,612	663	610,275	604,838	47,127	651,965
Loans (from) to associates	(43,517)	(1,180)	(44,697)	(26,090)	74	(26,016)
	566,095	(517)	565,578	578,748	47,201	625,949
Quoted market value of listed shares	387,949	N/A		472,861	N/A	

The loans from associates are unsecured and non-interest bearing (2000 – except for a loan from an associate amounting to HK\$2,439,000 which bore interest at 18% per annum). The associates have agreed not to demand repayment from AAM Group before 1st January, 2003.

The underlying value of the investment in associates is, in the opinion of the Company's Directors, not less than the carrying value as at 31st December, 2001.

14. INVESTMENT IN ASSOCIATES (Continued)

Details of the principal associates as at 31st December, 2001 are:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to AAM Group (a)	Principal activities
PT Matahari Putra Prima Tbk (b)	Indonesia	Rp1,352,997,000,000	22.04% (c)	Operation of department stores and supermarket chain
PT Multifiling Mitra Indonesia	Indonesia	Rp1,000,000,000	25.07%	Record filing services
PT Kodel Margahayu Telindo (d)	Indonesia	Rp500,000,000	24.56%	Operation of GSM 1800 cellular network
Digital Content Development Corporation Limited	Hong Kong	HK\$2,000,000	20.00%	Production of 3D digital animation
Cyber Pacific Group Limited	British Virgin Islands	US\$10,000	45.00%	Investment holding
KeyTrend Technology Holdings Limited (e)	British Virgin Islands	US\$14,700,000	43.08%	Investment holding

Notes:

- a. The shares of all associates are held indirectly.
- b. PT Matahari Putra Prima Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. All other associates are private limited companies.
- c. PT Multipolar Corporation Tbk, a 50.1% owned subsidiary, owned 44% (2000 – 43%) equity interest in PT Matahari Putra Prima Tbk. Accordingly, PT Matahari Putra Prima Tbk was considered an associate.
- d. On 30th May, 2001, AAM Group acquired 24.56% interests in PT Kodel Margahayu Telindo for a cash consideration of HK\$4,279,000, resulting in a goodwill of HK\$4,095,000.
- e. On 15th August, 2001, AAM Group disposed of its entire equity interest in AsiaPay Limited and its subsidiaries to KeyTrend Technology Holdings Limited, an associate of AAM Group, in return for 1,000,000 shares of US\$1 each of KeyTrend Technology Holdings Limited. As a result, the effective ownership of KeyTrend Technology Holdings Limited increased to 43.08% (see Notes 37c and 37e)

Refer to Note 41 for pledges of certain issued shares of an associate.

Notes to the Financial Statements

15. LONG-TERM INVESTMENTS

Details of long-term investments (consolidated) are as follows:

	2001 HK\$'000	2000 HK\$'000
Listed shares	1,425	3,617
Unlisted shares	12,667	18,870
	<u>14,092</u>	<u>22,487</u>
Quoted market value of listed shares	<u>1,425</u>	<u>3,617</u>

16. GOODWILL

Movements of goodwill (consolidated) are as follows:

	2001			2000		
	Subsidiaries HK\$'000	Associates HK\$'000	Total HK\$'000	Subsidiaries HK\$'000	Associates HK\$'000	Total HK\$'000
Cost						
Beginning of year	35,710	358,289	393,999	25,474	426,948	452,422
Additions	1,249	218	1,467	16,714	39,899	56,613
Attributable to disposal of a subsidiary	(10,653)	–	(10,653)	–	–	–
Translation adjustments	(1,822)	(26,658)	(28,480)	(6,478)	(108,558)	(115,036)
End of year	<u>24,484</u>	<u>331,849</u>	<u>356,333</u>	<u>35,710</u>	<u>358,289</u>	<u>393,999</u>
Accumulated amortisation						
Beginning of year	(9,127)	(162,524)	(171,651)	(714)	(197,444)	(198,158)
Amortisation	(4,791)	(21,749)	(26,540)	(9,149)	(16,675)	(25,824)
Attributable to disposal of a subsidiary	2,861	–	2,861	–	–	–
Translation adjustments	437	12,427	12,864	736	51,595	52,331
End of year	<u>(10,620)</u>	<u>(171,846)</u>	<u>(182,466)</u>	<u>(9,127)</u>	<u>(162,524)</u>	<u>(171,651)</u>
Net book value						
End of year	<u>13,864</u>	<u>160,003</u>	<u>173,867</u>	<u>26,583</u>	<u>195,765</u>	<u>222,348</u>
Beginning of year	<u>26,583</u>	<u>195,765</u>	<u>222,348</u>	<u>24,760</u>	<u>229,504</u>	<u>254,264</u>

17. INTANGIBLE ASSETS

Movements of intangible assets (consolidated) are as follows:

	2001			2000
	Exclusive marketing and distribution rights HK\$'000	GSM 1800 cellular license HK\$'000	Total HK\$'000	Total HK\$'000
Cost				
Beginning of year	1,233	–	1,233	1,669
Additions	264	22,850	23,114	–
Translation adjustments	(98)	(253)	(351)	(436)
End of year	<u>1,399</u>	<u>22,597</u>	<u>23,996</u>	<u>1,233</u>
Accumulated amortisation				
Beginning of year	(849)	–	(849)	(593)
Amortisation	(376)	–	(376)	(470)
Translation adjustments	70	–	70	214
End of year	<u>(1,155)</u>	<u>–</u>	<u>(1,155)</u>	<u>(849)</u>
Net book value				
End of year	<u>244</u>	<u>22,597</u>	<u>22,841</u>	<u>384</u>
Beginning of year	<u>384</u>	<u>–</u>	<u>384</u>	<u>1,076</u>

18. DEFERRED TAX ASSETS

Deferred tax assets (consolidated) consisted of:

	2001 HK\$'000	2000 HK\$'000
Accumulated losses carried forward	86,150	66,804
Provision for doubtful debts	15,245	4,649
Depreciation on construction-in-progress in relation to cable television distribution network during the prematurity period	8,033	4,105
Depreciation of other property and equipment	1,355	(1,094)
Others	6,347	5,332
	<u>117,130</u>	<u>79,796</u>
Less: Provision for unrealisable items	<u>(81,302)</u>	<u>(43,612)</u>
	<u>35,828</u>	<u>36,184</u>

Notes to the Financial Statements

19. NON-CURRENT PREPAYMENTS AND RECEIVABLES

Non-current prepayments and receivables (consolidated) consisted of:

	2001 HK\$'000	2000 HK\$'000
Rental and other deposits	7,205	5,855
Advance payments for acquisition of property and equipment	8,588	9,610
Loans to employees	1,950	2,442
Others	322	418
	<u>18,065</u>	<u>18,325</u>

20. DUE FROM RELATED COMPANIES

The amounts due from related companies (consolidated) consisted of:

	Outstanding balance as at 1st January, 2001 HK\$'000	Outstanding balance as at 31st December, 2001 HK\$'000	Maximum balance outstanding during the year ended 31st December, 2001 HK\$'000
PT Multifiling Mitra Indonesia	4,174	–	4,174
PT Ciptadana Sekuritas	–	1,090	1,090
PT Bank Lippo Tbk	–	240	240
	<u>4,174</u>	<u>1,330</u>	

These companies are directly or indirectly owned, controlled or influenced by the principal shareholders of the Company, through share ownership, management agreements or others.

The amounts due from related companies are unsecured and non-interest bearing. The Company has agreed not to demand repayment from the related companies before 1st January, 2003.

21. INVENTORIES

Inventories (consolidated), representing mainly computer hardware equipment and software packages, consisted of:

	2001 HK\$'000	2000 HK\$'000
Inventories, at cost	72,019	38,958
Less: Provision for obsolete and slow-moving inventories	(3,229)	(2,132)
	<u>68,790</u>	<u>36,826</u>

Refer to Note 41 for the pledges of certain inventories of AAM Group.

22. TRADE RECEIVABLES

The aging of trade receivables (consolidated) is as follows:

	2001 HK\$'000	2000 HK\$'000
Less than 1 month	49,410	49,061
1-2 months	8,789	4,911
2-3 months	6,157	4,681
3-6 months	3,673	3,087
6 months – 1 year	5,021	180
	<hr/>	<hr/>
	73,050	61,920
Less: Provision for doubtful debts	(7,477)	(3,876)
	<hr/>	<hr/>
	65,573	58,044
	<hr/> <hr/>	<hr/> <hr/>

The management of AAM Group performs ongoing credit and collectibility evaluations of each customer. Provision for potential credit losses is maintained and such losses in the aggregate have not exceeded the management's projection. Refer to Note 41 for the pledges of certain trade receivables of AAM Group.

23. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

Prepayments, deposits and other current assets (consolidated) consisted of:

	2001 HK\$'000	2000 HK\$'000
Prepaid tax	39,478	27,431
Advances to suppliers and contractors	37,564	20,161
Other receivables	20,968	12,227
Prepaid operating expenses	3,975	14,673
Deposits	–	2,234
	<hr/>	<hr/>
	101,985	76,726
	<hr/> <hr/>	<hr/> <hr/>

Refer to Note 41 for the pledges of certain receivables of AAM Group.

Notes to the Financial Statements

24. SHORT-TERM INVESTMENTS

Short-term investments (consolidated) consisted of:

	2001 HK\$'000	2000 HK\$'000
Bonds and promissory notes	44,988	5
Listed securities, stated at quoted market value	15,110	520
Unlisted revenue sharing bonds	–	92
	<u>60,098</u>	<u>617</u>

25. CASH AND BANK DEPOSITS

Approximately HK\$32,018,000 (2000 – HK\$150,419,000) of AAM Group's cash and bank deposits (including pledged bank deposits) are denominated in Indonesian Rupiah. Refer to Note 41 for the pledges of certain bank deposits of AAM Group.

26. LONG-TERM BORROWINGS

Analysis of long-term borrowings (consolidated) is as follows:

	Bank borrowings HK\$'000	2001 Other borrowings HK\$'000	Total HK\$'000	2000 Total HK\$'000
Long-term borrowings repayable				
– within one year	3,091	84,496	87,587	110,954
– between two to five years	25,773	61,788	87,561	–
	<u>28,864</u>	<u>146,284</u>	<u>175,148</u>	110,954
Less: Amounts repayable within one year, classified under current liabilities	(3,091)	(84,496)	(87,587)	(110,954)
	<u>25,773</u>	<u>61,788</u>	<u>87,561</u>	<u>–</u>

26. LONG-TERM BORROWINGS (Continued)

Approximately HK\$3,548,000 (2000 – Nil) of AAM Group's long-term bank borrowings are denominated in United States Dollar and bear interest rate at 11% per annum (2000 – Nil). Approximately HK\$25,316,000 (2000 – HK\$110,954,000) of AAM Group's long-term bank borrowings are denominated in Indonesian Rupiah and bear interest rates ranging from 15% to 22.5% (2000 – 8% to 20%) per annum. Refer to Note 41 for details of AAM Group's banking facilities.

Other long-term borrowings of approximately HK\$84,496,000 (2000 – Nil) representing suppliers' credit for purchase of communication equipment, are denominated in United States Dollar. These borrowings were interest free during the period from January 2001 to September 2001 and bore interest rate at LIBOR plus 3% per annum from October 2001 to December 2001. The remaining other long-term borrowings are unsecured and bear interest at rates ranging from 16% to 17% per annum.

27. SHORT-TERM LOANS

Approximately HK\$66,401,000 (2000 – Nil) of AAM Group's short-term loans are denominated in United States Dollar and bear interest at rates ranging from 1.5% to 11% (2000 – 1.5% to 6.5%) per annum. Approximately HK\$168,641,000 (2000 – HK\$40,194,000) of AAM Group's short-term loans are denominated in Indonesian Rupiah and bear interest at rates ranging from 13% to 23% (2000 – 13% to 23%) per annum. Refer to Note 41 for details of AAM Group's banking facilities.

28. FINANCE LEASE OBLIGATIONS

Analysis of finance lease obligations (consolidated) is as follows:

	2001	2000
	HK\$'000	HK\$'000
Payable during the following period		
– within one year	828	7,411
– over one year but not exceeding five years	975	3,620
	<hr/>	<hr/>
Total minimum lease obligations	1,803	11,031
Interest	(216)	(1,364)
	<hr/>	<hr/>
Present value of minimum obligations	1,587	9,667
Less: Current portion	(676)	(6,490)
	<hr/>	<hr/>
	911	3,177
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Notes to the Financial Statements

29. TRADE PAYABLES

The aging analysis of trade payables (consolidated) is as follows:

	2001 HK\$'000	2000 HK\$'000
Less than 1 month	29,029	28,332
1-2 months	22,537	22,513
2-3 months	4,443	12,844
3-4 months	8,161	23,435
4-5 months	2,179	1,793
5-6 months	6,434	1,625
6-7 months	1,263	2,606
7-8 months	2,559	1,159
8-9 months	9,885	109
9 months – 1 year	7,879	249
	<u>94,369</u>	<u>94,665</u>

30. RECEIPTS IN ADVANCE

Receipts in advance (consolidated) represent unearned revenue mainly relating to prepaid cellular and telephone calling cards, subscription fees for cable television programs received in advance, and shares administration fee received in advance.

31. ESTIMATED LIABILITIES FOR LOSSES OF DISCONTINUED OPERATIONS

In accordance with the agreements entered into by AAM Group with certain third parties with respect to the disposals of AAM Group's investments in PT Multipolar Pratama, PT Cipta Anekatronika and PT Gema Anekatronika, the indebtedness of those entities (including their subsidiaries) as at 30th November, 1999 and their estimated expenses until 31st December, 2001 are to be borne by AAM Group. With respect to the settlement of such indebtedness, AAM Group has the right to receive the benefits generated from the remaining assets of these entities as at 30th November, 1999, either through disposals of assets or any proceeds from the past and future claims on such assets. Approximately HK\$123,447,000 (2000 – HK\$167,814,000) of the estimated liabilities represent principal and related interest of loans obtained from PT Bank Indonesia Raya Tbk which is now being managed by Indonesian Bank Restructuring Agency ("IBRA"). AAM Group agreed to settle the said loans and related interest by cash amounting to approximately HK\$3,800,000 and transfer of certain shares in the Company owned by a shareholder.

32. DUE TO RELATED COMPANIES

Analysis of amounts due to related companies (consolidated) is as follows:

	2001	2000
	HK\$'000	HK\$'000
Amounts repayable		
– within one year	6,578	18,647
– between two to five years	7,224	–
	13,802	18,647
Less: amounts repayable within one year, classified under current liabilities	(6,578)	(18,647)
	7,224	–

Amounts due to related companies are non-interest bearing and unsecured except for an amount of approximately HK\$1,574,000 (2000 – HK\$326,000) bears interest rate at 24% (2000 – 16%) per annum and an amount of approximately HK\$4,000,000 (2000 – Nil) bears interest rate at 1% above Hong Kong Prime Lending Rate per annum.

33. PROMISSORY NOTES

During the year ended 31st December, 2001, AAM Group issued promissory notes of approximately HK\$22,785,000 and HK\$19,020,000 to independent third parties, which are unsecured and bear interest rate at 16% per annum and will be repayable in June 2003 and November 2004, respectively.

34. SHARE CAPITAL

Share capital consists of:

	2001		2000	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised	150,000,000	15,000,000	150,000,000	15,000,000
Issued and fully paid	5,064,615	506,462	5,064,615	506,462

Notes to the Financial Statements

35. RESERVES

Under the Companies Law of the Cayman Islands, a company's reserves are both distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association, and provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution. As at 31st December, 2001, such loss and reserves amounted to approximately HK\$80,180,000 (2000 – HK\$332,928,000).

36. EMPLOYEE SHARE OPTIONS

a. Pre-IPO Share Option Plan

Movements in options granted under the Pre-IPO Plan are as follows :

	Number of shares subject to the options	
	2001	2000
Beginning of year	71,885,570	–
Granted	–	74,259,000
Lapsed	(15,547,754)	(2,373,430)
End of year	<u>56,337,816</u>	<u>71,885,570</u>

b. Post-IPO Scheme

Movements in options granted under the Post-IPO Scheme during 2001 are as follows:

	Number of shares subject to the options	
Beginning of year		–
Granted		10,635,676
Lapsed		(2,843,944)
End of year		<u>7,791,732</u>

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- a. Reconciliation of loss before share of profit of associates and profit on discontinued operations to net cash outflow from operating activities is as follows:

	2001 HK\$'000	2000 HK\$'000
Continuing Operations		
Loss before share of profit of associates and profit on discontinued operations	(200,178)	(193,967)
Net loss on disposals of subsidiaries	111	-
Interest income	(10,067)	(13,635)
Interest expense	39,038	23,245
Depreciation of property and equipment	67,661	35,584
Provision for impairment in value of property and equipment	665	-
Amortisation of goodwill	26,540	21,874
Amortisation of intangible assets	376	470
Net loss (gain) on disposals of property and equipment	4,729	(334)
Provision for impairment in value of investment in associates	39,989	-
Provision for impairment in value of long-term investments	8,120	8,356
(Gain) Loss on revaluation of short-term investments	(9,108)	1,075
Increase in inventories	(42,269)	(6,761)
Increase in trade receivables	(5,895)	(25,744)
Increase in prepayments, deposits and other current assets	(25,405)	(36,578)
Increase in trade payables	16,183	51,616
Increase (Decrease) in receipts in advances	7,689	(6,140)
(Decrease) Increase in accruals and other payables	(2,026)	66,690
Decrease in due to related companies	(5,133)	(16,997)
Taxation paid	(15,623)	(235)
Net cash outflow from operating activities	<u>(104,603)</u>	<u>(91,481)</u>
Discontinuing Operation		
Loss before share of profit of associates and profit on discontinued operations	(34,809)	(48,120)
Interest income	(174)	(388)
Interest expense	1,931	605
Depreciation of property and equipment	7,978	3,986
Provision for impairment in value of property and equipment	7,433	-
Net loss on disposals of property and equipment	256	2
Amortisation of goodwill	-	3,950
Decrease (Increase) in inventories	10,304	(12,299)
Increase in trade receivables	(8,656)	(3,337)
Decrease (Increase) in prepayments, deposits and other current assets	1,569	(5,483)
(Decrease) Increase in trade payables	(8,889)	17,984
(Decrease) Increase in receipts in advances	(100)	7,364
(Decrease) Increase in accruals and other payables	(439)	126
(Decrease) Increase in due to related companies	(3,987)	35,188
Interest received	963	388
Interest paid	(174)	(605)
Net cash outflow from operating activities	<u>(26,794)</u>	<u>(639)</u>

Notes to the Financial Statements

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

b. Details of net assets acquired as a consequence of the acquisition of additional interest in subsidiaries are as follows:

	2001 HK\$'000	2000 HK\$'000
Property and equipment	205,171	2,874
Deferred tax assets	533	–
Non-current prepayments and receivables	423	–
Due from related companies	3,054	–
Inventories	2,091	4
Trade receivables	3,524	–
Prepayments, deposits and other current assets	19,783	226
Cash and bank deposits	14,226	1,037
Long-term borrowings	(81,432)	–
Trade payables	(37,386)	(5,967)
Accruals and other payables	(99,987)	(8,696)
Receipts in advance	(2,379)	–
Taxation payable	(1,751)	(88)
	<hr/>	<hr/>
Net assets (liabilities)	25,870	(10,610)
Additional interest acquired at the date of acquisition	2.5%	2.5%
	<hr/>	<hr/>
Net assets acquired (liabilities assumed)	647	(265)
Goodwill	1,248	773
	<hr/>	<hr/>
Consideration paid	1,895	508

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

c. Details of net assets disposed of as a consequence of the disposals of subsidiaries during the year are as follows:

	HK\$'000
Property and equipment	9,531
Goodwill	7,792
Inventories	1
Trade receivables	7,022
Prepayments, deposits and other current assets	5,008
Cash and bank deposits	1,549
Finance lease obligations	(1,642)
Trade payables	(7,590)
Receipts in advance	(799)
Accruals and other payables	(5,658)
Taxation payable	(290)
Due to related companies	(2,947)
Minority interests of subsidiaries	(1,100)
	<hr/>
Net assets of subsidiaries at the dates of disposals	10,877
Less : Minority interests	(2,011)
	<hr/>
AAM Group's share of net assets	8,866
Consideration received:	
Investment in associates	15,675
Other receivables	904
Less: Cash paid to settle liabilities of disposed subsidiaries assumed by AAM Group	(7,824)
	<hr/>
	8,755
	<hr/>
Net loss on disposals of subsidiaries	<u>111</u>
Net cash outflow attributable to disposals of subsidiaries are as follows:	
Cash and bank deposits disposed of	(1,549)
Cash paid to settle liabilities of disposed subsidiaries assumed by AAM Group	(7,824)
	<hr/>
	<u>(9,373)</u>

Notes to the Financial Statements

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

d. Analysis of changes in financing is as follows:

	Long-term borrowings HK\$'000	Short- term loans HK\$'000	Finance lease obligations HK\$'000	Minority interests HK\$'000	Promissory notes HK\$'000	Non- current other payables HK\$'000	Loans from associates HK\$'000
1st January, 2000	159,140	-	8,724	355,156	-	-	-
Repayment of long-term borrowings	(48,186)	-	-	-	-	-	-
New short-term loans	-	40,194	-	-	-	-	-
Inception of finance lease contracts	-	-	6,160	-	-	-	-
Repayment of capital element of finance lease obligations	-	-	(6,839)	-	-	-	-
Proceeds from issuance of shares of subsidiaries	-	-	-	55,123	-	-	-
Attributable to acquisition of subsidiaries	-	-	1,622	(135)	-	-	-
Loans from minority interest attributable to acquisition of subsidiary	-	-	-	2,703	-	-	-
Loans from minority interest of subsidiaries	-	-	-	3,251	-	-	-
Share of profit	-	-	-	27,909	-	-	-
Increase in loans from associates	-	-	-	-	-	-	26,016
Translation adjustments	-	-	-	(101,652)	-	-	-
31st December, 2000	110,954	40,194	9,667	342,355	-	-	26,016
Repayment of long-term borrowings	(110,954)	-	-	-	-	-	-
New long-term borrowings	175,148	-	-	-	-	-	-
Repayment of short-term loans	-	(40,194)	-	-	-	-	-
New short-term loans	-	235,042	-	-	-	-	-
Inception of finance lease contracts	-	-	690	-	-	-	-
Repayment of capital element of finance lease obligations	-	-	(7,128)	-	-	-	-
Attributable to disposals of subsidiaries	-	-	(1,642)	(3,111)	-	-	-
Loans from minority interest of subsidiaries	-	-	-	11,750	-	-	-
Attributable to acquisition of additional interests in a subsidiary	-	-	-	(647)	-	-	-
Share of profit	-	-	-	46,890	-	-	-
Issuance of promissory notes	-	-	-	-	41,805	-	-
Increase in non-current other payables	-	-	-	-	-	10,709	-
Translation adjustments	-	-	-	(26,604)	-	-	-
Increase in loans from associates	-	-	-	-	-	-	18,681
31st December, 2001	175,148	235,042	1,587	370,633	41,805	10,709	44,697

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**e. Major non-cash transactions:**

During the year, AAM Group disposed of its entire equity interest in AsiaPay Limited and its subsidiaries to KeyTrend Technology Holdings Limited, an associate of AAM Group, in return for 1,000,000 shares of US\$1 each of KeyTrend Technology Holdings Limited. As a result, the effective ownership of KeyTrend Technology Holdings Limited increased to 43.08% (see Note 37c).

During the year, AAM Group issued promissory notes to independent third parties for purchase of property and equipment of HK\$19,020,000 and acquisition of 50.1% interest in PT Primarindo Sistel of approximately HK\$22,785,000.

During the year, AAM Group entered into finance lease arrangements in respect of certain property and equipment with a total capital value at the inception of the leases of HK\$690,000 (2000 – HK\$ 6,160,000).

38. PENSION SCHEMES

Prior to 1st December, 2000, AAM Group maintained a defined contribution provident fund scheme for its employees in Hong Kong, which was managed by an independent trustee. All contributions were made by AAM Group at either 5% or 10% of the employees' basic salary. With the introduction of the mandatory provident fund scheme by the Government of Hong Kong SAR on 1st December, 2000, AAM Group's Hong Kong employees have switched from the defined contribution provident fund scheme to the mandatory provident fund, which is also managed by an independent trustee. Each of AAM Group and its Hong Kong employees contributes to the scheme at 5% of the employees' basic salary, with the maximum amount of contribution by each of AAM Group and the employees limited to HK\$1,000 per month and thereafter contributions are voluntary.

AAM Group's Indonesian subsidiaries contributed to the government's statutory insurance and retirement fund (ASTEK) at 3.7% and the Indonesian employees contributed another 2% of their basic salary. The ASTEK fund is responsible for the entire insurance claim relating to the accident incurred by the employees during work and to the entire pension obligations of the retired employees.

AAM Group's Indonesian subsidiaries made accruals for employees' benefits registered under the Decree of the Ministry of Manpower relating to settlement arising from employment termination and determination of service and compensation pay. The accruals are determined based on the computation performed by an independent actuary which is calculated on the basis of the guideline issued by the ministry of Manpower.

During the year ended 31st December, 2001, AAM Group contributed approximately HK\$2,377,000 (2000 – HK\$5,941,000) to the pension schemes described above.

Notes to the Financial Statements

39. COMMITMENTS

a. Operating lease commitments

AAM Group had commitments in respect of rented premises under various non-cancellable operating lease agreements extending to June 2019. The total amounts of commitments are analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Amounts payable		
– within one year	10,673	16,541
– more than one year but not exceeding two years	8,712	5,608
– more than two years but not exceeding five years	9,462	7,182
– more than five years	18,021	5,997
	<u>46,868</u>	<u>35,328</u>

The amounts of commitments payable within the next twelve months are analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Leases expiring within a period		
– not exceeding one year	1,125	8,498
– more than one year but not exceeding two years	5,545	2,404
– more than two years but not exceeding five years	3,306	5,202
– more than five years	697	437
	<u>10,673</u>	<u>16,541</u>

b. Capital commitments

As at 31st December, 2001, AAM Group had capital commitments under signed contracts for the acquisition of property and equipment (mainly consisted of broadband communication network) amounting to approximately HK\$2,564,000 (2000 – HK\$172,327,000).

40. CONTINGENT LIABILITIES

As at 31st December, 2001, AAM Group provided a corporate guarantee of approximately HK\$86,431,000 (2000 – HK\$134,420,000) to vendors affiliated finance companies in connection with the supply of for hardware, licensing of certain firmware and software, and provision of ancillary services to AAM Group.

41. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31st December, 2001, AAM Group had aggregate banking facilities of approximately HK\$238,739,000 (2000 – HK\$162,904,000) for short-term and long-term loans and bank guarantees. All of which were fully utilised as at the same date (2000 – All). These facilities are secured by AAM Group's:

- (i) bank deposits of approximately HK\$39,108,000 as at 31st December, 2001 (2000 – HK\$44,579,000);
- (ii) land use rights and buildings with net book value of approximately HK\$56,956,000 as at 31st December, 2001 (2000 – Nil) (see Note 12);
- (iii) communication equipment and office furniture, fixtures and equipment with net book value of approximately HK\$67,968,000 as at 31st December, 2001 (2000 – Nil) (see Note 12);
- (iv) 30,500,000 shares (2000 – Nil) in PT Broadband Multimedia Tbk, a subsidiary, with quoted market value of approximately HK\$62,978,000 as at 31st December, 2001 (2000 – Nil) (see Note 13);
- (v) 290,000,000 shares (2000 – 540,000,000 shares) in PT Matahari Putra Prima Tbk, an associate, with a quoted market value of approximately HK\$95,142,000 as at 31st December, 2001 (2000 – HK\$219,469,000) (see Note 14);
- (vi) inventories of approximately HK\$27,328,000 (2000 – Nil) (see Note 21); and
- (vii) trade and other receivables of approximately HK\$101,182,000 (2000 – Nil) (see Notes 22 and 23).

42. FINANCIAL INSTRUMENTS

The carrying amounts of AAM Group's cash and bank deposits, pledged bank deposits, trade receivables, short-term investments, short-term loans, finance lease obligations and trade payables approximate their fair values because of the short maturity of these instruments. As at 31st December, 2001, long-term borrowings and promissory notes were approximately HK\$216,953,000 (2000 – HK\$110,954,000) determined based on current market interest rates for comparable instruments. As at the same date, the book value of these liabilities was approximately HK\$216,953,000 (2000 – HK\$110,954,000).

There is no quoted market price for the Company's investment in unlisted subsidiaries and AAM Group's long-term investments and unlisted associates. Accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

43. CONCENTRATION OF RISK

a. Credit risk

AAM Group has no significant concentration of credit risk with any single counterparty having similar characteristics. The carrying amounts of cash and bank deposits, pledged bank deposits, trade receivables, current and non-current prepayments and deposits and other current assets, represent AAM Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

b. Economic risk

A significant portion of AAM Group's operations may be adversely affected by significant political and economic uncertainties in Indonesia. Further, given the early stages of AAM Group's regional expansion efforts, there is no certainty that AAM Group's regional expansion plans will be successfully executed.

c. Currency risk

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

Further, the Indonesian government may 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 AAM Group to exchange Indonesian Rupiah denominated revenue into United States Dollars or other foreign currency denominated liabilities and may adversely affect AAM Group's financial condition.

d. Business risk

The majority of AAM Group's businesses are in an early stage of implementation, and the revenue, potential income and cash flows from these new businesses are unproven. The success of AAM Group's business strategies would also depend on many factors outside its control. Accordingly, evaluation of AAM Group's businesses and its prospects is difficult, and there can be no assurance that AAM Group would succeed in these businesses.

In November 2001, the management adopted a plan to discontinue AAM Group's commerce operation located in Indonesia, as part of AAM Group's restructuring strategy (See Note 6).

e. Interest rate risk

The interest rates and terms of repayment of long-term borrowings, short-term loans, amounts due to related companies and promissory notes of the AAM Group are disclosed in Notes 26, 27, 32 and 33, respectively to the accompanying financial statements.

44. SEGMENT INFORMATION

a. Business segments

- (i) Analysis of AAM Group's results of operations for the year ended 31st December, 2000 by business segment is as follows:

	Fixed line broadband communication services HK\$'000	Cellular communication services HK\$'000	Internet enabling services HK\$'000	Commerce HK\$'000	Others HK\$'000	Total HK\$'000
Turnover	<u>53,975</u>	<u>7,141</u>	<u>318,993</u>	<u>11,811</u>	<u>-</u>	<u>391,920</u>
Loss before share of profit of associates and profit on discontinued operations	<u>(44,299)</u>	<u>(14,245)</u>	<u>(83,249)</u>	<u>(47,864)</u>	<u>(52,430)</u>	<u>(242,087)</u>
Depreciation of property and equipment	<u>20,923</u>	<u>1,604</u>	<u>12,289</u>	<u>3,985</u>	<u>769</u>	<u>39,570</u>
Bad debts expense/Provision for doubtful debts	<u>1,879</u>	<u>22</u>	<u>1,973</u>	<u>-</u>	<u>-</u>	<u>3,874</u>
Amortisation of goodwill/ intangible assets	<u>-</u>	<u>-</u>	<u>22,311</u>	<u>3,950</u>	<u>33</u>	<u>26,294</u>

- (ii) Analysis of AAM Group's results of operations for the year ended 31st December, 2001 by business segment is as follows:

	Fixed line broadband communication services HK\$'000	Cellular communication services HK\$'000	Internet enabling services HK\$'000	Commerce HK\$'000	Others HK\$'000	Total HK\$'000
Turnover	<u>105,957</u>	<u>23,853</u>	<u>500,707</u>	<u>32,951</u>	<u>-</u>	<u>663,468</u>
Loss before share of profit of associates and profit on discontinued operations	<u>(36,871)</u>	<u>(39,096)</u>	<u>(13,815)</u>	<u>(34,809)</u>	<u>(110,396)</u>	<u>(234,987)</u>
Depreciation of property and equipment	<u>35,863</u>	<u>12,696</u>	<u>18,281</u>	<u>7,978</u>	<u>821</u>	<u>75,639</u>
Bad debts expense/Provision for doubtful debts	<u>4,132</u>	<u>145</u>	<u>4,420</u>	<u>1,030</u>	<u>-</u>	<u>9,727</u>
Amortisation of goodwill/ intangible assets	<u>-</u>	<u>1,599</u>	<u>13,886</u>	<u>-</u>	<u>11,431</u>	<u>26,916</u>

Notes to the Financial Statements

44. SEGMENT INFORMATION (Continued)

a. Business segments (Continued)

(iii) Analysis of AAM Group's turnover by business segment is as follows:

	2001			2000		
	Sales to external customers HK\$'000	Sales to internal customers HK\$'000	Total HK\$'000	Sales to external customers HK\$'000	Sales to internal customers HK\$'000	Total HK\$'000
Fixed line broadband communication services	104,045	1,912	105,957	53,975	–	53,975
Cellular communication services	23,853	–	23,853	7,141	–	7,141
Internet enabling services	406,139	94,568	500,707	290,825	28,168	318,993
Commerce	28,627	4,324	32,951	11,811	–	11,811
	<u>562,664</u>	<u>100,804</u>	<u>663,468</u>	<u>363,752</u>	<u>28,168</u>	<u>391,920</u>

(iv) Analysis of the financial position of AAM Group as at 31st December, 2000 by business segment is as follows:

	Fixed line broadband communication services HK\$'000	Cellular communication services HK\$'000	Internet enabling services HK\$'000	Commerce HK\$'000	Others HK\$'000	Total HK\$'000
Non-current assets	<u>319,965</u>	<u>42,490</u>	<u>905,323</u>	<u>49,679</u>	<u>60,892</u>	<u>1,378,349</u>
Property and equipment						
Cost	321,428	44,771	97,562	41,689	4,015	509,465
Less: accumulated depreciation	(23,958)	(3,971)	(28,511)	(3,758)	(769)	(60,967)
Net book value	<u>297,470</u>	<u>40,800</u>	<u>69,051</u>	<u>37,931</u>	<u>3,246</u>	<u>448,498</u>
Current assets	<u>31,349</u>	<u>41,979</u>	<u>172,334</u>	<u>23,189</u>	<u>137,315</u>	<u>406,166</u>
Current liabilities	<u>99,330</u>	<u>11,310</u>	<u>444,379</u>	<u>33,362</u>	<u>11,212</u>	<u>599,593</u>
Non-current liabilities	<u>1,352</u>	<u>–</u>	<u>401</u>	<u>1,424</u>	<u>–</u>	<u>3,177</u>
Capital expenditures	<u>168,953</u>	<u>44,663</u>	<u>67,855</u>	<u>40,518</u>	<u>4,010</u>	<u>325,999</u>

44. SEGMENT INFORMATION (Continued)

a. Business segments (Continued)

(v) Analysis of the financial position of AAM Group as at 31st December, 2001 by business segment is as follows:

	Fixed line broadband communication services HK\$'000	Cellular communication services HK\$'000	Internet enabling services HK\$'000	Commerce HK\$'000	Others HK\$'000	Total HK\$'000
Non-current assets	<u>323,005</u>	<u>187,048</u>	<u>898,384</u>	<u>8,159</u>	<u>13,706</u>	<u>1,430,302</u>
Property and equipment						
Cost	388,873	195,521	114,321	25,145	2,273	726,133
Less: accumulated depreciation	(55,456)	(14,513)	(40,944)	(15,686)	(833)	(127,432)
Net book value	<u>333,417</u>	<u>181,008</u>	<u>73,377</u>	<u>9,459</u>	<u>1,440</u>	<u>598,701</u>
Current assets	<u>22,589</u>	<u>97,838</u>	<u>230,304</u>	<u>7,589</u>	<u>10,461</u>	<u>368,781</u>
Current liabilities	<u>138,964</u>	<u>97,641</u>	<u>396,361</u>	<u>18,360</u>	<u>42,272</u>	<u>693,598</u>
Non-current liabilities	<u>6,161</u>	<u>652</u>	<u>76,690</u>	<u>12,481</u>	<u>52,226</u>	<u>148,210</u>
Capital expenditures	<u>59,105</u>	<u>157,853</u>	<u>75,772</u>	<u>1,753</u>	<u>404</u>	<u>294,887</u>

b. Geographical locations

(i) Analysis of turnover by geographical location is as follows:

	2001			2000		Total HK\$'000
	Sales to external customers HK\$'000	Sales to internal customers HK\$'000	Total HK\$'000	Sales to external customers HK\$'000	Sales to internal customers HK\$'000	
Indonesia	<u>561,405</u>	<u>100,804</u>	<u>662,209</u>	351,636	28,168	379,804
Others	<u>1,259</u>	<u>–</u>	<u>1,259</u>	12,116	–	12,116
	<u>562,664</u>	<u>100,804</u>	<u>663,468</u>	<u>363,752</u>	<u>28,168</u>	<u>391,920</u>

Notes to the Financial Statements

44. SEGMENT INFORMATION (Continued)

b. Geographical locations (Continued)

(ii) Analysis of the financial position of AAM Group as at 31st December, 2000 by geographical location is as follows:

	Indonesia HK\$'000	Others HK\$'000	Total HK\$'000
Non-current assets	<u>1,290,142</u>	<u>88,207</u>	<u>1,378,349</u>
Property and equipment			
Cost	496,988	12,477	509,465
Less: accumulated depreciation	<u>(60,774)</u>	<u>(193)</u>	<u>(60,967)</u>
Net book value	<u>436,214</u>	<u>12,284</u>	<u>448,498</u>
Current assets	<u>253,153</u>	<u>153,013</u>	<u>406,166</u>
Current liabilities	<u>580,046</u>	<u>19,547</u>	<u>599,593</u>
Non-current liabilities	<u>2,795</u>	<u>382</u>	<u>3,177</u>
Capital expenditures	<u>311,698</u>	<u>14,301</u>	<u>325,999</u>

(iii) Analysis of the financial position of AAM Group as at 31st December, 2001 by geographical location is as follows:

	Indonesia HK\$'000	Others HK\$'000	Total HK\$'000
Non-current assets	<u>1,416,792</u>	<u>13,510</u>	<u>1,430,302</u>
Property and equipment			
Cost	724,147	1,986	726,133
Less: accumulated depreciation	<u>(126,688)</u>	<u>(744)</u>	<u>(127,432)</u>
Net book value	<u>597,459</u>	<u>1,242</u>	<u>598,701</u>
Current assets	<u>358,603</u>	<u>10,178</u>	<u>368,781</u>
Current liabilities	<u>682,930</u>	<u>10,668</u>	<u>693,598</u>
Non-current liabilities	<u>144,210</u>	<u>4,000</u>	<u>148,210</u>
Capital expenditures	<u>289,564</u>	<u>5,323</u>	<u>294,887</u>

45. ULTIMATE HOLDING COMPANY

The Directors of the Company consider Lippo Cayman Limited, a company incorporated in the Cayman Islands, to be the ultimate holding company.

46. SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31st December, 2001 and up to the date of this report are as follows:

- (i) A subsidiary has obtained from an Indonesian bank additional banking facilities of approximately HK\$93,600,000 for two years to March 2004;
- (ii) A securities broker has entered into an agreement with a subsidiary whereby the securities broker has irrevocably committed to the subsidiary to organise at the subsidiary's discretion placements or disposals of up to 500,000,000 shares of Matahari, an associate, for a consideration of up to approximately HK\$197,800,000, subject to adjustments, over a 12-month period to March 2003;
- (iii) Agreed with certain banks and creditors to reschedule the repayment terms of certain short-term borrowings of approximately HK\$146,600,000 to 2003 and the banks have agreed to continue providing credit facilities to AAM Group;
- (iv) Agreed with certain trade creditors to extend the repayment terms of certain outstanding trade payables of approximately HK\$1,100,000 to 2003;
- (v) Agreed with the Indonesian Bank Restructuring Agency to settle loans totalling HK\$123,447,000 of AAM Group's disposed subsidiaries undertaken by AAM Group. Pursuant to such arrangement, AAM Group agreed to settle the loan and related interest by cash amounting to approximately HK\$3,800,000 and transfer of certain shares in the Company owned by a shareholder (see Note 31); and
- (vi) Agreed with certain trade creditors to settle certain outstanding trade payables of approximately HK\$16,900,000 by having an owner of the Company's shares to transfer its interest in the Company's shares to such creditors.

47. COMPARATIVE FIGURES

Certain comparative figures related to the discontinuing operation (see Note 6) have been reclassified to conform to 2001's presentation.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AcrossAsia Multimedia Limited (the “Company”) will be held at Chater Room II, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Tuesday, 14th May 2002 at 10:00 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 2001.
2. To consider the re-election of the retiring Directors and to authorise the Board of Directors to fix the Directors’ remuneration.
3. To appoint 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** conditional on The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the new share option scheme of the Company to be adopted pursuant to paragraph (b) below (the “New Scheme”) (a copy of which is marked “A” and tabled before the Meeting):
 - (a) the existing share option scheme of the Company adopted on 22nd June 2000 (the “Existing Scheme”) be and is hereby terminated; and
 - (b) the New Scheme be and is hereby approved and adopted and the Directors of the Company be and are hereby authorised to administer the New Scheme in accordance with the terms therein and other regulatory terms, if any, imposed by the relevant governing bodies.”
 - B. **“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 “GEM Listing Rules”), 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 by the Company 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;
- (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 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."

C. **“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;
- (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.”

- D. **“THAT** conditional on the passing of Resolution 4C 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 4B 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 4C, 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.”
5. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:
- “THAT** the existing Articles 163 and 167 to 173 of the Company’s Articles of Association be deleted and replaced with the following new Articles 163 and 167 to 173 of the Company’s Articles of Association:
163. (a) The Board shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Directors’ report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company’s affairs as at the end of such period, an Auditors’ report on such accounts prepared pursuant to Article 164 and/or the summary financial report which complies with Section 141CF(1) of the Companies Ordinance and such other reports and accounts as may be required by law.
- (b) Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be made available in printed forms and/or using electronic means and at the same time as the notice of annual general meeting to every member of the Company and every holder of debentures of the Company in compliance with legislation and the Listing Rules, provided that the Company shall not be required to send printed copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

(c) Where a shareholder has, in accordance with legislation and the Listing Rules, consented to treat the publication of the relevant financial documents as set out in this Article 163 using electronic means as discharging the Company's obligation under legislation and the Listing Rules to send a copy of such relevant financial documents, then publication by the Company, in accordance with legislation and the Listing Rules, using electronic means of such relevant financial documents at least 21 days before the date of the meeting shall, in relation to each such shareholder, be deemed to discharge the Company's obligations under this Article 163.

167. (a) Any notice or document (including a share certificate) may be served by the Company and any notices may be served by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or (in the case of notice) by advertisement published in the newspapers or by any electronic means in compliance with these Articles, legislation and the Listing Rules. In the case of joint holders of a share, all notices shall be given or made available to one of the joint holders whose name stands first in the register and notice so given or made available shall be sufficient notice to all the joint holders.

(b) Notice of every general meeting shall be given in any manner hereinbefore authorised to:

- (i) every person shown as a member in the register of members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given or made available to the joint holder first named in the register of members;
- (ii) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a member of record where the member of record but for his death or bankruptcy would be entitled to receive notice of the meeting;
- (iii) the Auditors;
- (iv) each Director and alternate Director;
- (v) the Exchange; and
- (vi) such other person to whom such notice is required to be given or made available in accordance with the Listing Rules.

No other person shall be entitled to receive notices of general meetings.

168. A member shall be entitled to have notice served on him at any address within Hong Kong or by any electronic means in compliance with these Articles, legislation and the Listing Rules. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A member who has no registered address in Hong Kong shall be deemed to have received any notice which shall have been displayed at the transfer office and shall have remained there for a period of 24 hours and such notice shall be deemed to have been received by such member on the day following that on which it shall have been first so displayed, provided that, without prejudice to the other provisions of these Articles, nothing in this Article 168 shall be construed as prohibiting the Company from sending, or entitling the Company not to send, notices or other documents of the Company to any member whose registered address is outside Hong Kong.
169. Any notice or document sent by post shall be deemed to have been served on the day following that on which it is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or document was so addressed and put into such post office shall be conclusive evidence thereof. Any notice or other document delivered or left at a registered address otherwise than by post shall be deemed to have been served or delivered on the day it was so delivered or left. Any notice served by advertisement shall be deemed to have been served on the day of issue of the official publication and/or newspaper(s) in which the advertisement is published (or on the last day of issue if the publication and/or newspaper(s) are published on different dates). Any notice or document sent by electronic mail shall be deemed to have been served upon receipt of electronic confirmation of message sent. Any notice or document which the Company has made available to any member by publication on its own or the relevant Exchange's website shall be deemed to have been served on the day on which such publication is made.
170. A notice may be given by the Company to the person or persons entitled to a share in consequence of the death, mental disorder or bankruptcy of a member by sending it through the post in a prepaid letter addressed to him or them by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, within Hong Kong supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving or making available the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.

171. Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which prior to his name and address being entered on the register shall have been duly given or made available to the person from whom he derives his title to such share.
172. Any notice or document delivered or sent by post or left at the registered address of any member in pursuance of these Articles or made available by electronic mail or by publication on the Company's or the relevant Exchange's website in compliance with these Articles, legislation and the Listing Rules, shall notwithstanding that such member be then deceased and whether or not the Company has notice of his death be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his personal representatives and all persons (if any) jointly interested with him in any such shares.
173. The signature to any notice to be given by the Company may be written or printed by means of facsimile or by any electronic means."

By Order of the Board

Davy Kwok Fai Lee

Director and Company Secretary

Hong Kong, 28th March 2002

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 notarially 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.

ACROSS ASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report **2001**