

# ACROSSASIA MULTIMEDIA LIMITED

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

*Annual Report*  
**2002**



## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the

Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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# Corporate Information

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## Directors

### *Executive Directors*

Dr. Cheng Wen CHENG  
Marshall Wallace COOPER

### *Non-executive Directors*

Stephen HUNG  
Jonathan Limbong PARAPAK

### *Independent non-executive Directors*

Richard Arthur WOOLCOTT  
*(Chairman of the Board)*  
Kwok Ming CHEUNG

## Company Secretary

Kelsch Woon Kun WONG, *FCIS, FCS*

## Compliance Officer

Dr. Cheng Wen CHENG

## Qualified Accountant

Yick Lun SUEN, *AHKSA, CPA Australia*

## Audit Committee

Richard Arthur WOOLCOTT  
*(Chairman of the Audit Committee)*  
Kwok Ming CHEUNG

## Authorised Representatives

Dr. Cheng Wen CHENG  
Kelsch Woon Kun WONG

## Authorised Person to Accept Service of Process and Notices

Kelsch Woon Kun WONG

## Registered Office

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

## Head Office and Principal Place of Business in Hong Kong

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

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Legal Advisers to the Company

*As to Hong Kong Law:*  
Richards Butler  
20th Floor, Alexandra House  
16-20 Chater Road, Central  
Hong Kong

*As to Cayman Islands Law:*  
Maples and Calder Asia  
Suite 1504  
One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

# Corporate Information

## Auditors

Ernst & Young  
*Certified Public Accountants*  
 15th Floor, Hutchison House  
 10 Harcourt Road  
 Central  
 Hong Kong

## Principal Bankers

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

Bank of China (Hong Kong)  
 Bank of China Tower  
 No. 1 Garden Road, Central  
 Hong Kong

Citibank, N.A.  
 30th Floor, Tower One, The Gateway  
 25 Canton Road, Tsimshatsui  
 Kowloon  
 Hong Kong

CITIC Ka Wah Bank Limited  
 Lippo Centre  
 89 Queensway  
 Hong Kong

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

## Stock Code

8061

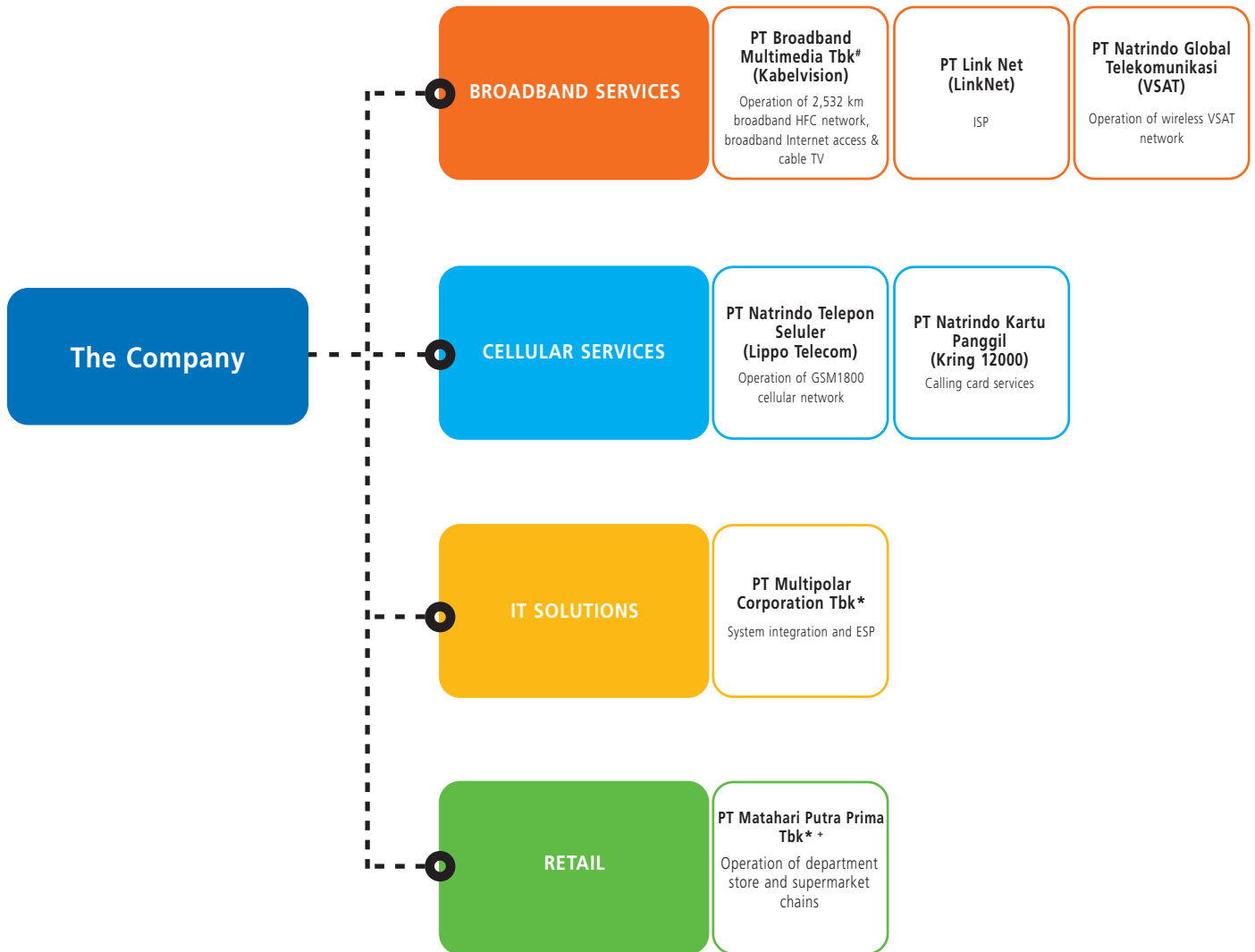
## Websites of the Company and Major Subsidiaries and Associate

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





# Corporate Structure



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

# Listed on the Surabaya Stock Exchange

+ Associate

## Chairman's Statement

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"AAM Group was able to further improve its businesses by focusing on viable businesses, streamlining operations and cost reduction. Turnover and gross profit reached new high."

Mr. Richard Woolcott, *Chairman*

I am pleased to present the Company's Annual Report for the year 2002.

Even though the year 2002 did not bring the global economic turnaround everyone had hoped for, AAM Group was able to further improve its businesses by focusing on viable businesses, streamlining operations and cost reduction. Turnover and gross profit reached new high. In particular, AAM Group achieved positive EBITDA for each quarter totalling HK\$11.6 million for the whole year, compared to a negative EDBITA of HK\$74.8 million in 2001. Net loss reduced by a substantial 65.3%.

AAM Group was dedicated to pursuing its four lines of business: Broadband Services, Cellular Services, IT Solutions and Retail. It continued to consolidate the leading positions of our Broadband Services, IT Solutions and Retail. For Cellular Services, a significant step forward was made by AAM Group through conversion of its East Java regional licence for GSM1800 operations into a new national licence across Indonesia.

With a penetration of less than 5% and a projected growth rate of around 35% per annum for the next 3 to 5 years, Indonesia is considered one of the fastest growing cellular markets in Asia. That provides ample potential for the said national licence and in turn Cellular Services of AAM Group.

While Indonesia and many other Asian countries are forecast to maintain the momentum in economic growth in 2003, the global economic and political situations appear to be less certain. In the light of the uncertainties, AAM Group will continue to optimize its existing operations and to adhere to conservative policies of operating and capital expenditures with a view to strengthening the foundation for future growth when the adverse external factors subside.

Backed by the established businesses, AAM Group is prudently pursuing growth opportunities in China and other potential Asian markets.





## Chairman's Statement



I wish to take this opportunity to thank my fellow Directors, and our management team and staff for their dedication and contribution in the past year.

**Richard Woolcott**

*Chairman*

Hong Kong, 2nd May, 2003



# Financial Summary

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

|   | <b>2002</b>      | 2001      | 2000      | 1999      | 1998      |
|---|------------------|-----------|-----------|-----------|-----------|
|   | <b>HK\$'000</b>  | HK\$'000  | HK\$'000  | HK\$'000  | HK\$'000  |
| <b>Consolidated results</b>                                   |                  |           |           |           |           |
| Turnover  | <b>690,412</b>   | 663,468   | 391,920   | 272,909   | 175,854   |
| Gross profit  | <b>141,142</b>   | 124,947   | 89,090    | 89,268    | 54,683    |
| (Loss) Profit after taxation but<br>before minority interests | <b>(118,087)</b> | (169,570) | (143,930) | 9,260     | (282,190) |
| (Loss) Profit attributable to shareholders                    | <b>(75,239)</b>  | (216,460) | (171,839) | 4,146     | (148,365) |
| <b>Consolidated assets and liabilities</b>                    |                  |           |           |           |           |
| Shareholders' equity  | <b>586,348</b>   | 586,642   | 839,390   | 434,929   | N/A       |
| Non-current assets  | <b>1,706,831</b> | 1,430,302 | 1,378,349 | 1,195,002 | N/A       |
| Current assets  | <b>506,307</b>   | 368,781   | 406,166   | 107,692   | N/A       |
| Current liabilities   | <b>811,161</b>   | 693,598   | 599,593   | 414,507   | N/A       |
| Non-current liabilities                                       | <b>349,141</b>   | 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 GEM, 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 (the "Prospectus").





**Broadband Services**

**Cellular Services**

**IT Solutions**

**Retail**

2002 was a challenging year in the light of adverse regional and global economic and political situation. To cope with the difficult environment, AAM Group strived to optimise its existing operations within the four Business Groups: Broadband Services, Cellular Services, IT Solutions and Retail.

### FINANCIAL REVIEW

#### Turnover

AAM Group's turnover of operations increased by 4.1% to HK\$690.4 million in the year ended 31st December, 2002 ("2002") compared to HK\$663.5 million in 2001.

Broadband Services' revenue continued its strong growth as its flagship, PT Broadband Multimedia Tbk ("Broadband Multimedia"), increased revenue by a substantial 34.0% to HK\$189.9 million in 2002 from HK\$141.7 million in 2001 due to increase in penetration of both cable TV and broadband Internet services, as well as rates for cable TV subscription.



Cellular Services, represented by the GSM1800 operations in East Java of PT Natrindo Telepon Seluler ("Natrindo"), achieved a substantial 31.6% increase in revenue to HK\$20.0 million in its first full year of operations in 2002, from HK\$15.2 million in 2001.



## Management Review

Revenue from IT Solutions increased 1.5% to HK\$480.5 million in 2002 from HK\$473.6 million in 2001 due to intensified competition for its core unit, PT Multipolar Corporation Tbk ("Multipolar").



### Gross Profit

Gross profit of operations rose by 13.0% to HK\$141.1 million in 2002 from HK\$124.9 million in 2001.

Gross profit margin improved to 20.4% in 2002 mainly due to the increased revenue, cost control and appreciation of Rupiah.

### Operating Expenses

Total operating expenses (excluding other income and expenses) of continuing operations decreased by 17.4% to HK\$285.6 million in 2002 compared to HK\$345.6 million in 2001. This was mainly a result of rationalization of headcount, tight cost control and a reduction in start-up costs of new businesses. Corporate headquarters cost reduced by 24.9% to HK\$26 million in 2002 from HK\$34.6 million in 2001.

Other income of HK\$71.4 million for 2002 was mainly contributed by interest income, foreign exchange gain and net gain on disposal of property and equipment.

### Loss from Operations

Loss from operations reduced tremendously by 57.6% to HK\$73.1 million for 2002 from HK\$172.3 million for 2001.

### Net Gain from Discontinued Operations

LippoShop discontinued its operations in November, 2001. The net result of winding down the unit resulted in a profit on discontinued operations of HK\$6.5 million for 2002.

### Share of Results of Associates

AAM Group's share of results of associates net of goodwill amortization increased to HK\$36.9 million for 2002 compared to HK\$2.6 million for 2001.



### Net Loss from Ordinary Activities attributable to Shareholders

The net loss from ordinary activities attributable to shareholders of AAM Group for 2002 reduced tremendously by 65.3% to HK\$75.2 million compared to HK\$216.5 million for 2001.





# Management Review

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## Financial Resources and Capital Structure

The operations of AAM Group were financed primarily by operational revenue, internal resources and borrowings during 2002. As at 31st December, 2002, total borrowings amounted to HK\$596.6 million and were mainly denominated in Indonesian Rupiah and United States Dollar with interest generally chargeable at market rates. Part of the borrowings was secured by current assets, land use rights and buildings, machinery 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 are 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 stabilizing the Indonesian Rupiah. AAM Group will continue to take measures to minimize its foreign exchange exposure.

As at 31st December, 2002, AAM Group had cash and bank balances and short-term investments of HK\$157.5 million, net assets of HK\$586.3 million and net current liabilities of HK\$304.9 million. During 2002, AAM Group has completed fostering of operational synergy between PT Link Net and Broadband Multimedia. It has also implemented and is continuing to implement the following measures to further improve its financial position: reduction of overhead costs and strengthening of cost control, restructuring of short-term liabilities into long-term liabilities; seeking of strategic investors for its cellular and broadband businesses; strengthening of the network and increase of the penetration of the cable TV and broadband services of Broadband

Multimedia; development of high margin IT solutions and service offerings of Multipolar; and strengthening of PT Matahari Prima Putra Tbk ("Matahari") as Indonesia's leading retailer. AAM Group's gearing ratio, representing total borrowings divided by shareholders' funds, was 101.8% as at 31st December, 2002. AAM Group provided corporate guarantees of approximately HK\$101.2 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.

## BUSINESS REVIEW

### Broadband Services

Broadband Services, led by Broadband Multimedia, has focused on offering broadband network, broadband Internet access and cable TV services to both corporate and individual consumers and on last mile fixed-line network development in the central business districts and residential areas of Indonesia's largest cities.

Broadband Multimedia operates the largest two-way HFC (Hybrid Fibre Coaxial) broadband network in Indonesia now totalling 2,532 km, passing more than 214,000 homes and covering major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.



## Management Review

Broadband Multimedia is also the leading cable TV operator in Indonesia offering 58 national and international channels of programming under the brand name "Kabelvision". The number of cable TV subscribers has increased to 76,280 during 2002, with penetration reaching 36.9%. The subscriber growth was achieved notwithstanding a 22.3% price increase in January, 2002. The price increase contributed to an 18.7% rise in ARPU (average revenue per user) for the cable TV residential base to Rp207,094 in 2002 from Rp174,405 in 2001.

Total number of individual and corporate broadband Internet subscribers surged by 58.3% to 9,822 in 2002 from 6,135 in 2001, while the penetration rate of cable TV subscribers that have also subscribed to the broadband Internet access service increased from 10.5% to 15.8%.

Broadband Multimedia's Corporate Access Network service offers data communication services to corporations as well as total communication solutions for high-speed data transfer and intranet applications. Using a combination of fibre optic and satellite systems, Broadband Multimedia provides an IP (Internet Protocol)-based broadband network that allows point-to-point or point-to-multipoint communications throughout Indonesia. Starting from April, 2002, the broadband network is being used by the Jakarta Stock Exchange to provide remote trading services to stockbrokers. As of December, 2002, 17 securities houses and two banks have joined the service, thereby increasing the total corporate links to 125.

### Cellular Services

Cellular Services, through Natrindo, launched its GSM1800 cellular service under the brand name "Lippo Telecom" in East Java in April, 2001. Natrindo's network uses state-of-the-art technology and is designed to deliver traditional voice as well as data communication services. The subscriber base has grown to 73,000 by the end of 2002.



During 2002, Natrindo has consolidated its regional cellular licence with the other six regional licences in Indonesia. As a result, Natrindo obtained approval from the Government of Indonesia for a national GSM1800 licence in December, 2002. The national licence will enable Natrindo to access the potential nationwide market and compete on a level playing field with the other national operators. Natrindo intends to rollout its services nationwide in the coming years and become one of the leading nationwide GSM operators in Indonesia.

### IT Solutions

IT Solutions has pursued expansion of its IT solution services from the financial services industry to oil & gas, retail, distribution, telecommunications and manufacturing industries. The move is further strengthening Multipolar's leadership in the IT industry in Indonesia.

Intensifying competition is putting pressure on margins. Accordingly, IT Solutions is focusing on providing higher value-added services. An example is the implementation of the ESP (Enterprise Service Provider) model in cooperation with Oracle.





## Management Review

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### Retail

Matahari, a 47% owned associate of AAM Group, is the core of AAM Group's Retail business. It is the top retail brand and the largest publicly listed modern retailer in Indonesia operating 77 department stores and 63 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.



The volatile economic environment in 2002 resulting in lower income and rising prices of fuel, electricity and telecommunications has culminated in lower consumer spending and higher operating expenses. To counteract the effects, Matahari focused on consolidation in terms of better store model and management. During 2002, Matahari has started to reorganise the department store chain and supermarket chain under separate units headed by international professional teams to optimize such businesses. Further, in September, 2002, it has successfully raised Rp450 billion (approximately HK\$389 million) by way of a bond issue primarily for financing its accelerating growth of stores to capture the potential market in times of economic recovery and for renovation of certain existing stores.

### PROSPECTS

Broadband Services will continue to focus on increasing the penetration of its cable TV and broadband Internet services on its network through aggressive selling and attractive packages while at the same time increasing the quality of the services. Network maintenance and improvement are the main topics for 2003. The rapid growth of the data communication business is expected to continue to contribute to the overall performance of Broadband Services, especially in the years to come.

Cellular Services through Natrindo has gained a foothold in East Java and has obtained approval for a national GSM1800 licence. Natrindo is now focused on planning its national network expansion. Indonesia is considered one of the most attractive cellular markets in Asia, with an underserved market and a low cellular penetration of less than 5% out of a population of 214 million. The Indonesian cellular market is projected to grow at about 35% per annum over the next 3 to 5 years thereby offering ample expansion opportunity for AAM Group.

IT Solutions will put more emphasis on higher value added business solution and IT services to tap the recovering Indonesian business community.

Retail, represented by Matahari, will selectively expand its retail network in Indonesia. In 2003, Matahari plans to open up to 7 new department stores and 7 new supermarkets in various prime locations in and outside Java island to further enhance its present leading position.

AAM Group is also exploring synergistic growth opportunities in China and other parts of Asia.

# Comparison of Business Objectives and Actual Business Progress

The following is a comparison of the actual business progress to the business objectives set out in the Prospectus for 2002:

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| <b>Business Objectives</b>   | <b>Actual Business Progress</b>                                      |
|--|--|
| 1. For the period from 1st January, 2002 to 30th June, 2002                    |  |
| (1) Broadband Services   |  |
| (i) <i>Technology Development</i>  |  |
| Continue network expansions, acquisitions and upgrades                         | Total number of homes passed reached over 207,000                    |
| 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 |
| Expand Wireless Application Protocol services                                  | Deferred due to market response                                      |
| (ii) <i>Market and Business Development</i>                                    |  |
| Expand network services offerings  | In progress  |
| Expand TV channels   | 62 channels available  |
| Expand marketing of bundled services including WAP and other wireless services | Deferred due to market response                                      |
| Advertising and marketing campaign activities                                  | Ongoing  |
| Continued expansion of telemarketing centre                                    | Operational  |
| Pursue alliance & investment opportunities                                     | Ongoing  |
| (2) Cellular Services  |  |
| (i) <i>Technology Development</i>  |  |
| Develop further applications   | In progress  |
| (ii) <i>Market and Business Development</i>                                    |  |
| Expand prepaid telephony offerings   | Awaiting regulatory approvals  |
| Expand network services offerings  | In progress  |
| Advertising and marketing campaign activities                                  | Ongoing  |
| Pursue alliance and investment opportunities                                   | Ongoing  |
| Continued expansion of telemarketing centre                                    | Operational  |





## Comparison of Business Objectives and Actual Business Progress

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### (3) IT Solutions

#### (i) *Technology Development*

|  |                                 |
|--|---------------------------------|
| Focus on development of the phase of innovative consumer interface | Deferred due to market response |
| Enhance content and CRM technology applications                    | Deferred due to market response |
| Develop further technology ideas and alliances                     | In progress                     |
| Source and review technology based investment opportunities        | In progress                     |

#### (ii) *Market and Business Development*

|  |  |
|--|--|
| Continue to broaden and enrich scope of content  | The portal is continuously being repositioned in response to market conditions |
| Enhance stickiness of portal with new “killer applications” features   | Deferred due to market response  |
| Partnership with global/regional companies in providing business component services  | In progress  |
| Develop partnership and alliances with advance technology vendors to strengthen image and competitiveness in the selected Asian market | In progress  |
| Increase market penetration across industries by providing more higher value added service specifically in business component services | In progress  |
| Increase market penetration for outsourcing services   | In progress  |
| E-business modelling consulting services   | Deferred due to market response  |
| Establish business (software) component services   | Deferred due to market response  |
| Initiate business (software) component service to enrich software management services  | Deferred due to market response  |
| Initiate outsourcing services on: disaster recovery services, quality assurance services, facility management services                 | In progress  |
| Continue to explore and develop new media and technology for content development   | Deferred due to market response  |



# Comparison of Business Objectives and Actual Business Progress

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## (4) Retail

### (i) Technology Development

|  |   |
|--|---|
| Add advanced e-commerce features   | Discontinued due to restructuring in response to the market |
| Upgrade and improve fulfilment capabilities                                  | Discontinued due to restructuring in response to the market |
| Actively look out for regional B2B and B2C technology and idea opportunities | Discontinued due to restructuring in response to the market |

### (ii) Market and Business Development

|  |   |
|--|---|
| Refine B2B and B2C target market focus & product offerings                     | Discontinued due to restructuring in response to the market |
| Continue to recruit B2C e-commerce partnerships to expand e-commerce offerings | Discontinued due to restructuring in response to the market |
| Continue to develop and deepen B2B e-commerce offerings                        | Discontinued due to restructuring in response to the market |
| Continue to expand and improve efficiency of fulfilment operations             | Discontinued due to restructuring in response to the market |
| Employ additional personnel as required for business growth                    | Discontinued due to restructuring in response to the market |
| Actively look out for regional B2B ideas, opportunities and partnership        | Discontinued due to restructuring in response to the market |

## 2. For the period from 1st July, 2002 to 31st December, 2002

### (1) Broadband Services

#### (i) Technology Development

|   |  |
|---|--|
| Continue network expansions, acquisitions and upgrades                | Total number of homes passed reached over 214,000                    |
| 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 19 cities throughout Indonesia |





## Comparison of Business Objectives and Actual Business Progress

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### (ii) *Market and Business Development*

|  |                                 |
|--|---------------------------------|
| Expand network services offerings by leasing network for Internet banking, Internet telephony and others | Deferred due to market response |
| Expand TV channels through additional programming  | 58 channels available           |
| Advertising and marketing campaign activities  | Ongoing                         |
| Continued expansion of telemarketing centre  | Operational                     |
| Pursue alliance & investment opportunities   | Ongoing                         |

### (2) Cellular Services

#### (i) *Technology Development*

|                              |             |
|------------------------------|-------------|
| Develop further applications | In progress |
|------------------------------|-------------|

#### (ii) *Market and Business Development*

|  |             |
|--|-------------|
| Expand prepaid telephony offerings   | In progress |
| Expand marketing of bundled services including WAP and other wireless services | In progress |
| Advertising and marketing campaign activities                                  | Ongoing     |
| Pursue alliance and investment opportunities                                   | Ongoing     |

### (3) IT Solutions

#### (i) *Technology Development*

|   |             |
|---|-------------|
| Continue to develop and deepen new web applications and Internet channels to support introduction of new content and features, particularly multimedia, WAP and mobile-commerce | In progress |
| Develop further technology ideas & alliances  | In progress |
| Source & review technology based investment opportunities   | In progress |

# Comparison of Business Objectives and Actual Business Progress

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|  |   |
|--|---|
| <i>(ii) Market and Business Development</i>  |   |
| Focus on driving development of specific content for WAP and mobile-commerce   | In progress   |
| Enhance content and CRM technology applications  | Deferred due to market response   |
| Further develop partnerships and alliances with advance technology vendors to strengthen image and competitiveness in the selected Asian markets | Ongoing   |
| Continue market penetration in Internet, e-commerce and consulting services  | In progress   |
| Further develop business (software) component services   | Ongoing with growing alliances with related vendors                               |
| <b>(4) Retail</b>  |   |
| <i>(i) Technology Development</i>  |   |
| Add advance e-commerce features  | E-commerce initiative discontinued due to restructuring in response to the market |
| Upgrade and improve fulfilment capabilities  | E-commerce initiative discontinued due to restructuring in response to the market |
| Actively look out for regional B2B and B2C technology and idea opportunities   | E-commerce initiative discontinued due to restructuring in response to the market |
| <i>(ii) Market and Business Development</i>  |   |
| Refine B2B and B2C target market focus & product offerings   | E-commerce initiative discontinued due to restructuring in response to the market |
| Continue scouting for B2C e-commerce partnership to expand e-commerce offerings  | E-commerce initiative discontinued due to restructuring in response to the market |
| Continue to develop and deepen B2B e-commerce offerings  | E-commerce initiative discontinued due to restructuring in response to the market |
| Continue to expand and improve efficiency of fulfilment operations   | E-commerce initiative discontinued due to restructuring in response to the market |
| Employ additional personnel as required for business growth  | E-commerce initiative discontinued due to restructuring in response to the market |
| Actively look out for regional B2B ideas, opportunities and partnership  | E-commerce initiative discontinued due to restructuring in response to the market |





## Directors and Senior Management

### EXECUTIVE DIRECTORS

**Dr. Cheng Wen CHENG**, aged 58, has been an executive Director and the President and Chief Executive Officer (“CEO”) of the Company since June, 2000. He concurrently serves as the President Commissioner of Matahari and Multipolar. 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”) prior to returning back to Taiwan. 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. Marshall Wallace COOPER**, aged 43, has been an executive Director of the Company since May, 2002 and the Chief Financial Officer of the Company and Broadband Multimedia. Mr. Cooper joined AAM Group in April, 1999. He has 18 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 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.

### NON-EXECUTIVE DIRECTORS

**Mr. Stephen HUNG**, aged 44, has been a non-executive Director of the Company since June, 2000. He is currently Chairman of The Taipan Group and director of Communications Management 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 and Vice Chairman of eSun Holdings Limited and Media Asia Group between 2000-2002.

**Mr. Jonathan Limbong PARAPAK**, aged 60, has been a non-executive Director of the Company since May, 2002. Mr. Parapak has also been the Chairman of the Company’s Indonesia Office since February, 2000 and of PT Natrindo Global Telekomunikasi since March, 2000 and President Commissioner of Broadband Multimedia. He is the Chairman of the Council of Professionals and Association of the Indonesian Infocom Society as well as a member of the Indonesian Council of Research and Development and the E-Asean Task Force. He was appointed Secretary General of the Department of Tourism, Posts and Telecommunications in 1991 and then the Secretary General of the Department of Tourism, Arts and Culture in 1998. He was the President and CEO of Indosat for 10 years and the Chairman of the board of Indosat for 9 years until April, 2000. He was also the Chairman of International Satellite Organisation, a member of the High Level Committee of International Telecommunication Union and the Chairman of PT INTI, a state-owned telecommunications manufacturing company. He graduated from the National Resilience Institute (Lemhanas), Indonesia and holds a Master of Engineering Science degree from the University of Tasmania, Australia.

# Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Richard Arthur WOOLCOTT**, aged 75, has been the Chairman of the Board and an independent non-executive Director of the Company since June, 2000. He is presently on the Advisory Boards of several Australian and Asia Pacific based organisations, and is the Founding Director of AustralAsia Centre of the Asia Society. He was Secretary (Head) of the Department of Foreign Affairs and Trade (1988-1992) in Australia and served as the Ambassador and Permanent Representative to the United Nations where he represented Australia on the Security Council and held several senior postings throughout South East Asia. He was closely involved with the formation of the Asia Pacific Regional Economic Forum ("APEC") and was the Prime Minister's special envoy charged with developing the APEC concept.

**Mr. Kwok Ming CHEUNG**, aged 41, has been an independent non-executive Director of the Company since June, 2000. He is a partner of Messrs. Or, Ng & Chan, Solicitors and prior to that, he was a partner of Messrs. Y. T. Chan & Co. His areas of practice include banking, securities, Internet and information technology, corporate finance and merger and acquisition. 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 43, joined AAM Group in September, 1994 and is the Vice President of the Company, CEO of the Company's Indonesia Office and the President Director of Multipolar. 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. Billy SINDORO**, aged 43, 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 Master degree in Business Administration from the University of South Dakota, USA.





# Report of the Directors

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The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and AAM Group for 2002.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries and associates are classified into Broadband Services, Cellular Services, IT Solutions and Retail Business Groups which are principally engaged in the provision of cable TV, broadband Internet and network services, mobile network services, and IT system integration and solution services and retail business, respectively.

An analysis of AAM Group's business segments is set out in Note 4 to the consolidated financial statements.

## CUSTOMERS AND SUPPLIERS

For 2002, the five largest customers accounted for approximately 49% of AAM Group's total turnover (2001 – 49%), while the five largest suppliers of AAM Group accounted for approximately 42% (2001 – 82%) of AAM Group's total purchases. The largest customer of AAM Group accounted for 19% (2001 – 17%) of AAM Group's total turnover while the largest supplier accounted for 27% (2001 – 36%) of AAM Group's total purchases.

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

## RESULTS AND APPROPRIATIONS

Details of AAM Group's results for 2002 are set out in the consolidated income statement on page 28 of the annual report.

The Directors do not recommend the payment of a dividend in respect of 2002.

## PENSION COSTS

Particulars of pension costs for 2002 are set out in Note 7 to the accompanying consolidated financial statements.

## SHARE CAPITAL

Details of share capital are set out in Note 29 to the accompanying consolidated financial statements.

## RESERVES

Movements in reserves and accumulated losses of AAM Group during 2002 are set out in the consolidated statement of changes in equity on page 31 of the annual report.

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

During 2002, there was no purchase, sale or redemption of securities of the Company by the Company or any of its subsidiaries.

# Report of the Directors

## 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 16 to the accompanying consolidated financial statements.

## PROPERTY AND EQUIPMENT

Details of the movements in property and equipment during 2002 are set out in Note 14 to the accompanying consolidated financial statements.

## INTEREST-BEARING BORROWINGS AND NOTES PAYABLE

Particulars of interest-bearing borrowings and notes payable as at 31st December, 2002 are set out in Notes 31 and 32 to the accompanying consolidated financial statements.

## RELATED PARTY TRANSACTIONS

The related party transactions are set out in Note 46 to the accompanying consolidated financial statements.

## COMMITMENTS AND CONTINGENT LIABILITIES

Particulars of commitments and contingent liabilities as at 31st December, 2002 are set out in Notes 41 and 42 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 GEM on 13th July, 2000. After deducting related expenses, the net proceeds were approximately HK\$531 million which were used substantially in accordance with the intended use stated in the Prospectus and the comparison is set out in the Company's Annual Report 2001. Up to 31st December, 2002, HK\$524 million were used up and the remaining net proceeds have been deposited in licensed banks in Indonesia.

## POST BALANCE SHEET EVENTS

Particulars of post balance sheet events are set out in Note 47 to the accompanying consolidated financial statements.

## DIRECTORS

The Directors who held office during 2002 and up to the date of this report were:

### Executive Directors

Dr. Cheng Wen CHENG

Mr. Marshall Wallace COOPER

Mr. Davy Kwok Fai LEE

(Appointed on 1st May, 2002)

(Resigned on 14th May, 2002)





# Report of the Directors

## DIRECTORS (continued)

### Non-executive Directors

Mr. Stephen HUNG

Mr. Jonathan Limbong PARAPAK

(Appointed on 1st May, 2002)

Mr. Christopher James WILLIAMS

(Resigned on 11th March, 2002)

Mr. Canning Kin Ning FOK

(Resigned on 12th March, 2002)

Mr. Gerard Joseph McMAHON

(Retired on 14th May, 2002)

### 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. Richard Arthur Woolcott and Mr. Stephen Hung retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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, an executive Director of the Company, has entered into a service contract with the Company for a term of three years commencing from 1st June, 2000. 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 2002 or at any time during 2002.



# Report of the Directors

## DISCLOSURE OF INTERESTS IN SECURITIES

### (1) Directors and Chief Executive

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

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

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

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

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

| Name                        | Number of underlying shares |          |  |
|-----------------------------|-----------------------------|----------|--|
|                             | Granted                     | Lapsed   | Outstanding as of<br>31st December, 2002 |
| Dr. Cheng Wen Cheng         | 13,150,000                  | –        | 13,150,000 (Note 1)                      |
| Mr. Richard Arthur Woolcott | 3,546,000                   | –        | 3,546,000 (Note 2)                       |
| Mr. Stephen Hung            | 2,364,000                   | –        | 2,364,000 (Note 3)                       |
| Mr. Kwok Ming Cheung        | 2,364,000                   | –        | 2,364,000 (Note 3)                       |
| Mr. Marshall Wallace Cooper | 355,000                     | –        | 355,000 (Note 4)                         |
| <b>Total</b>                | <b>21,779,000</b>           | <b>–</b> | <b>21,779,000</b>                        |

#### Notes:

- 1,330,000 shares became exercisable from 14th January, 2001 and 2,364,000 shares from each of 1st June, 2001 and 1st June, 2002; 2,364,000 shares shall become exercisable from each of 1st June, 2003, 1st June, 2004 and 1st June, 2005.
- 354,600 shares became exercisable from each of 14th January, 2001 and 1st April, 2001 and 709,200 shares from each of 1st April, 2002 and 1st April, 2003; 709,200 shares shall become exercisable from each of 1st April, 2004 and 1st April, 2005.
- 236,400 shares became exercisable from each of 14th January, 2001 and 1st April, 2001 and 472,800 shares from each of 1st April, 2002 and 1st April, 2003; 472,800 shares shall become exercisable from each of 1st April, 2004 and 1st April, 2005.
- 35,500 shares became exercisable from each of 14th January, 2001 and 1st April, 2001 and 71,000 shares from each of 1st April, 2002 and 1st April, 2003; 71,000 shares shall become exercisable from each of 1st April, 2004 and 1st April, 2005.
- 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. His remaining option to subscribe for 472,800 shares was waived by him on 21st May, 2002.





# Report of the Directors

## DISCLOSURE OF INTERESTS IN SECURITIES (continued)

### (1) Directors and Chief Executive (continued)

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

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 and 1,418,200 shares lapsed with effect from 12th March, 2002 and 11th September, 2002 respectively.
7. Mr. Davy Kwok Fai Lee resigned as a Director of the Company with effect from 14th May, 2002. Pursuant to the Pre-IPO Plan, he is still entitled to his share options in the following manner: 236,400 shares became exercisable from each of 14th January, 2001 and 1st April, 2001 and 472,800 shares from each of 1st April, 2002 and 1st April, 2003; 472,800 shares shall become exercisable from each of 1st April, 2004 and 1st April, 2005.
8. Mr. Gerard Joseph McMahon retired as a Director of the Company with effect from 14th May, 2002. As a result, his option to subscribe for 1,418,400 shares lapsed with effect from 14th May, 2002 and his remaining option to subscribe for 945,600 shares lapsed on 13th November, 2002.
9. The exercise period for all such shares (except those mentioned in Notes 5, 6 and 8) shall end 10 years from the Grant Date (the "Expiry Date").

The share option scheme of the Company adopted on 22nd June, 2000 (the "2000 Scheme") was terminated on 15th May, 2002. No options had been granted to the Directors and the chief executive of the Company under the 2000 Scheme. A new share option scheme of the Company was adopted on 14th May, 2002 (the "2002 Scheme") under which the Directors and other persons (including employees of AAM Group) may be granted on or after 15th May, 2002 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2002 Scheme. No options had been granted to the Directors and the chief executive of the Company under the 2002 Scheme as at 31st December, 2002.

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

### (2) Substantial Shareholders

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

| Name                        | Number of shares | Approximate percentage |
|-----------------------------|------------------|------------------------|
| Cyport Limited              | 3,233,562,218    | 63.85                  |
| Lippo Cayman Limited (Note) | 3,734,044,218    | 73.73                  |
| Lanius Limited (Note)       | 3,734,044,218    | 73.73                  |

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's.

# Report of the Directors

## 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, 2002, the Directors are not aware of any persons who, as at 31st December, 2002, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were able, as a practical matter, to direct or influence the management of the Company.

## SHARE OPTIONS

Details of share options are set out in Note 38 to the accompanying consolidated financial statements.

The Directors consider it inappropriate to value the options granted under the Pre-IPO Plan as the market price of the Company's shares as at 31st December, 2002 was below the subscription price in respect of all the options granted. Any valuation based on assumptions would not be meaningful.

Save as disclosed herein, no options to subscribe for shares of the Company have been granted, exercised, lapsed, cancelled or re-issued since the listing of the Company's shares on GEM and up to the date of this Report under the Pre-IPO Plan, the 2000 Scheme and the 2002 Scheme.

## SPONSOR'S INTEREST

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

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

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

## COMPETING INTERESTS

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

The Lippo Group (a general reference to the companies (including Lippo Cayman) in which Dr. Mochtar Riady and his family have a direct or indirect interest; the Lippo Group is not a legal entity and does not operate as one; each of the companies in the Lippo Group operates within its own legal, corporate and financial framework) might have had or developed interests in other technology related business, including telecommunications in Hong Kong and other parts in Asia during 2002. There was a chance that such businesses might have competed with AAM Group during 2002.





# Report of the Directors

## COMPETING INTERESTS (continued)

Save as disclosed herein, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that have competed or may compete with the business of 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 2002.

## 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 2002.

## AUDITORS

During 2002, Arthur Andersen & Co. resigned as the auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. A resolution for the re-appointment of Ernst & Young as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

**Richard Woolcott**

*Chairman*

Hong Kong, 2nd May, 2003

# Report of the Auditors



## To the members

### 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, 2002, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federations 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, 2002 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 issued 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 2 to the financial statements which explains that the Group incurred a net loss attributable to shareholders of HK\$75.2 million for the year ended 31st December, 2002 and had net current liabilities of HK\$304.9 million as at 31st December, 2002. Prior to and subsequent to the balance sheet date, the Directors initiated a number of measures to improve the Group's financial/liquidity position and to relieve its liquidity pressure for the foreseeable future, including the refinancing/rescheduling of certain short term liabilities and the arrangement of new/additional sources of financing. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group attaining profitable and cash positive operations in the longer term and, in the meantime, the successful outcome of the Group's financing arrangements and plans detailed in note 2 to the financial statements. The financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful and the Group be unable to continue as a going concern. We consider that appropriate estimates and disclosures regarding the above have been made and our opinion is not qualified in this respect.

## ERNST & YOUNG

*Certified Public Accountants*

Hong Kong, 2nd May, 2003





# Consolidated Income Statement

Year ended 31st December, 2002

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|   | Notes | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|-------|------------------|------------------|
| TURNOVER  | 5     |                  |                  |
| Continuing operations   |       | <b>690,412</b>   | 630,517          |
| Discontinued operations   | 6     | –                | 32,951           |
|   |       | <b>690,412</b>   | 663,468          |
| Cost of sales and services rendered                               |       | <b>(549,270)</b> | (538,521)        |
| Gross profit  |       | <b>141,142</b>   | 124,947          |
| Other operating income and gains                                  | 5     | <b>71,378</b>    | 48,364           |
| Selling and distribution costs                                    |       | <b>(38,528)</b>  | (54,341)         |
| General and administrative expenses                               |       | <b>(238,806)</b> | (235,032)        |
| Other operating expenses  |       | <b>(8,301)</b>   | (56,207)         |
| LOSS FROM OPERATIONS  | 7     | <b>(73,115)</b>  | (172,269)        |
| Finance costs   | 8     | <b>(79,923)</b>  | (40,969)         |
| Share of results of associates                                    |       | <b>48,949</b>    | 24,396           |
| Amortisation of goodwill on acquisition of associates             |       | <b>(11,963)</b>  | (21,749)         |
|   |       | <b>36,986</b>    | 2,647            |
| Net gain from discontinued operations                             | 6     | <b>6,530</b>     | 56,359           |
| PROFIT/(LOSS) BEFORE INCOME TAX                                   |       |                  |                  |
| Continuing operations   |       | <b>(116,052)</b> | (175,782)        |
| Discontinued operations   | 6     | <b>6,530</b>     | 21,550           |
|   |       | <b>(109,522)</b> | (154,232)        |
| Income tax expense  | 11    |                  |                  |
| Continuing operations   |       | <b>(8,565)</b>   | (10,600)         |
| Discontinued operations   | 6     | –                | (4,738)          |
|   |       | <b>(8,565)</b>   | (15,338)         |
| LOSS BEFORE MINORITY INTERESTS                                    |       | <b>(118,087)</b> | (169,570)        |
| Minority interests  |       | <b>42,848</b>    | (46,890)         |
| NET LOSS FROM ORDINARY ACTIVITIES<br>ATTRIBUTABLE TO SHAREHOLDERS | 12    | <b>(75,239)</b>  | (216,460)        |
| LOSS PER SHARE (HK cents)   | 13    |                  |                  |
| Basic   |       | <b>(1.49)</b>    | (4.27)           |
| Diluted   |       | <b>N/A</b>       | N/A              |

# Balance Sheets

31st December, 2002

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|  | Notes | AAM Group        |                  | Company          |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| <b>ASSETS</b>  |       |                  |                  |                  |                  |
| Non-current assets                                   |       |                  |                  |                  |                  |
| Property and equipment                               | 14    | 578,669          | 561,435          | 529              | 1,242            |
| Investment properties                                | 15    | 47,088           | 37,266           | –                | –                |
| Interests in subsidiaries                            | 16    | –                | –                | 594,104          | 587,420          |
| Interests in associates                              | 17    | 863,640          | 725,581          | –                | –                |
| Long term investments                                | 18    | 5,746            | 14,092           | –                | –                |
| Goodwill   | 19    | 135,675          | 13,864           | –                | –                |
| Intangible assets                                    | 20    | 6,869            | 22,841           | –                | –                |
| Deferred tax assets                                  | 21    | 39,457           | 35,828           | –                | –                |
| Non-current prepayments,<br>deposits and receivables | 22    | 27,795           | 18,065           | –                | –                |
| Due from related companies                           | 23    | 1,892            | 1,330            | –                | –                |
|  |       | <b>1,706,831</b> | 1,430,302        | <b>594,633</b>   | 588,662          |
| Current assets                                       |       |                  |                  |                  |                  |
| Inventories  | 24    | 72,596           | 68,790           | –                | –                |
| Trade receivables                                    | 25    | 167,569          | 65,573           | –                | –                |
| Prepayments, deposits<br>and other current assets    | 26    | 108,611          | 101,985          | 788              | 468              |
| Short term investments                               | 27    | 130,008          | 60,098           | –                | –                |
| Pledged bank deposits                                | 28    | 1,117            | 39,108           | –                | –                |
| Cash and bank deposits                               | 28    | 26,406           | 33,227           | 598              | 9,704            |
|  |       | <b>506,307</b>   | 368,781          | <b>1,386</b>     | 10,172           |
| <b>TOTAL ASSETS</b>                                  |       | <b>2,213,138</b> | 1,799,083        | <b>596,019</b>   | 598,834          |





# Balance Sheets

31st December, 2002

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|   | Notes | AAM Group        |                  | Company          |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| <b>EQUITY AND LIABILITIES</b>   |       |                  |                  |                  |                  |
| Capital and reserves  |       |                  |                  |                  |                  |
| Issued capital  | 29    | 506,462          | 506,462          | 506,462          | 506,462          |
| Accumulated losses  |       | (769,816)        | (694,577)        | (589,494)        | (584,091)        |
| Reserves  | 30    | 849,702          | 774,757          | 664,271          | 664,271          |
|   |       | <b>586,348</b>   | 586,642          | <b>581,239</b>   | 586,642          |
| Minority interests  |       | <b>466,488</b>   | 370,633          | –                | –                |
| Non-current liabilities   |       |                  |                  |                  |                  |
| Interest-bearing borrowings   | 31    | 116,745          | 87,561           | –                | –                |
| Notes payable   | 32    | 110,024          | 41,805           | –                | –                |
| Finance lease obligations   | 33    | 15               | 911              | –                | –                |
| Due to related companies  | 34    | 5,919            | 7,224            | 4,000            | 4,000            |
| Non-current trade and other payables  | 35    | 15,893           | 10,709           | 250              | –                |
| Liabilities/estimated liabilities relating to certain discontinued operations | 37    | 100,545          | –                | –                | –                |
|   |       | <b>349,141</b>   | 148,210          | <b>4,250</b>     | 4,000            |
| Current liabilities   |       |                  |                  |                  |                  |
| Interest-bearing borrowings   | 31    | 420,375          | 307,816          | –                | –                |
| Notes payable   | 32    | 17,756           | 14,813           | –                | –                |
| Finance lease obligations   | 33    | 185              | 676              | –                | –                |
| Due to related companies  | 34    | 50,844           | 6,578            | –                | 83               |
| Trade payables  | 36    | 96,469           | 94,369           | –                | –                |
| Receipts in advance   |       | 22,945           | 15,951           | –                | –                |
| Other payables and accruals   |       | 137,016          | 113,781          | 10,530           | 8,109            |
| Liabilities/estimated liabilities related to certain discontinued operations  | 37    | 43,091           | 123,447          | –                | –                |
| Tax payable   |       | 22,480           | 16,167           | –                | –                |
|   |       | <b>811,161</b>   | 693,598          | <b>10,530</b>    | 8,192            |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <b>2,213,138</b> | 1,799,083        | <b>596,019</b>   | 598,834          |

**Cheng Wen CHENG**  
Director

**Marshall Wallace COOPER**  
Director



# Consolidated Statement of Changes in Equity

Year ended 31st December 2002

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|  | Issued<br>capital<br>HK\$'000 | Share<br>premium<br>account<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Equity<br>transactions<br>of associates<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------------------------------|---|--------------------------------|---|------------------------------------|-----------------------------------|-------------------|
| At 1st January, 2001   | 506,462                       | 32,877                                  | 1,464,802                      | 782   | (687,416)                          | (478,117)                         | 839,390           |
| Currency translation<br>differences not<br>recognised in<br>the income statement | -                             | -                                       | -                              | -   | (36,288)                           | -                                 | (36,288)          |
| Net loss attributable to<br>shareholders   | -                             | -                                       | -                              | -   | -                                  | (216,460)                         | (216,460)         |
| At 31st December, 2001<br>and 1st January, 2002                                  | 506,462                       | 32,877                                  | 1,464,802                      | 782   | (723,704)                          | (694,577)                         | 586,642           |
| Net gain on<br>available-for-sale<br>financial assets of<br>associates           | -                             | -                                       | -                              | 1,925   | -                                  | -                                 | 1,925             |
| Currency translation<br>differences  | -                             | -                                       | -                              | -   | 73,020                             | -                                 | 73,020            |
| Net gain not recognised in<br>the income statement                               | -                             | -                                       | -                              | 1,925   | 73,020                             | -                                 | 74,945            |
| Net loss attributable to<br>shareholders   | -                             | -                                       | -                              | -   | -                                  | (75,239)                          | (75,239)          |
| At 31st December, 2002   | 506,462                       | 32,877                                  | 1,464,802                      | 2,707   | (650,684)                          | (769,816)                         | 586,348           |





# Consolidated Cash Flow Statement

Year ended 31st December, 2002

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|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                  |
| Loss before income tax  | (109,522)        | (154,232)        |
| Adjustments for:  |                  |                  |
| Finance costs   | 79,923           | 40,969           |
| Share of results of associates (less amortisation of goodwill on acquisition of associates) | (36,986)         | (2,647)          |
| Net gain from discontinued operations   | (6,530)          | (56,359)         |
| Depreciation  | 96,366           | 75,639           |
| Amortisation of goodwill  | 893              | 4,791            |
| Amortisation of intangible assets   | 1,092            | 376              |
| Impairment/(write back of impairment) of property and equipment                             | (275)            | 8,098            |
| Impairment of long term investments   | 8,576            | 8,120            |
| Impairment of interests in associates   | -                | 39,989           |
| Net loss/(gain) on disposal of property and equipment                                       | (9,965)          | 4,985            |
| Bad debt expense/provision for doubtful debts   | 4,473            | 9,727            |
| Provision for inventories   | 1,851            | 1,097            |
| Net loss on disposal of subsidiaries  | 1,495            | 111              |
| Interest income   | (13,226)         | (10,241)         |
| Gain on disposal of an associate  | (2,336)          | -                |
| Gain on revaluation of short term investments   | -                | (9,108)          |
| Operating profit/(loss) before working capital changes                                      | 15,829           | (38,685)         |
| Decrease in amount due to an associate  | (2,726)          | -                |
| Decrease in amounts due from related companies  | 536              | -                |
| Decrease/(increase) in inventories  | 5,335            | (33,062)         |
| Increase in trade receivables   | (103,608)        | (24,278)         |
| Decrease/(increase) in prepayments, deposits and other current assets                       | 44,669           | (23,836)         |
| Increase/(decrease) in amounts due to related companies                                     | 30,526           | (9,120)          |
| Increase/(decrease) in trade payables   | (2,234)          | 7,294            |
| Increase in receipts in advance   | 4,234            | 7,589            |
| Decrease in other payables and accruals   | (68,246)         | (2,465)          |
| Cash used in operations   | (75,685)         | (116,563)        |
| Interest received   | -                | 963              |
| Interest paid   | -                | (174)            |
| Income taxes refunded/(paid)  | 3,542            | (15,623)         |
| Net cash outflow from operating activities  | (72,143)         | (131,397)        |

# Consolidated Cash Flow Statement

Year ended 31st December, 2002

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|   | Notes | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|-------|------------------|------------------|
| Net cash outflow from operating activities                            |       | (72,143)         | (131,397)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |       |                  |                  |
| Purchases of property and equipment                                   |       | (54,614)         | (247,238)        |
| Purchases of investment properties                                    |       | (4,287)          | (37,266)         |
| Proceeds from disposal of property and equipment                      |       | 45,914           | 26,453           |
| Net cash inflow attributable to acquisition of subsidiaries           | 39(a) | 496              | -                |
| Net cash outflow attributable to disposal of subsidiaries             | 39(b) | (446)            | (9,373)          |
| Acquisition of additional interests in subsidiaries                   |       | -                | (1,895)          |
| Acquisition of additional interests in associates                     |       | -                | (24,584)         |
| Increase in intangible assets   |       | (7,026)          | (75)             |
| Increase in non-current prepayments, deposits and receivables         |       | -                | 259              |
| Decrease in amounts due from related companies                        |       | -                | 2,844            |
| Decrease/(increase) in short term investments                         |       | 12,170           | (50,373)         |
| Decrease in pledged bank deposits                                     |       | 40,248           | 5,471            |
| Interest received   |       | 13,226           | 3,754            |
| Dividends received from associates                                    |       | 11,019           | 50,175           |
| Net cash inflow/(outflow) from investing activities                   |       | 56,700           | (281,848)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |       |                  |                  |
| Repayment of interest-bearing borrowings and notes payable            |       | (172,627)        | (151,148)        |
| New interest-bearing borrowings and notes payable                     |       | 256,563          | 410,190          |
| Settlement of liabilities relating to certain discontinued operations |       | -                | (927)            |
| Repayment of capital element of finance lease obligations             |       | (1,590)          | (7,128)          |
| Loans from minority interests of subsidiaries                         |       | -                | 11,750           |
| Repayment of loans from an associate                                  |       | -                | (2,780)          |
| Increase in non-current other payables                                |       | -                | 10,709           |
| Interest paid   |       | (75,539)         | (52,715)         |
| Net cash inflow from financing activities                             |       | 6,807            | 217,951          |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                      |       |                  |                  |
| Cash and cash equivalents at beginning of year                        |       | 33,227           | 189,374          |
| Effect of foreign exchange rate changes, net                          |       | 1,815            | 39,147           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       |       | <b>26,406</b>    | <b>33,227</b>    |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>              |       |                  |                  |
| Cash and bank deposits  |       | 26,406           | 33,227           |





# Notes to the Financial Statements

31st December, 2002

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## 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 GEM since 13th July, 2000. During 2002, the Company and its subsidiaries (collectively "AAM Group") were engaged in the following principal activities:

- cable TV, broadband Internet and network services
- mobile network services
- IT system integration and solution services
- retail (primarily through AAM Group's interest in PT Matahari Putra Prima Tbk ("Matahari"), an associate of AAM Group)

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

The average number of employees of AAM Group in 2002 was 1,042 (2001: 1,531).

## 2. BASIS OF PRESENTATION

The financial statements have been prepared on the going concern basis, notwithstanding AAM Group had consolidated net current liabilities of HK\$304.9 million at 31st December, 2002 and incurred a consolidated net loss from ordinary activities attributable to shareholders of HK\$75.2 million for the year then ended. In preparing these financial statements, the Directors of the Company have given careful consideration to the current and anticipated future liquidity of AAM Group and the ability of AAM Group to attain profitable and cash positive operations in the immediate and longer term.

AAM Group has been focusing on improving the performance and liquidity of its four core business groups:

- Broadband Services;
- Cellular Services;
- IT Solutions; and
- Retail.

Active cost-saving and value-adding measures to streamline AAM Group's existing operations and to focus on improving financial resources of AAM Group have been implemented or are being contemplated to substantially reduce the operating expenses and cash outflows and to enable AAM Group to revitalise itself to take advantage of any growth opportunities in the near future (the "Measures").

# Notes to the Financial Statements

31st December, 2002

## 2. BASIS OF PRESENTATION (continued)

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The financial performance of AAM Group has been substantially improved after the implementation of the Measures, as evidenced by the fact that AAM Group's loss from operations and net loss attributable to shareholders reduced from HK\$172,269,000 and HK\$216,460,000 for the year ended 31st December, 2001 to HK\$73,115,000 and HK\$75,239,000 for the year, respectively.

AAM Group is currently taking strategic steps to further develop its existing businesses. In particular, substantial development of Cellular Services is expected in the short to medium term as Cellular Services recently obtained a national cellular service licence from the Ministry of Transportation in Indonesia to operate as a nationwide Digital Communication System 1800 cellular service provider in Indonesia. The Directors believe that this will substantially increase Cellular Services servicing potentials and customer base, as well as its opportunities to secure a strategic investor and/or raise external funds.

AAM Group has also formulated a management plan to strengthen its financial and liquidity position (the "Management Plan"). AAM Group is currently undertaking the following actions/measures under the Management Plan:

- (a) continuous restructuring of current liabilities into non-current liabilities;
- (b) continuous reduction of operating expenses and improvement of operational efficiency;
- (c) procurement of long term debt/equity financing;
- (d) identification and securing strategic investors as business partners for its broadband services and cellular services businesses;
- (e) strengthening of AAM Group's broadband network and increasing its penetration of cable television and other broadband services based on its existing network;
- (f) continuous development of high margin IT solutions and service offerings; and
- (g) exploring new business opportunities that will enhance/complement existing operations of AAM Group.





# Notes to the Financial Statements

31st December, 2002

## 2. BASIS OF PRESENTATION (continued)

Subsequent to the balance sheet date, AAM Group was successful in achieving the following under the Management Plan:

- (i) AAM Group was offered additional banking facilities of approximately HK\$210.2 million;
- (ii) AAM Group agreed with certain creditors to reschedule the repayment terms of certain short term borrowings totalling approximately HK\$16.0 million to February 2004;
- (iii) AAM Group entered into an agreement with a related securities broker, whereby the securities broker irrevocably committed to AAM Group to purchase, place or dispose of part of the shares in an associate, Matahari, currently held by AAM Group, up to a value of approximately HK\$131.3 million, over a 12-month period to March 2004 at the discretion of AAM Group; and
- (iv) AAM Group was successful in restructuring certain current liabilities owed to a vendor and its affiliated finance company plus interest accrued thereon totalling approximately HK\$99.3 million at 31st December, 2002 (the "Vendor Financing"). Under the arrangement, the Vendor Financing was taken over by another entity (the "Financing Company"). A promissory note was issued to the Financing Company, which is secured by a corporate guarantee issued by the Company (note 42), interest bearing at LIBOR plus 3% to 5% per annum, except for the period from 29th April, 2003 to 28th January, 2004, which is interest-free, and is repayable in four equal tranches on 29th January, 2004, 29th April, 2004, 29th July, 2004 and 28th October, 2004.

The financial statements have been prepared under the going concern concept, on the assumption that AAM Group will continue to operate as a going concern for the foreseeable future. The ability of AAM Group to continue as a going concern is dependent on satisfactory resolution of various uncertainties including the success of its future operations and its ability to implement the Measures and to achieve the Management Plan. In the opinion of the Directors, the liquidity of AAM Group can be maintained in the coming year, after taking into consideration several actions/arrangements made during the year and subsequent to the balance sheet date, including, inter alia, the Measures and the Management Plan as further detailed above.

The Directors are satisfied that, in light of the actions taken and arrangements/measures implemented to date, together with the expected results of other actions, arrangements and measures in progress or planned, AAM Group will have sufficient financial resources for its future working capital and other financing requirements for the foreseeable future. The Directors believe that the aforementioned Measures and the Management Plan will be successful. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have not incorporated any adjustments that may be required if the Measures and the Management Plan are not successful. Should AAM Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

# Notes to the Financial Statements

31st December, 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### (a) Basis of preparation

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

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

### (b) Basis of consolidation

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

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

### (c) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. This is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital.

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

### (d) Associates

AAM Group's interests in associates are accounted for under the equity method of accounting. An associate is an entity, not being a subsidiary, in which AAM Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.





# Notes to the Financial Statements

31st December, 2002

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Associates (continued)

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

### (e) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over AAM Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition. It is stated at cost less accumulated amortisation and any impairment losses.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed at each balance sheet date or when events or changes in circumstances indicate that the carrying value may not be recoverable and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

### (f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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



# Notes to the Financial Statements

31st December, 2002

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Impairment of assets (continued)

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

### (g) Property and equipment, investment properties and depreciation

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

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

|   |            |
|---|------------|
| 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%         |
| Equipment for rent                              | 33%        |
| Vehicles  | 20% to 25% |
| Investment properties                           | 1% to 5%   |

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

The depreciation policy of construction in progress is set out in (h) and (n) below.

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

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





# Notes to the Financial Statements

31st December, 2002

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Construction in progress

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

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

### (i) Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Intangible assets other than goodwill are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to AAM Group and the cost can be measured reliably. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Intangible assets are stated at cost less accumulated amortisation and any impairment losses. Intangible assets are amortised on the straight-line basis over their estimated useful lives of 5 years.

The carrying value of intangible assets are reviewed at each balance sheet date or when events or changes in circumstances indicate that the carrying value may not be recoverable and written down for impairment when it is considered necessary.

### (j) Leased assets

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

# Notes to the Financial Statements

31st December, 2002

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Leased assets (continued)

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

### (k) Investments

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

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

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

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

### (l) Inventories

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

### (m) Trade receivables

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





# Notes to the Financial Statements

31st December, 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Capitalisation, revenue and expense recognition during the prematurity period

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

During the prematurity period:

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

### (o) Provisions

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

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

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

# Notes to the Financial Statements

31st December, 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### (p) Revenue recognition

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

- (i) insertion fees, when the advertisement is placed in the channel;
- (ii) subscription fees for cable television programmes, on the time apportionment basis for subscription packages or upon rendering of programmes for pay-per-view programmes;
- (iii) converter and fixed line broadband rental income, on a time apportionment basis;
- (iv) income from installation, when the installation services have been completed;
- (v) cable television membership joining fees, upon commencement of programme delivery;
- (vi) subscription fees for fast speed Internet access, upon rendering of the access to the Internet;
- (vii) revenue from corporate and others access network, at the time the connection takes place;
- (viii) service connection fees, on actual call usage and forfeiture of stored value upon expiry of prepaid cellular cards and calling cards;
- (ix) fees for distribution and maintenance of hardware equipment and software packages, and service fees for technology solutions rendered, when the underlying services are rendered;
- (x) fees from shares' administration services, when the underlying services are rendered;
- (xi) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer;
- (xii) interest income, on a time proportionment basis taking into account the principal outstanding and at the effective interest rate applicable; and
- (xiii) dividend income, when the shareholders' right to receive payment has been established.





# Notes to the Financial Statements

31st December, 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Borrowing costs

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

### (r) Foreign currencies

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 foreign currencies during the year are translated into the respective measurement currencies at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective measurement currencies at the applicable rates of exchange ruling at that date, non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains or losses are dealt with in the income statement of the individual companies.

AAM Group prepares consolidated financial statements in Hong Kong dollars (the "reporting currency"). On consolidation, all 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 ruling at the balance sheet date and all 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 for the year. The resulting exchange differences are dealt with as movements of the translation reserve. On disposal of a foreign entity, accumulated exchange differences are recognised in the consolidated income statement as a component of the gain or loss on disposal.

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

# Notes to the Financial Statements

31st December, 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### (s) Employee benefits

#### *Paid leave carried forward*

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

#### *Retirement and other benefits scheme*

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

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

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

#### *Share option schemes*

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





# Notes to the Financial Statements

31st December, 2002

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Deferred tax

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

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

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

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

### (u) Cash and cash equivalents

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

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

### (v) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when AAM Group becomes a party to the contractual provisions of the instrument. Further details of accounting and other policies for financial instruments are set out in note 44 to the financial statements.

### (w) Related parties

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

### (x) Use of estimates

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



# Notes to the Financial Statements

31st December, 2002

## 4. SEGMENT INFORMATION

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

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

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

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

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

During the year, to better present the business operations of AAM Group and to reflect the changes of its operations, AAM Group has adjusted its business segments, including, inter alia, redefining its retail/commerce related segment and reclassifying the financial information of certain activities amongst several business segments of AAM Group. Accordingly, certain comparative amounts of segment information have been reclassified to conform with the current year's presentation.





# Notes to the Financial Statements

31st December, 2002

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments

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

| AAM Group   | Broadband<br>Services<br>HK\$'000 | Cellular<br>Services<br>HK\$'000 | IT<br>Solutions<br>HK\$'000 | Retail<br>HK\$'000 | Others<br>HK\$'000 | Eliminations<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|-----------------------------------|----------------------------------|-----------------------------|--------------------|--------------------|--------------------------|--------------------------|
| <i>Year ended 31st December, 2002</i>   |                                   |                                  |                             |                    |                    |                          |                          |
| Segment revenue:  |                                   |                                  |                             |                    |                    |                          |                          |
| Sales to external customers   | 189,933                           | 20,003                           | 480,476                     | -                  | -                  | -                        | 690,412                  |
| Intersegment sales  | 12,763                            | -                                | 11,663                      | -                  | -                  | (24,426)                 | -                        |
| Total   | 202,696                           | 20,003                           | 492,139                     | -                  | -                  | (24,426)                 | 690,412                  |
| Segment results   | (17,988)                          | (68,788)                         | 21,596                      | -                  | (23,013)           | 1,852                    | (86,341)                 |
| Interest income   |                                   |                                  |                             |                    |                    |                          | 13,226                   |
| Loss from operations  |                                   |                                  |                             |                    |                    |                          | (73,115)                 |
| Finance costs   |                                   |                                  |                             |                    |                    |                          | (79,923)                 |
| Share of results of associates<br>(less amortisation of goodwill<br>on acquisition of associates) | -                                 | -                                | 373                         | 36,613             | -                  | -                        | 36,986                   |
| Net gain from discontinued<br>operations  |                                   |                                  |                             |                    |                    |                          | 6,530                    |
| Loss before income tax  |                                   |                                  |                             |                    |                    |                          | (109,522)                |
| Income tax expense  |                                   |                                  |                             |                    |                    |                          | (8,565)                  |
| Loss before minority interests  |                                   |                                  |                             |                    |                    |                          | (118,087)                |
| Minority interests  |                                   |                                  |                             |                    |                    |                          | 42,848                   |
| Net loss from ordinary activities<br>attributable to shareholders                                 |                                   |                                  |                             |                    |                    |                          | (75,239)                 |

# Notes to the Financial Statements

31st December, 2002

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

| AAM Group  | Broadband | Cellular | IT        | Retail   | Others   | Eliminations | Consolidated |
|--|-----------|----------|-----------|----------|----------|--------------|--------------|
|  | Services  | Services | Solutions |          |          |              |              |
|  | HK\$'000  | HK\$'000 | HK\$'000  | HK\$'000 | HK\$'000 | HK\$'000     | HK\$'000     |
| <i>At 31st December, 2002</i>                        |           |          |           |          |          |              |              |
| Segment assets                                       | 442,075   | 417,900  | 624,574   | -        | 381,926  | (668,984)    | 1,197,491    |
| Interests in associates                              | -         | -        | 6,280     | 857,360  | -        | -            | 863,640      |
| Unallocated assets                                   |           |          |           |          |          |              | 152,007      |
| Total assets   |           |          |           |          |          |              | 2,213,138    |
| Segment liabilities                                  | 143,626   | 439,332  | 104,652   | -        | 37,099   | (411,105)    | 313,604      |
| Unallocated liabilities                              |           |          |           |          |          |              | 846,698      |
| Total liabilities                                    |           |          |           |          |          |              | 1,160,302    |
| <i>Year ended 31st December, 2002</i>                |           |          |           |          |          |              |              |
| Other segment information:                           |           |          |           |          |          |              |              |
| Depreciation of property and equipment               | 62,350    | 21,449   | 8,438     | -        | 3,441    | -            | 95,678       |
| Depreciation of investment properties                | -         | -        | 688       | -        | -        | -            | 688          |
| Amortisation of intangible assets                    | -         | 423      | 669       | -        | -        | -            | 1,092        |
| Amortisation of goodwill                             | 893       | 195      | -         | 11,788   | -        | -            | 12,876       |
| Impairment losses recognised in the income statement | -         | -        | 926       | -        | 7,375    | -            | 8,301        |
| Bad debt expense/ provision for doubtful debts       | 2,087     | 248      | 188       | -        | 1,950    | -            | 4,473        |
| Provision for inventories                            | -         | -        | 1,851     | -        | -        | -            | 1,851        |
| Capital expenditure:                                 |           |          |           |          |          |              |              |
| Property and equipment                               | 33,876    | 19,216   | 1,513     | -        | 9        | -            | 54,614       |
| Investment properties                                | -         | -        | 4,287     | -        | -        | -            | 4,287        |
| Intangible assets                                    | -         | -        | 7,026     | -        | -        | -            | 7,026        |



# Notes to the Financial Statements

31st December, 2002

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

| AAM Group  | Broadband | Cellular | IT        | Retail   | Others   | Eliminations | Consolidated     |
|--|-----------|----------|-----------|----------|----------|--------------|------------------|
|  | Services  | Services | Solutions |          |          |              |                  |
|  | HK\$'000  | HK\$'000 | HK\$'000  | HK\$'000 | HK\$'000 | HK\$'000     | HK\$'000         |
| <i>At 31st December, 2001</i>                        |           |          |           |          |          |              |                  |
| Segment assets                                       | 471,979   | 260,103  | 354,332   | -        | 624,921  | (718,649)    | 992,686          |
| Interests in associates                              | -         | 3,730    | (270)     | 722,121  | -        | -            | 725,581          |
| Unallocated assets                                   |           |          |           |          |          |              | 80,816           |
| <b>Total assets</b>                                  |           |          |           |          |          |              | <b>1,799,083</b> |
| Segment liabilities                                  | 159,192   | 12,725   | 145,878   | -        | 44,217   | (135,580)    | 226,432          |
| Unallocated liabilities                              |           |          |           |          |          |              | 615,376          |
| <b>Total liabilities</b>                             |           |          |           |          |          |              | <b>841,808</b>   |
| <i>Year ended 31st December, 2001</i>                |           |          |           |          |          |              |                  |
| Other segment information:                           |           |          |           |          |          |              |                  |
| Depreciation of property and equipment               | 47,605    | 11,151   | 8,084     | 7,978    | 821      | -            | 75,639           |
| Amortisation of intangible assets                    | -         | -        | 376       | -        | -        | -            | 376              |
| Amortisation of goodwill                             | 4,251     | 128      | -         | 10,660   | 11,501   | -            | 26,540           |
| Impairment losses recognised in the income statement | -         | -        | 5,691     | -        | 50,516   | -            | 56,207           |
| Bad debt expense/ provision for doubtful debts       | 7,511     | 1,186    | -         | 1,030    | -        | -            | 9,727            |
| Provision for inventories                            | -         | -        | 1,097     | -        | -        | -            | 1,097            |
| Capital expenditure:                                 |           |          |           |          |          |              |                  |
| Property and equipment                               | 82,598    | 141,490  | 68,642    | 1,753    | 404      | -            | 294,887          |
| Investment properties                                | -         | -        | 37,683    | -        | -        | -            | 37,683           |
| Intangible assets                                    | -         | -        | 23,114    | -        | -        | -            | 23,114           |

### (b) Geographical segments

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





# Notes to the Financial Statements

31st December, 2002

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## 5. TURNOVER, REVENUE AND GAINS

Turnover from continuing operations represents fees/revenue earned for the provision of broadband services, cellular services, IT solutions and share administration services.

Turnover from discontinued operations represents the net invoiced value of goods sold, after allowances for returns and discounts.

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

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| <b>Turnover</b>  |                  |                  |
| Continuing operations:   |                  |                  |
| Broadband Services   |                  |                  |
| – Insertion fees   | 7,863            | 10,631           |
| – Subscription fees for cable television programmes  | 113,929          | 75,708           |
| – Converter and fixed line broadband rental income, installation income and cable television membership joining fees                   | 20,012           | 17,708           |
| – Subscription fees for high speed Internet access   | 16,867           | 27,085           |
| – Corporate and other access network service fees  | 31,262           | 10,589           |
|  | <b>189,933</b>   | 141,721          |
| Cellular Services  |                  |                  |
| – Service connection fees  | 20,003           | 15,174           |
| IT Solutions   |                  |                  |
| – Fees for distribution and maintenance of hardware equipment and software packages and service fees for technology solutions rendered | 479,411          | 457,380          |
| Others   |                  |                  |
| – Share administration fee*  | 1,065            | 16,242           |
| Discontinued operations:   |                  |                  |
| Retail   |                  |                  |
| – Sale of goods  | –                | 32,951           |
|  | <b>690,412</b>   | 663,468          |

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

# Notes to the Financial Statements

31st December, 2002

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## 5. TURNOVER, REVENUE AND GAINS (continued)

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| <b>Other operating income and gains</b>                  |                  |                  |
| Interest income  | 13,226           | 10,241           |
| Foreign exchange gains, net                              | 41,292           | –                |
| Net gain on disposal of property and equipment           | 9,965            | –                |
| Gain on disposal of a subsidiary                         | 1,888            | –                |
| Gain on disposal of an associate                         | 2,336            | –                |
| Unrealised gain on revaluation of short term investments | –                | 9,108            |
| Others   | 2,671            | 29,015           |
|  | <b>71,378</b>    | 48,364           |
| <b>Total</b>   | <b>761,790</b>   | 711,832          |

## 6. DISCONTINUED OPERATIONS

### (a) Discontinued operations

In view of AAM Group's strategic plan to concentrate on its core activities/more profitable businesses, AAM Group discontinued certain of its operations in the prior year. PT Lippo Shop ("LippoShop") discontinued its operations in November 2001. The principal activity of the LippoShop comprised AAM Group's commerce operation in Indonesia, which was reported under the "Retail" segment of AAM Group.

As a result of the discontinuance of the operations of LippoShop, staff retrenchment costs totalling approximately HK\$2,600,000 were incurred during the year ended 31st December, 2001.





# Notes to the Financial Statements

31st December, 2002

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## 6. DISCONTINUED OPERATIONS (continued)

### (a) Discontinued operations (continued)

The turnover, other operating income and gains, expenses, profit before income tax and income tax expense attributable to the discontinued operations were as follows:

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| TURNOVER  | –                | 32,951           |
| Cost of sales and services rendered                 | –                | (24,399)         |
| Gross profit  | –                | 8,552            |
| Other operating income and gains                    | –                | 942              |
| Selling and distribution costs                      | –                | (9,976)          |
| General and administrative expenses                 | –                | (32,396)         |
| LOSS FROM OPERATIONS                                | –                | (32,878)         |
| Finance costs                                       | –                | (1,931)          |
| Net gain from discontinued operations (note 6 (b))* | <b>6,530</b>     | 56,359           |
| PROFIT BEFORE INCOME TAX                            | <b>6,530</b>     | 21,550           |
| Income tax expense                                  | –                | (4,738)          |
| NET PROFIT AFTER INCOME TAX                         | <b>6,530</b>     | 16,812           |

\* There was no tax effect arising from such transactions.

The carrying amounts of the total assets and liabilities relating to the discontinued operations at the balance sheet date were as follows:

|                   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|-------------------|------------------|------------------|
| Total assets      | –                | 27,471           |
| Total liabilities | –                | (63,791)         |
| Net liabilities   | –                | (36,320)         |



# Notes to the Financial Statements

31st December, 2002

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## 6. DISCONTINUED OPERATIONS (continued)

### (a) Discontinued operations (continued)

In the prior year, the discontinued operations contributed HK\$26,794,000 to AAM Group's net operating cash outflow, generated HK\$11,949,000 in respect of the net cash inflow from investing activities and raised HK\$12,482,000 for net cash inflow from financing activities, respectively. The discontinued operations had no significant impact on AAM Group's cash flows for the year.

### (b) Net gain from discontinued operations

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Reversal of over-accrued interest and other finance costs                                   | –                | 31,688           |
| Write back of accruals for estimated liabilities for losses of discontinued operations      | –                | 24,671           |
| Gain on disposal of assets/discharge of liabilities relating to the discontinued operations | <b>6,530</b>     | –                |
|   | <b>6,530</b>     | 56,359           |





# Notes to the Financial Statements

31st December, 2002

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## 7. LOSS FROM OPERATIONS

AAM Group's loss from operations is arrived at after charging:

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Cost of sales and services rendered  | 549,270          | 538,521          |
| Depreciation of property and equipment:  |                  |                  |
| Owned assets   | 95,323           | 73,727           |
| Leased assets  | 355              | 1,912            |
|  | 95,678           | 75,639           |
| Depreciation of investment properties  | 688              | –                |
| Amortisation of goodwill*  | 893              | 4,791            |
| Amortisation of intangible assets*   | 1,092            | 376              |
|  | 1,985            | 5,167            |
| Staff costs, including Directors' remuneration (note 9):                       |                  |                  |
| Salaries, allowances and benefits in kind                                      | 106,770          | 102,540          |
| Retirement benefits scheme contributions (defined contribution scheme)         | 1,444            | 679              |
|  | 108,214          | 103,219          |
| Impairment/(write back of impairment) of:**                                    |                  |                  |
| Property and equipment   | (275)            | 8,098            |
| Long term investments  | 8,576            | 8,120            |
| Interests in associates  | –                | 39,989           |
|  | 8,301            | 56,207           |
| Minimum lease payments under operating leases in respect of land and buildings | 21,758           | 20,640           |
| Net loss on disposal of property and equipment                                 | –                | 4,985            |
| Repairs and maintenance expenditure on property and equipment                  | 2,588            | 3,460            |
| Bad debts expense/provision for doubtful debts                                 | 4,473            | 9,727            |
| Provision for inventories  | 1,851            | 1,097            |
| Loss on disposal of subsidiaries   | 3,383            | 111              |
| Foreign exchange losses, net   | –                | 11,666           |
| Auditors' remuneration   | 2,249            | 2,185            |
| and crediting:   |                  |                  |
| Interest income  | 13,226           | 10,241           |
| Net gain on disposal of property and equipment                                 | 9,965            | –                |
| Gain on disposal of a subsidiary   | 1,888            | –                |
| Gain on disposal of an associate   | 2,336            | –                |
| Gain on revaluation of short term investments                                  | –                | 9,108            |
| Foreign exchange gains, net  | 41,292           | –                |

# Notes to the Financial Statements

31st December, 2002

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## 7. LOSS FROM OPERATIONS (continued)

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

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

## 8. FINANCE COSTS

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Interest on:   |                  |                  |
| Bank loans and overdrafts wholly repayable within five years | 43,280           | 28,262           |
| Notes payable wholly repayable within five years             | 18,082           | 5,075            |
| Other borrowings wholly repayable within five years          | 18,267           | 8,820            |
| Finance leases   | 294              | 753              |
|  | <b>79,923</b>    | 42,910           |
| Less: Interest capitalised as construction in progress       | –                | (1,941)          |
|  | <b>79,923</b>    | 40,969           |

## 9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, is as follows:

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Fees                                      | 53               | 80               |
| Other emoluments:                         |                  |                  |
| Salaries, allowances and benefits in kind | 5,728            | 7,117            |
| Performance related bonuses               | 1,000            | 1,000            |
| Retirement benefits scheme contributions  | 1,099            | 34               |
|   | <b>7,827</b>     | 8,151            |
|   | <b>7,880</b>     | 8,231            |

Fees include HK\$36,000 (2001: HK\$60,000) payable to the independent non-executive Directors. There were no other emoluments payable to the independent non-executive Directors during the year (2001: Nil).



# Notes to the Financial Statements

31st December, 2002

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## 9. DIRECTORS' REMUNERATION (continued)

The number of Directors whose remuneration fell within the following bands is as follows:

|                                | Number of Directors |           |
|--------------------------------|---------------------|-----------|
|                                | 2002                | 2001      |
| Nil to HK\$1,000,000           | 8                   | 7         |
| HK\$1,500,001 to HK\$2,000,000 | 1                   | 1         |
| HK\$2,000,001 to HK\$2,500,000 | –                   | 1         |
| HK\$4,000,001 to HK\$4,500,000 | 1                   | –         |
| HK\$4,500,001 to HK\$5,000,000 | –                   | 1         |
|                                | <b>10</b>           | <b>10</b> |

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the Directors in respect of their services to AAM Group (2001: Nil).

For the year, three (2001: three) executive Directors of the Company received emoluments of approximately HK\$4,427,000 (2001: HK\$4,531,000), HK\$1,648,000 (2001: HK\$2,026,000) and HK\$669,000 (2001: HK\$1,614,000). Four (2001: six) non-executive Directors received Directors' fees of approximately HK\$10,000 each for the year (2001: HK\$10,000 each). Three (2001: one) non-executive Directors did not receive any fee for the year (2001: Nil).

## 10. FIVE HIGHEST PAID EMPLOYEES

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

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 9,827            | 11,591           |
| Performance related bonuses               | 2,347            | 2,400            |
| Retirement benefits scheme contributions  | 124              | 42               |
|   | <b>12,298</b>    | <b>14,033</b>    |

The five highest paid employees during the year included two (2001: two) Directors, details of whose remuneration are set out in note 9 above.

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## 10. FIVE HIGHEST PAID EMPLOYEES (continued)

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

|                                | Number of employees |          |
|--------------------------------|---------------------|----------|
|                                | 2002                | 2001     |
| HK\$1,000,001 to HK\$1,500,000 | 2                   | –        |
| HK\$1,500,001 to HK\$2,000,000 | 1                   | –        |
| HK\$2,000,001 to HK\$2,500,000 | –                   | 3        |
| HK\$2,500,001 to HK\$3,000,000 | 1                   | 1        |
| HK\$4,000,001 to HK\$4,500,000 | 1                   | –        |
| HK\$4,500,001 to HK\$5,000,000 | –                   | 1        |
|                                | <b>5</b>            | <b>5</b> |

During the year, no share options were granted to the three non-director, highest paid employees in respect of their services to AAM Group (2001: Nil).

## 11. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided, as AAM Group had no assessable profits arising in Hong Kong during the year (2001: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which AAM Group operates, based on existing legislation, interpretations and practices in respect thereof.

AAM Group's subsidiaries and associates incorporated and operating in Indonesia are subject to Indonesian income tax at a maximum rate of 30% (2001: 30%) of the individual entities' respective assessable profits in accordance with Indonesian income tax law.

|  | 2002         | 2001           |
|--|--------------|----------------|
|  | HK\$'000     | HK\$'000       |
| AAM Group:                               |              |                |
| Current income tax*                      | –            | 643            |
| Deferred income tax/(tax benefits)*      | 2,223        | (3,107)        |
|  | <b>2,223</b> | <b>(2,464)</b> |
| Share of tax attributable to associates: |              |                |
| Current income tax*                      | 8,855        | 16,310         |
| Deferred income tax/(tax benefits)*      | (2,513)      | 1,492          |
|  | <b>6,342</b> | <b>17,802</b>  |
| Income tax expense                       | <b>8,565</b> | <b>15,338</b>  |

\* Imposed outside Hong Kong



# Notes to the Financial Statements

31st December, 2002

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## 11. INCOME TAX EXPENSE (continued)

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

|                                  | 2002 | 2001 |
|----------------------------------|------|------|
|                                  | %    | %    |
| Weighted statutory tax rate      | 28   | 16   |
| Allowance on deferred tax assets | (33) | (24) |
| Non-deductible items             | (4)  | (14) |
| Non-taxable items                | 5    | 16   |
| Others                           | (4)  | (4)  |
| Effective tax rate               | (8)  | (10) |

## 12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company was HK\$5,403,000 (2001: HK\$252,748,000).

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$75,239,000 (2001: HK\$216,460,000), and the weighted average of 5,064,615,385 (2001: 5,064,615,385) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31st December, 2002 and 2001 have not been disclosed, as the potential ordinary shares outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

# Notes to the Financial Statements

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## 14. PROPERTY AND EQUIPMENT

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### AAM Group

|   | Land use<br>rights and<br>buildings | Building<br>renovations<br>and<br>leasehold<br>improve-<br>ments | Commun-<br>ication<br>equipment | Office<br>furniture,<br>fixtures<br>and<br>equipment | Cable<br>television<br>distribution<br>network | Construction<br>in progress | Equipment<br>for rent | Vehicles | Total    |
|---|-------------------------------------|--|---------------------------------|--|--|-----------------------------|-----------------------|----------|----------|
|   | HK\$'000                            | HK\$'000   | HK\$'000                        | HK\$'000   | HK\$'000                                       | HK\$'000                    | HK\$'000              | HK\$'000 | HK\$'000 |
| Cost:   |                                     |  |                                 |  |  |                             |                       |          |          |
| At beginning of year  | 23,630                              | 17,046   | 185,797                         | 84,032   | 13,680   | 319,700                     | 30,631                | 11,289   | 685,805  |
| Additions   | 10                                  | 507  | 3,193                           | 19,392   | 398  | 18,662                      | 12,319                | 133      | 54,614   |
| Acquisition of subsidiaries<br>(note 39(a))   | -                                   | -  | -                               | 50   | -  | -                           | -                     | -        | 50       |
| Disposals   | -                                   | (1,311)  | (16,382)                        | (42,508)   | -  | (1,784)                     | (673)                 | (11,229) | (73,887) |
| Disposal of subsidiaries<br>(note 39(b))  | -                                   | -  | -                               | (56)   | -  | -                           | -                     | -        | (56)     |
| Transfers   | -                                   | 632  | -                               | -  | 22,933   | (23,639)                    | 74                    | -        | -        |
| Translation adjustments   | 2,867                               | 3,552  | 29,799                          | 13,355   | 3,074  | 55,079                      | 5,673                 | 1,397    | 114,796  |
| At 31st December, 2002  | 26,507                              | 20,426   | 202,407                         | 74,265   | 40,085   | 368,018                     | 48,024                | 1,590    | 781,322  |
| Accumulated depreciation<br>and impairment:   |                                     |  |                                 |  |  |                             |                       |          |          |
| At beginning of year  | 925                                 | 5,940  | 14,289                          | 36,685   | 3,422  | 40,550                      | 16,555                | 6,004    | 124,370  |
| Depreciation provided<br>during the year  | 629                                 | 4,924  | 23,596                          | 19,822   | 4,880  | 35,836                      | 5,140                 | 851      | 95,678   |
| Impairment/(write back of<br>impairment) during the<br>year recognised in the<br>income statement | -                                   | (287)  | -                               | -  | -  | -                           | 12                    | -        | (275)    |
| Disposals   | -                                   | (1,200)  | (4,361)                         | (25,597)   | -  | -                           | (39)                  | (6,741)  | (37,938) |
| Disposal of subsidiaries (note 39(b))   | -                                   | -  | -                               | (6)  | -  | -                           | -                     | -        | (6)      |
| Translation adjustments   | 248                                 | 811  | 3,093                           | 5,986  | 735  | 6,248                       | 2,962                 | 741      | 20,824   |
| At 31st December, 2002  | 1,802                               | 10,188   | 36,617                          | 36,890   | 9,037  | 82,634                      | 24,630                | 855      | 202,653  |
| Net book value:   |                                     |  |                                 |  |  |                             |                       |          |          |
| At 31st December, 2002  | 24,705                              | 10,238   | 165,790                         | 37,375   | 31,048   | 285,384                     | 23,394                | 735      | 578,669  |
| At 31st December, 2001  | 22,705                              | 11,106   | 171,508                         | 47,347   | 10,258   | 279,150                     | 14,076                | 5,285    | 561,435  |





# Notes to the Financial Statements

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## 14. PROPERTY AND EQUIPMENT (continued)

The net book value of AAM Group's property and equipment held under finance leases included in the total amount of vehicles at 31st December, 2002, amounted to HK\$716,000 (2001: HK\$1,809,000).

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

|                    | <i>HK\$'000</i> |
|--------------------|-----------------|
| Medium term leases | 2,554           |
| Short term leases  | 22,151          |
|                    | 24,705          |

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

At 31st December, 2002, certain property and equipment with net book value of HK\$39,785,000 (2001: HK\$87,658,000) were pledged as security for certain banking and other borrowing facilities of AAM Group (note 43).

### Company

|                                       | <b>Office<br/>furniture,<br/>fixtures and<br/>equipment</b> | <b>Vehicles</b> | <b>Total</b>    |
|---------------------------------------|---|-----------------|-----------------|
|                                       | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost:                                 |   |                 |                 |
| At beginning of year                  | 1,277   | 708             | 1,985           |
| Disposals                             | –   | (708)           | (708)           |
| At 31st December, 2002                | 1,277   | –               | 1,277           |
| Accumulated depreciation:             |   |                 |                 |
| At beginning of year                  | 459   | 284             | 743             |
| Depreciation provided during the year | 289   | 106             | 395             |
| Disposals                             | –   | (390)           | (390)           |
| At 31st December, 2002                | 748   | –               | 748             |
| Net book value:                       |   |                 |                 |
| At 31st December, 2002                | 529   | –               | 529             |
| At 31st December, 2001                | 818   | 424             | 1,242           |



# Notes to the Financial Statements

31st December, 2002

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## 15. INVESTMENT PROPERTIES

### AAM Group

|                                       | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| At cost:                              |                 |
| At the beginning of year              | 37,266          |
| Additions                             | 4,287           |
| Translation adjustment                | 6,248           |
| At 31st December, 2002                | 47,801          |
| Accumulated depreciation:             |                 |
| Depreciation provided during the year | 688             |
| Translation adjustment                | 25              |
| At 31st December, 2002                | 713             |
| Net book value:                       |                 |
| At 31st December, 2002                | 47,088          |
| At 31st December, 2001                | 37,266          |
| Fair value:                           |                 |
| At 31st December, 2002                | 68,640          |
| At 31st December, 2001                | 48,408          |

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

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

|                    | <i>HK\$'000</i> |
|--------------------|-----------------|
| At cost:           |                 |
| Medium term leases | 43,311          |
| Short term leases  | 3,777           |
|                    | 47,088          |





# Notes to the Financial Statements

31st December, 2002

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## 15. INVESTMENT PROPERTIES (continued)

At 31st December, 2002, certain investment properties with an aggregate net book value of approximately HK\$46,523,000 (2001: HK\$37,266,000) were pledged as security for certain banking and other borrowing facilities of AAM Group (note 43).

## 16. INTERESTS IN SUBSIDIARIES

|                               | Company          |                  |
|-------------------------------|------------------|------------------|
|                               | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Listed shares, at cost        | 557,690          | 557,690          |
| Unlisted shares, at cost      | 9,870            | 9,870            |
|                               | <b>567,560</b>   | 567,560          |
| Due from subsidiaries         | 523,630          | 516,946          |
|                               | <b>1,091,190</b> | 1,084,506        |
| Provision for impairment      | (497,086)        | (497,086)        |
|                               | <b>594,104</b>   | 587,420          |
| Market value of listed shares | 661,270          | 621,089          |

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from PT Broadband Multimedia Tbk ("Broadband Multimedia") of approximately HK\$100,882,000 (2001: HK\$123,091,000), which bears interest at 9.5% (2001: 9.5%) per annum for the amount denominated in United States dollars and 18% (2001: 18%) per annum for the amount denominated in Indonesian Rupiah.

Particulars of the principal subsidiaries are as follows:

| Name                              | Place of incorporation and operations | Normal value of issued ordinary share capital | Percentage of equity attributable to the Company |      | Principal activities   |
|-----------------------------------|---------------------------------------|---|--|------|--|
|                                   |                                       |   | 2002   | 2001 |  |
| PT Multipolar Corporation Tbk (a) | Indonesia                             | Rp935,884,000,000                             | 50.1   | 50.1 | Investment holding, systems integration and application service provider   |
| PT Sharestar Indonesia            | Indonesia                             | Rp500,000,000                                 | 50.1   | 50.1 | Shares registration, payroll and customer relationship management services |

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## 16. INTERESTS IN SUBSIDIARIES (continued)

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| Name                                    | Place of incorporation and operations | Normal value of issued ordinary share capital | Percentage of equity attributable to the Company |      | Principal activities  |
|---|---------------------------------------|---|--|------|---|
|   |                                       |   | 2002   | 2001 |   |
| PT Reksa Puspita Karya                  | Indonesia                             | Rp25,000,000                                  | 50.1   | 50.1 | Investment holding  |
| PT Tryane Saptajagat                    | Indonesia                             | Rp50,000,000                                  | 50.1   | 50.1 | Investment holding  |
| PT Computrade Indonesia                 | Indonesia                             | Rp2,500,000,000                               | 50.1   | 50.1 | Trading and distributor   |
| PT Netstar Indonesia                    | Indonesia                             | Rp5,000,000                                   | 50.1   | 50.1 | Selling of Sun systems  |
| PT Broadband Multimedia Tbk (a) & (b)   | Indonesia                             | Rp187,150,000,000                             | 66   | 66   | Operation of last-mile broadband HFC network and cable television |
| PT AsiaNet Multimedia ("AsiaNet") (c)   | Indonesia                             | US\$1,333,333                                 | 97.5   | 97.5 | Investment holding  |
| PT Natrindo Global Telekomunikasi       | Indonesia                             | Rp25,000,000,000                              | 88   | 88   | Operation of wireless VSAT network                                |
| PT Natrindo Kartu Panggil               | Indonesia                             | Rp5,000,000                                   | 87.6   | 87.6 | Provision of prepaid telephone calling cards                      |
| PT Natrindo Telepon Seluler ("NTS")     | Indonesia                             | Rp12,500,000,000                              | 51.5   | 87.7 | Operation of GSM 1800 cellular network                            |
| PT Inti Mitratama Abadi                 | Indonesia                             | Rp60,000,000,000                              | 58.5   | 58.5 | Investment holding  |
| PT Multimedia Netlink                   | Indonesia                             | Rp1,250,000,000                               | 97.5   | 97.5 | Provision of marketing services                                   |
| PT Link Net                             | Indonesia                             | Rp12,500,000,000                              | 97   | 97   | Internet service provider   |
| PT Tirta Mandiri Sejahtera ("TMS")      | Indonesia                             | Rp5,000,000                                   | 88   | –    | Investment holding  |
| Cyberworks Group Limited ("Cyberworks") | British Virgin Islands                | US\$1,000                                     | 100  | 100  | Investment holding  |





# Notes to the Financial Statements

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### 16. INTERESTS IN SUBSIDIARIES (continued)

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

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

Details of the acquisition and disposal of subsidiaries of AAM Group during the year are set out in note 39 to the financial statements.

*Notes:*

- a. Multipolar is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. Broadband Multimedia is listed on the Surabaya Stock Exchange in Indonesia. All other subsidiaries are private limited companies.
- b. The Company directly owns 57.6% (2001: 57.6%) equity interest in Broadband Multimedia and Multipolar (a 50.1% owned subsidiary) owns 16.7% (2001: 16.7%) equity interest in Broadband Multimedia.
- c. The Company directly owns 95% (2001: 95%) equity interest in AsiaNet and Multipolar (a 50.1% (2001: 50.1%) owned subsidiary) owns 5% (2001: 5%) equity interest in AsiaNet.

None of the subsidiaries had any loan capital in issue at any time during the year (2001: Nil).

At 31st December, 2002, 140,359,000 shares (2001: 30,500,000 shares) in Broadband Multimedia with a quoted market value of approximately HK\$339,776,000 (2001: HK\$62,978,000) as at 31st December, 2002 were pledged as security for banking and other borrowing facilities of AAM Group, as further detailed in note 43 to the financial statements.

# Notes to the Financial Statements

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## 17. INTERESTS IN ASSOCIATES

### AAM Group

|                               | 2002                         |                                |                   | 2001                         |                                |                   |
|-------------------------------|------------------------------|--------------------------------|-------------------|------------------------------|--------------------------------|-------------------|
|                               | Listed<br>shares<br>HK\$'000 | Unlisted<br>shares<br>HK\$'000 | Total<br>HK\$'000 | Listed<br>shares<br>HK\$'000 | Unlisted<br>shares<br>HK\$'000 | Total<br>HK\$'000 |
| Share of net assets           | 688,027                      | 6,280                          | 694,307           | 568,522                      | 39,472                         | 607,994           |
| Goodwill on acquisition       | 169,333                      | –                              | 169,333           | 156,026                      | 3,977                          | 160,003           |
|                               | 857,360                      | 6,280                          | 863,640           | 724,548                      | 43,449                         | 767,997           |
| Provision for impairment      | –                            | –                              | –                 | –                            | (39,989)                       | (39,989)          |
|                               | 857,360                      | 6,280                          | 863,640           | 724,548                      | 3,460                          | 728,008           |
| Due to an associate           | –                            | –                              | –                 | (2,427)                      | –                              | (2,427)           |
|                               | 857,360                      | 6,280                          | 863,640           | 722,121                      | 3,460                          | 725,581           |
| Market value of listed shares | 518,844                      | N/A                            |                   | 387,949                      | N/A                            |                   |

The amount due to an associate at 31st December, 2001 was unsecured, interest-free and was fully repaid during the year.





# Notes to the Financial Statements

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## 17. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

| Name                                  | Place of incorporation and operations | Normal value of issued ordinary share capital | Percentage of ownership interest attributable to AAM Group |       | Principal activities                                  |
|---------------------------------------|---------------------------------------|---|--|-------|---|
|                                       |                                       |   | 2002   | 2001  |   |
| PT Matahari Putra Prima Tbk (a) & (b) | Indonesia                             | Rp1,352,997,000,000                           | 23.63  | 22.04 | Operation of department stores and supermarket chains |
| PT Multifiling Mitra Indonesia        | Indonesia                             | Rp1,000,000,000                               | 25.07  | 25.07 | Provision of record filing services                   |
| PT Kodel Margahayu Telindo (c)        | Indonesia                             | Rp500,000,000                                 | –  | 24.56 | Development of GSM1800 cellular network               |

All of the above associates are indirectly held by the Company.

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

At 31st December, 2002, 330,001,000 shares (2001: 290,000,000 shares) in Matahari with a market value of approximately HK\$143,937,000 (2001: HK\$95,142,000) were pledged as security for banking and other borrowing facilities of AAM Group, as further detailed in note 43 to the financial statements.

Notes:

- (a) Matahari is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. All of the other associates are private limited companies.
- (b) Multipolar, a 50.1% owned subsidiary, owns 47.17% (2001: 44%) equity interest in Matahari. Accordingly, Matahari is considered an associate of AAM Group.
- (c) On 1st October, 2002, AAM Group disposed of its entire equity interest in PT Kodel Margahayu Telindo, for HK\$6,064,000. PT Kodel Margahayu Telindo subsequently merged in AAM Group's consolidated subsidiary, NTS on 15th November, 2002 and as a result, the accounts of PT Kodel Margahayu Telindo were consolidated in that of NTS.

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## 17. INTERESTS IN ASSOCIATES (continued)

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

### AAM Group

|                                       | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| <hr/>                                 |                 |
| Cost:                                 |                 |
| At beginning of year                  | 331,849         |
| Disposal of associates                | (4,600)         |
| Translation adjustments               | 36,681          |
| <hr/>                                 |                 |
| At 31st December, 2002                | 363,930         |
| <hr/>                                 |                 |
| Accumulated amortisation:             |                 |
| At beginning of year                  | 171,846         |
| Amortisation provided during the year | 11,963          |
| Disposal of associates                | (309)           |
| Translation adjustments               | 11,097          |
| <hr/>                                 |                 |
| At 31st December, 2002                | 194,597         |
| <hr/>                                 |                 |
| Net book value:                       |                 |
| At 31st December, 2002                | 169,333         |
| <hr/>                                 |                 |
| At 31st December, 2001                | 160,003         |
| <hr/>                                 |                 |

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

## 18. LONG TERM INVESTMENTS

|                             | <b>AAM Group</b> |                 |
|-----------------------------|------------------|-----------------|
|                             | <b>2002</b>      | 2001            |
|                             | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| <hr/>                       |                  |                 |
| Listed equity investments   | 698              | 1,425           |
| Unlisted equity investments | 5,048            | 12,667          |
| <hr/>                       |                  |                 |
|                             | 5,746            | 14,092          |
| <hr/>                       |                  |                 |





# Notes to the Financial Statements

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## 19. GOODWILL

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

### AAM Group

|                                       | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| <b>Cost:</b>                          |                 |
| At beginning of year                  | 24,484          |
| Acquisition of subsidiaries           | 116,297         |
| Disposal of a subsidiary              | (3,643)         |
| Translation adjustment                | 7,754           |
| <b>At 31st December, 2002</b>         | <b>144,892</b>  |
| <b>Accumulated amortisation:</b>      |                 |
| At beginning of year                  | 10,620          |
| Amortisation provided during the year | 893             |
| Disposal of a subsidiary              | (3,643)         |
| Translation adjustment                | 1,347           |
| <b>At 31st December, 2002</b>         | <b>9,217</b>    |
| <b>Net book value:</b>                |                 |
| <b>At 31st December, 2002</b>         | <b>135,675</b>  |
| <b>At 31st December, 2001</b>         | <b>13,864</b>   |

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



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## 20. INTANGIBLE ASSETS

### AAM Group

|  | Application<br>software<br>licence<br><i>HK\$'000</i> | Exclusive<br>marketing<br>and<br>distribution<br>rights<br><i>HK\$'000</i> | GSM 1800<br>cellular<br>licence<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|--|--|--------------------------|
| Cost:                                    |   |  |  |                          |
| At beginning of year                     | –   | 1,399  | 22,597   | 23,996                   |
| Additions                                | 7,026   | –  | –  | 7,026                    |
| Disposal of a subsidiary                 | –   | –  | (25,382)   | (25,382)                 |
| Translation adjustments                  | 252   | 229  | 2,785  | 3,266                    |
| At 31st December, 2002                   | 7,278   | 1,628  | –  | 8,906                    |
| Accumulated amortisation:                |   |  |  |                          |
| At beginning of year                     | –   | 1,155  | –  | 1,155                    |
| Amortisation provided<br>during the year | 395   | 274  | 423  | 1,092                    |
| Disposal of a subsidiary                 | –   | –  | (423)  | (423)                    |
| Translation adjustments                  | 14  | 199  | –  | 213                      |
| At 31st December, 2002                   | 409   | 1,628  | –  | 2,037                    |
| Net book value:                          |   |  |  |                          |
| At 31st December, 2002                   | 6,869   | –  | –  | 6,869                    |
| At 31st December, 2001                   | –   | 244  | 22,597   | 22,841                   |

Intangible assets are amortised on the straight-line basis over their estimated useful lives of five years.





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## 21. DEFERRED TAX ASSETS

Deferred tax assets of AAM Group as at the balance sheet date comprise of the following:

|   | AAM Group        |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Accumulated tax losses carried forward  | 115,567          | 86,150           |
| Provision for doubtful debts  | 18,755           | 15,245           |
| Depreciation on construction in progress in relation<br>to cable television distribution network<br>during the prematurity period | 20,623           | 8,033            |
| Depreciation on other property and equipment  | (786)            | 1,355            |
| Others  | 3,463            | 6,347            |
|   | <b>157,622</b>   | 117,130          |
| Less: Provision for unrealisable items  | <b>(118,165)</b> | (81,302)         |
|   | <b>39,457</b>    | 35,828           |

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

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

|  | AAM Group        |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Rental and other deposits                                  | 5,419            | 7,205            |
| Advance payments for acquisition of property and equipment | 5,886            | 8,588            |
| Loans to employees   | 1,881            | 1,950            |
| Trade receivables (note 25)                                | 2,195            | –                |
| Prepaid expenses and others                                | 12,414           | 322              |
|  | <b>27,795</b>    | 18,065           |

The loans to employees are unsecured and interest-free.

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## 23. DUE FROM RELATED COMPANIES

### AAM Group

|                             | 31st December,<br>2002<br>HK\$'000 | 1st January,<br>2002<br>HK\$'000 | Maximum<br>amounts<br>outstanding<br>during<br>the year<br>HK\$'000 |
|-----------------------------|------------------------------------|----------------------------------|---|
| PT Ciptadana Sekuritas      | 1,151                              | 1,090                            | 73,635  |
| PT Bank Lippo Tbk           | 280                                | 240                              | 280   |
| PT Kodel Investindo Mesa    | 201                                | –                                | 201   |
| PT Matahari Putra Prima Tbk | 87                                 | –                                | 87  |
| PT Lippo E-Net Tbk          | 72                                 | –                                | 75  |
| PT Ciptamas Kreasi Dinamika | 71                                 | –                                | 71  |
| PT Dwi Putra Makmur Utama   | 12                                 | –                                | 13  |
| PT Prima Mitratama Sentara  | 12                                 | –                                | 13  |
| PT AIG Lippo Life           | 6                                  | –                                | 6   |
|                             | 1,892                              | 1,330                            |   |

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

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

## 24. INVENTORIES

|                         | AAM Group        |                  |
|-------------------------|------------------|------------------|
|                         | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Finished goods, at cost | 72,596           | 68,790           |

At 31st December, 2002, inventories with carrying amount of approximately HK\$71,571,000 (2001: HK\$65,129,000) were pledged to secure certain banking and other borrowing facilities granted to AAM Group (note 43).





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## 25. TRADE RECEIVABLES

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

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

|                                      | AAM Group        |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Within 3 months                      | 168,461          | 64,356           |
| 3 to 6 months                        | 3,222            | 3,673            |
| Over 6 months                        | 6,478            | 5,021            |
|                                      | <b>178,161</b>   | 73,050           |
| Less: Provision for doubtful debts   | <b>(8,397)</b>   | (7,477)          |
| Total trade receivables              | <b>169,764</b>   | 65,573           |
| Portion classified as current assets | <b>(167,569)</b> | (65,573)         |
| Non-current portion (note 22)        | <b>2,195</b>     | –                |

The trade receivables of AAM Group at 31st December, 2002 included trading receivables from certain related companies totalling HK\$13,049,000 (2001: HK\$2,908,000) which are unsecured, interest-free and are repayable principally in accordance with normal trading terms.

At 31st December, 2002, trade receivables with a carrying value of approximately HK\$132,564,000 (2001: HK\$41,348,000) were pledged to secure certain banking and other borrowing facilities granted to AAM Group (note 43).

## 26. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

|                                       | AAM Group        |                  | Company          |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Deposits                              | 789              | 356              | 241              | 356              |
| Prepaid operating expenses            | 5,246            | 3,619            | 547              | 112              |
| Prepaid taxes                         | 51,051           | 39,478           | –                | –                |
| Advances to suppliers and contractors | 16,768           | 37,564           | –                | –                |
| Other receivables                     | 34,757           | 20,968           | –                | –                |
|                                       | <b>108,611</b>   | 101,985          | <b>788</b>       | 468              |

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

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## 27. SHORT TERM INVESTMENTS

|                                    | AAM Group        |                  |
|------------------------------------|------------------|------------------|
|                                    | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Listed securities, at market value | 17,458           | 15,110           |
| Managed funds                      | 112,550          | –                |
| Promissory notes                   | –                | 44,988           |
|                                    | <b>130,008</b>   | 60,098           |

The investments in managed funds represent discretionary guaranteed funds managed by a licensed investment manager pursuant to certain investment management agreements entered into between AAM Group and the fund manager. The initial funds invested under these management agreements were denominated in Indonesian Rupiah and United States dollars of approximately HK\$95.0 million and HK\$17.9 million, respectively. Pursuant to the investment management agreements, the managed funds have a guaranteed minimum return of 13.0% to 13.95% per annum on the initial managed funds denominated in Indonesian Rupiah and 3.15% per annum on the initial managed funds denominated in United States dollars. According to the investment management agreements, the funds should be invested in fixed-income products or other securities which might be selected and determined as appropriate by the investment manager from time to time, subject to and in accordance with the investment guidelines as set out in the respective investment management agreements. According to the investment guidelines, HK\$15.2 million of the initial managed funds denominated in Indonesian Rupiah and the entire initial managed funds denominated in United States dollars must be invested in fixed-income products. The investment management agreements have a term of one year, which will expire on 29th November, 2003 and are renewable upon expiry, and may be terminated at any time by AAM Group or the investment manager giving to the other written notice of termination of not less than three months or such other period as may be agreed between the two parties. As at 31st December, 2002, the investments managed under these agreements comprised cash and bank deposits, promissory notes and commercial papers issued by various companies totalling approximately HK\$8.9 million, HK\$10.5 million and HK\$93.2 million, respectively.

## 28. CASH AND BANK DEPOSITS AND PLEDGED BANK DEPOSITS

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

At 31st December, 2002, certain cash and bank deposits (including pledged bank deposits) of AAM Group amounting to approximately HK\$26,927,000 (2001: HK\$32,018,000) were denominated in Indonesian Rupiah.

At 31st December, 2002, certain bank deposits of AAM Group of HK\$1,117,000 (2001: HK\$39,108,000) were pledged to secure certain banking facilities of AAM Group (note 43).





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## 29. SHARE CAPITAL

### Shares

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| <i>Authorised:</i>  |                  |                  |
| 150,000,000,000 (2001: 150,000,000,000) ordinary shares of HK\$0.1 each | 15,000,000       | 15,000,000       |
| <i>Issued and fully paid:</i>   |                  |                  |
| 5,064,615,385 (2001: 5,064,615,385) ordinary shares of HK\$0.1 each     | 506,462          | 506,462          |

There were no movements in the Company's share capital, including the carrying amount and the number of ordinary shares in issue, during the years ended 31st December, 2002 and 2001.

### Share options

Details of the Company's share option schemes and the share options issued under the schemes are set out in note 38 to the financial statements.

## 30. RESERVES

### (a) AAM Group

The amounts of AAM Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the financial statements.

### (b) Company

|                 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|-----------------|------------------|------------------|
| Share premium   | 32,877           | 32,877           |
| Capital reserve | 631,394          | 631,394          |
|                 | 664,271          | 664,271          |

There were no movements in the Company's reserves during the years ended 31st December, 2002 and 2001.

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

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## 31. INTEREST-BEARING BORROWINGS

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|  | AAM Group        |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Bank overdrafts:                                       |                  |                  |
| Secured  | 4,298            | 3,629            |
| Bank loans:  |                  |                  |
| Secured  | 291,244          | 231,309          |
| Unsecured  | 17,447           | –                |
|  | <b>308,691</b>   | 231,309          |
| Other borrowings:                                      |                  |                  |
| Unsecured  | 224,131          | 160,439          |
|  | <b>537,120</b>   | 395,377          |
| The maturities of the borrowings are as follows:       |                  |                  |
| Bank overdrafts repayable within one year or on demand | 4,298            | 3,629            |
| Bank loans repayable:                                  |                  |                  |
| Within one year  | 299,002          | 205,536          |
| In the second year                                     | 3,358            | 21,459           |
| In the third to fifth years, inclusive                 | 6,331            | 4,314            |
|  | <b>308,691</b>   | 231,309          |
| Other borrowings:                                      |                  |                  |
| Within one year  | 117,075          | 98,651           |
| In the second year                                     | 107,056          | 61,788           |
|  | <b>224,131</b>   | 160,439          |
| Total bank and other borrowings                        | <b>537,120</b>   | 395,377          |
| Portion classified as current liabilities              | <b>(420,375)</b> | (307,816)        |
| Non-current portion                                    | <b>116,745</b>   | 87,561           |



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## 31. INTEREST-BEARING BORROWINGS (continued)

Approximately HK\$90,507,000 (2001: HK\$69,949,000) of AAM Group's bank loans are denominated in United States dollars and bear interest at 9% to 10.5% (2001: 6.5% to 11%) per annum. Approximately HK\$222,482,000 (2001: HK\$164,989,000) of AAM Group's bank loans and overdrafts are denominated in Indonesian Rupiah and bear interest at rates ranging from 18% to 23% (2001: 13% to 21%) per annum.

Approximately HK\$111,916,000 (2001: HK\$94,284,000) of AAM Group's other borrowings at 31st December, 2002 are denominated in United States dollars and bear interest at rates ranging from 4.9% to 10.5% (2001: 5.1% to 8.4%) per annum. Approximately HK\$112,215,000 (2001: HK\$66,155,000) of AAM Group's other borrowings are denominated in Indonesian Rupiah and bear interest at rates ranging from 13% to 23% (2001: 15% to 17.8%) per annum.

Details of the assets pledged to secure AAM Group's banking and other borrowing facilities are set out in note 43 to the financial statements.

Included in the borrowings of AAM Group are loans from certain related companies as set out below:

- (a) At 31st December, 2001, AAM Group had a bank loan from PT Bank Lippo Tbk of approximately HK\$13,030,000, which was secured by certain time deposits of AAM Group amounted to approximately HK\$13,030,000, bore interest at 13% to 16% per annum during the term of the loan and was repaid during the year.
- (b) At 31st December, 2001, AAM Group had a United States dollar bank loan from PT Bank Lippo Tbk of approximately HK\$15,595,000, which was secured by certain United States dollar time deposits of AAM Group of approximately HK\$15,595,000, bore interest at 6.5% per annum and was repaid during the year.
- (c) As at 31st December, 2002, AAM Group had a bank loan from PT Bank Lippo Tbk amounting to approximately HK\$21,372,000 (2001: HK\$18,368,000), which is secured by 100 million shares of Matahari, bears interest at rates ranging from 19% to 19.5% per annum in 2002 (2001: 18% to 19.5% per annum) and is repayable on 29th May, 2003.



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## 32. NOTES PAYABLE

Notes payable of AAM Group, including amounts payable under promissory notes and bearer notes issued by AAM Group, are unsecured, bear interest at rates ranging from 9% to 24% (2001: 16%) per annum and are repayable as follows:

|   | AAM Group        |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Within one year or on demand              | 17,756           | 14,813           |
| In the second year                        | 60,087           | 41,805           |
| In the third to fifth years, inclusive    | 49,937           | –                |
|   | <b>127,780</b>   | 56,618           |
| Portion classified as current liabilities | <b>(17,756)</b>  | (14,813)         |
| Non-current portion                       | <b>110,024</b>   | 41,805           |

## 33. FINANCE LEASE OBLIGATIONS

At 31st December, 2002 and 2001, the total future minimum lease payments under finance leases and their present values, were as follows:

|  | Minimum lease<br>payments | Minimum lease<br>payments | Present value of<br>minimum lease<br>payments | Present value of<br>minimum lease<br>payments |
|--|---------------------------|---------------------------|---|---|
|  | 2002<br>HK\$'000          | 2001<br>HK\$'000          | 2002<br>HK\$'000                              | 2001<br>HK\$'000                              |
| <b>AAM Group</b>                             |                           |                           |   |   |
| Amounts payable:                             |                           |                           |   |   |
| Within one year                              | 249                       | 828                       | 185   | 676   |
| In the second year                           | 20                        | 975                       | 15  | 911   |
| Total minimum finance<br>lease payments      | <b>269</b>                | 1,803                     | <b>200</b>                                    | 1,587   |
| Future finance charges                       | <b>(69)</b>               | (216)                     |   |   |
| Total net finance lease<br>payables          | <b>200</b>                | 1,587                     |   |   |
| Portion classified as current<br>liabilities | <b>(185)</b>              | (676)                     |   |   |
| Non-current portion                          | <b>15</b>                 | 911                       |   |   |



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## 34. DUE TO RELATED COMPANIES

The amounts due to related companies of AAM Group are unsecured and interest-free, except for an amount of HK\$4,000,000 at 31st December, 2002 (2001: HK\$4,000,000), which bears interest at Hong Kong dollar prime lending rate plus 1% per annum (2001: Hong Kong dollar prime leading rate plus 1% per annum), and an amount of approximately HK\$1,574,000 at 31st December, 2001, which bore interest at 24% per annum and was repaid during the year.

The amounts due to related companies of AAM Group have no fixed terms of repayment, except for certain amounts totalling approximately HK\$5,919,000 at 31st December, 2002 (2001: HK\$7,224,000) which are not repayable within twelve months from the balance sheet date.

The amount due to a related company of the Company is unsecured, bears interest at Hong Kong dollar prime leading rate plus 1% per annum (2001: Hong Kong dollar prime lending rate plus 1% per annum) and is not repayable within twelve months from the balance sheet date.

## 35. NON-CURRENT TRADE AND OTHER PAYABLES

|                          | AAM Group        |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Trade payables (note 36) | 4,584            | 5,422            | –                | –                |
| Other payables           | 11,309           | 5,287            | 250              | –                |
|                          | <b>15,893</b>    | 10,709           | <b>250</b>       | –                |

## 36. TRADE PAYABLES

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

|   | AAM Group        |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Within 3 months                           | 52,021           | 56,009           |
| 3 to 6 months                             | 9,170            | 22,196           |
| 6 to 12 months                            | 32,053           | 21,586           |
| Over 12 months                            | 7,809            | –                |
|   | <b>101,053</b>   | 99,791           |
| Portion classifies as current liabilities | <b>(96,469)</b>  | (94,369)         |
|   | <b>4,584</b>     | 5,422            |
| Long term portion (note 35)               |                  |                  |

The trade payables of AAM Group at 31st December, 2002 included payable to certain related companies totalling HK\$244,000 (2001: HK\$368,000). The balances are unsecured, interest-free and are repayable principally in accordance with normal trading terms.

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## 37. LIABILITIES/ESTIMATED LIABILITIES RELATING TO CERTAIN DISCONTINUED OPERATIONS

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|   | AAM Group        |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Amounts payable:                          |                  |                  |
| Within one year or on demand              | 43,091           | 123,447          |
| In the second year                        | 100,545          | –                |
|   | <b>143,636</b>   | 123,447          |
| Portion classified as current liabilities | <b>(43,091)</b>  | ( 123,447)       |
| Non-current portion                       | <b>100,545</b>   | –                |

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, in connection with the discontinuance of certain retail/commerce operations of AAM Group, the indebtedness of those entities (including their subsidiaries) as at 30th November, 1999 and their estimated expenses up to 31st December, 2003 should 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 disposal of assets or any proceeds from the past and future claims on such assets.

The amount as at 31st December, 2001 primarily represented an outstanding loan (the "Loan"), plus interest accrued thereon, obtained by PT Multimlar Perkasa, a subsidiary of PT Multipolar Pratama, from PT Bank Indonesia Raya Tbk (an Indonesian bank being administered by Indonesian Bank Restructuring Agency ("IBRA")). During the year, IBRA sold the Loan to PT Japan Asia Investment Corporation ("JAIC") and, accordingly, the liabilities related to the Loan were transferred to JAIC. Under the arrangement with JAIC, the Loan was converted into a credit facility for AAM Group. The amount drawn under the credit facility is payable in four equal quarterly instalments of approximately HK\$14,364,000 each starting from 30th June, 2003, and the remaining balance is payable on 30th June, 2004. The credit facility is interest bearing at 18% per annum and is secured by AAM Group's investment in Matahari to the extent of approximately HK\$34,894,000 and its investment in Broadband to the extent of approximately HK\$235,683,000.

## 38. SHARE OPTION SCHEMES

The Company adopted the Pre-IPO Plan, the 2000 Scheme and the 2002 Scheme under which the participants (including the Directors) were or may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the respective plan and schemes.

### (a) Pre-IPO Plan

The Pre-IPO Plan was adopted on 23rd June, 2000. The purpose of the Pre-IPO Plan is to recognise the contribution of participants to the growth of AAM Group and/or to the listing of the Company's shares on the GEM. The participants of the Pre-IPO Plan include 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 per share in connection with the listing of the Company's shares on the GEM.





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## 38. SHARE OPTION SCHEMES (continued)

### (a) Pre-IPO Plan (continued)

Pursuant to the Pre-IPO Plan, 22 participants (other than the Directors of the Company) were granted on the Grant Date options to subscribe for an aggregate of 17,144,000 shares of the Company at a subscription price of HK\$3.28 per share. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Pre-IPO Plan as at 31st December, 2002 was 1,182,000. The option for each grantee is exercisable in accordance with the Pre-IPO Plan at any time during a period commencing from the respective commencement dates and ending on 22nd June, 2010 in accordance with the following schedule:

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

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

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

| Participant   | As at 1st January, 2002 | Number of underlying shares                      |                                      |                                     | As at 31st December, 2002 |
|---------------|-------------------------|--|--------------------------------------|-------------------------------------|---------------------------|
|               |                         | Adjustments Appointment of Director <sup>2</sup> | Resignation of Director <sup>3</sup> | Cancelled or lapsed during the year |                           |
| Directors     | 35,607,000              | 355,000  | (2,364,000)                          | (11,819,000)                        | 21,779,000                |
| Ex-Director   | 3,231,816               | –  | –                                    | (3,231,816)                         | –                         |
| Non-Directors | 17,499,000              | (355,000)  | 2,364,000                            | (3,642,800)                         | 15,865,200                |
| Total         | 56,337,816              | –  | –                                    | (18,693,616)                        | 37,644,200                |

Notes:

1. An ex-Director, who resigned in 2001, was still entitled to exercise his remaining share options as at 1st January, 2002.
2. A senior executive of AAM Group was appointed as a Director on 1st May, 2002. His share options were included in the category of non-Directors as at 1st January, 2002, but were transferred to the category of Directors after the appointment.
3. A Director, who resigned on 14th May, 2002, had share options which were included in the category of Directors as at 1st January, 2002, but were transferred to the category of non-Directors after the resignation.

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## 38. SHARE OPTION SCHEMES (continued)

### (a) Pre-IPO Plan (continued)

Options granted under the Pre-IPO Plan in respect of 37,644,200 shares of the Company (representing approximately 0.74% of the enlarged issued share capital thereof) were outstanding as at 31st December, 2002. Options granted under the Pre-IPO Plan to subscribe for an aggregate of 36,614,800 shares were lapsed as at 31st December, 2002.

No share options under the Pre-IPO Plan were granted or exercised during 2002.

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

### (b) 2000 Scheme

The 2000 Scheme was adopted on 22nd June, 2000. The purpose of the 2000 Scheme was to recognise the contribution of participants to AAM Group. The participants of the 2000 Scheme were employees of AAM Group. A consideration of HK\$1 was payable upon acceptance of the offer of the grant of an option.

The subscription price for the shares under the 2000 Scheme was determined by the Directors which would be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of offer of the relevant option; (ii) the average of the closing prices of the shares as stated in the daily quotation 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.





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## 38. SHARE OPTION SCHEMES (continued)

### (b) 2000 Scheme (continued)

Pursuant to the 2000 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:

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

Summaries of the principal terms of the 2000 Scheme are also set out in the Prospectus.

No options granted under the 2000 Scheme were outstanding as at 31st December, 2002 since all the remaining options in respect of 3,914,341 shares of the Company granted under the 2000 Scheme lapsed on 15th June, 2002 (apart from the options in respect of 6,721,335 shares lapsed before) following the termination of the 2000 Scheme.

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## 38. SHARE OPTION SCHEMES (continued)

### (b) 2000 Scheme (continued)

| Participant | Number of underlying shares |                                    |                              |
|-------------|-----------------------------|------------------------------------|------------------------------|
|             | As at 1st<br>January, 2002  | Cancelled or lapsed<br>during 2002 | As at 31st<br>December, 2002 |
| Employees   | 7,791,732                   | 7,791,732                          | –                            |

The 2000 Scheme was terminated on 15th June, 2002. No share options under the 2000 Scheme were granted or exercised during 2002.

### (c) 2002 Scheme

The 2002 Scheme was adopted on 14th May, 2002. The purpose of the 2002 Scheme is to reward the participants who have contributed or may contribute to AAM Group. The participants of the 2002 Scheme are employees of AAM Group (including Directors) and other persons including consultants, advisors, agents, customers, suppliers, service providers, affiliated persons, contractors, business partners or connected persons of AAM Group or its associates or affiliates. A consideration of HK\$1 is payable upon acceptance of the offer of the grant of an option. The 2002 Scheme will remain valid until 13th May, 2012.

The subscription price for the shares under each of the 2002 Scheme is determined by the Directors which will be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of offer of the relevant option; (ii) the average of the closing prices of the shares as stated in the daily quotation 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.

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

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

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





# Notes to the Financial Statements

31st December, 2002

## 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

During the year, following the guidance given by the Ministry of Transportation in Indonesia, AAM Group underwent a series of acquisitions with certain companies, which are primarily holders of regional cellular licences in Indonesia (including certain subsidiaries and an associate of AAM Group) as detailed below.

On 30th September, 2002, NTS acquired the entire issued share capital of PT Primarindo Sistel, a former subsidiary of AAM Group. In connection with the acquisition, NTS issued 500,000 new shares of NTS, and AAM Group transferred an aggregate of 1,030,000 existing shares of NTS owned by it as the consideration for the acquisition. The fair value of the new shares issued, of approximately HK\$0.5 per share, was determined by Grant Thornton Hendrawinata ("GTH"), independent professional valuers, using the discounted cash flow method.

On 31st October, 2002, NTS acquired the entire issued share capital of PT Kodel Margahayu Telindo, a former associate of AAM Group. In connection with the acquisition, NTS issued 1,000,000 new shares of NTS, and AAM Group transferred 1,650,000 existing shares of NTS as the consideration for the acquisition. The fair value of the new shares issued of approximately HK\$0.5 per share was determined by GTH using the discounted cash flow method.

On 27th December, 2002, NTS acquired 70.07% equity interest of PT Inti Mobile ("IM") and the entire issued share capital of PT Nusa Multi Niaga, PT Prima Mitratama Sentosa and PT Cemerlang Indah Karya. In connection with the acquisitions, NTS issued 110,000,000 new shares of NTS as the consideration for the acquisitions. The fair value of the new shares issued, of approximately HK\$0.6 per share, was determined by GTH using the discounted cash flow method.

In addition to the above, on 30th December, 2002, AAM Group completed the acquisition of the entire issued share capital of TMS for a cash consideration of approximately HK\$3,500. TMS is an investment holding company and had an indirect equity interest in NTS.

The fair values of the assets and liabilities acquired in respect of the above acquisitions could only be determined on a provisional basis up to the date of approval of these financial statements, pending the completion of appraisals of the identifiable assets and liabilities acquired (the "Appraisals"). Accordingly, the values of the assets and liabilities acquired and the goodwill on acquisition as stated below may change with the completion of the Appraisals.



# Notes to the Financial Statements

31st December, 2002

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## 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (a) Acquisition of subsidiaries (continued)

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Net assets acquired:                           |                  |                  |
| Property and equipment                         | 50               | –                |
| Due from a related company                     | 1,027            | –                |
| Prepayments, deposits and other current assets | 1,693            | –                |
| Short term investments                         | 76,592           | –                |
| Cash and bank deposits                         | 499              | –                |
| Notes payable                                  | (30,115)         | –                |
| Due to a related company                       | (9,411)          | –                |
| Other payables and accruals                    | (59,222)         | –                |
| Tax payable                                    | (136)            | –                |
| Minority interests                             | (3,768)          | –                |
|  | (22,791)         | –                |
| Goodwill on acquisitions                       | 116,297          | –                |
|  | 93,506           | –                |
| Purchase consideration:                        |                  |                  |
| Cash consideration paid                        | 3                | –                |
| Cash consideration payable                     | 30,979           | –                |
| Fair value of NTS shares issued                | 62,524           | –                |
| Total purchase consideration                   | 93,506           | –                |

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

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Cash consideration paid  | (3)              | –                |
| Cash and bank balances acquired  | 499              | –                |
| Net inflow of cash and cash equivalents<br>in respect of the acquisition of subsidiaries | 496              | –                |

There were no acquisitions of subsidiaries during the year ended 31st December, 2001.

The subsidiaries acquired during the year have had no significant impact in respect of AAM Group's consolidated turnover or loss after tax for the year.





# Notes to the Financial Statements

31st December, 2002

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## 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Disposal of subsidiaries

Details of the assets and liabilities disposed of arising from the disposal of subsidiaries are as follows:

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Net assets disposed of:   |                  |                  |
| Property and equipment  | 50               | 9,531            |
| Goodwill  | -                | 7,792            |
| Intangible assets   | 24,959           | -                |
| Inventories   | -                | 1                |
| Trade receivables   | -                | 7,022            |
| Prepayments, deposits and other current assets  | 250              | 5,008            |
| Short term investments  | 5,505            | -                |
| Cash and bank deposits  | 446              | 1,549            |
| Notes payable   | (31,909)         | -                |
| Finance lease obligations   | -                | (1,642)          |
| Due to related companies  | -                | (2,947)          |
| Trade payables  | -                | (7,590)          |
| Receipts in advance   | -                | (799)            |
| Other payables and accruals   | (3,555)          | (5,658)          |
| Tax payable   | (136)            | (290)            |
| Minority interests  | 39,416           | (3,111)          |
|   | <b>35,026</b>    | 8,866            |
| Net loss on disposal of subsidiaries  | <b>(1,495)</b>   | (111)            |
|   | <b>33,531</b>    | 8,755            |
| Satisfied by:   |                  |                  |
| Cash consideration receivable   | 33,531           | -                |
| Interests in associates   | -                | 15,675           |
| Other receivables   | -                | 904              |
| Less: Cash paid to settle liabilities of subsidiaries<br>disposed of assumed by AAM Group | -                | (7,824)          |
|   | <b>33,531</b>    | 8,755            |

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

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Cash and bank deposits disposed of   | (446)            | (1,549)          |
| Cash paid to settle liabilities of subsidiaries<br>disposed of assumed by AAM Group    | -                | (7,824)          |
| Net outflow of cash and cash equivalents<br>in respect of the disposal of subsidiaries | <b>(446)</b>     | (9,373)          |

The subsidiaries disposed during the years ended 31st December, 2002 and 2001 have had no significant impact in respect of AAM Group's consolidated turnover or loss after tax for those years.

# Notes to the Financial Statements

31st December, 2002

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## 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Major non-cash transactions

Save as detailed in note 39(a) to the financial statements, AAM Group had the following major non-cash transactions during the year:

- (a) During the year, AAM Group disposed of two subsidiaries for a total consideration of approximately HK\$33,531,000 to be settled by cash. The disposal consideration was still outstanding at the balance sheet date.
- (b) During the year, AAM Group disposed of an associate for a total consideration of approximately HK\$1,773,000 to be settled by cash. The disposal consideration was still outstanding at the balance sheet date.

## 40. OPERATING LEASE ARRANGEMENTS

### As lessee

AAM Group leases certain of its premises under operating lease arrangements. Rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments.

At the balance sheet date, AAM Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows.

|  | AAM Group        |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Within one year                            | 8,967            | 10,673           | –                | 844              |
| In the second to<br>fifth years, inclusive | 19,545           | 18,174           | –                | –                |
| After five years                           | 6,279            | 18,021           | –                | –                |
|  | <b>34,791</b>    | 46,868           | –                | 844              |

## 41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, AAM Group had the following capital commitments in respect of the acquisition of property and equipment at the balance sheet date:

|                                  | AAM Group        |                  |
|----------------------------------|------------------|------------------|
|                                  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Contracted, but not provided for | 3,149            | 2,564            |

The Company did not have any significant capital commitments as at 31st December, 2002 (2001: Nil).



# Notes to the Financial Statements

31st December, 2002

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## 42. CONTINGENT LIABILITIES

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

|   | AAM Group        |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Guarantees given to a vendor and an affiliated finance company of the vendor in connection with the Vendor Financing granted to a subsidiary (the "Guarantees") | -                | -                | <b>84,082</b>    | 86,431           |

Subsequent to the balance sheet date, the Guarantees were released upon the completion of a debt restructuring in connection with the Vendor Financing and a new corporate guarantee covering the amount taken over by the Financing Company plus any interest accrued therein, which amounted to approximately HK\$101.1 million at the date of the take over, was given by the Company to the Financing Company as further detailed in note 2 to the financial statements.

## 43. PLEDGE OF ASSETS

AAM Group's banking and other borrowing facilities at the balance sheet date are secured by:

- (i) Property and equipment with net book value of approximately HK\$39,785,000 as at 31st December, 2002 (2001: HK\$87,658,000) (note 14).
- (ii) Investment properties with net book value of approximately HK\$46,523,000 as at 31st December, 2002 (2001: 37,266,000) (note 15).
- (iii) 140,359,000 shares (2001: 30,500,000 shares) in Broadband Multimedia, a subsidiary, with market value of approximately HK\$339,776,000 as at 31st December 2002 (2001: HK\$62,978,000) (note 16).
- (iv) 330,001,000 shares (2001: 290,000,000 shares) in Matahari with a market value of approximately HK\$143,937,000 (2001: HK\$95,142,000) as at 31st December 2002 (Note 17).
- (v) Inventories with a carrying value of approximately HK\$71,571,000 as at 31st December, 2002 (2001: HK\$65,129,000) (note 24).
- (vi) Trade receivables with a carrying value of approximately HK\$132,564,000 as at 31st December, 2002 (2001: HK\$41,348,000) (note 25).
- (vii) Bank deposits of approximately HK\$1,117,000 as at 31st December, 2002 (2001: HK\$39,108,000) (note 28).

# Notes to the Financial Statements

31st December, 2002

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## 44. FINANCIAL INSTRUMENTS

### Fair value estimation

#### *Current financial assets and liabilities*

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

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

For long term investments in listed shares of approximately HK\$698,000 (2001: HK\$1,425,000), which are stated at quoted market price, their carrying amount approximates their fair value. For long term investments in unlisted shares of approximately HK\$5,048,000 (2001: HK\$12,667,000), whose fair value cannot be reliably measured without incurring excessive costs, they are carried at cost less any impairment losses. The Directors believe that the carrying amount of those investments represents AAM Group's best estimate of their fair value.

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

|  | Carrying amounts |                  | Fair values      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Other non-current financial assets                         | 5,968            | 3,280            | 5,301            | 2,902            |
| Long term floating rate borrowings,<br>non-current portion | 7,134            | 20,766           | 5,693            | 18,497           |
| Long term fixed rate borrowings,<br>non-current portion    | 109,611          | 66,795           | 98,224           | 59,514           |
| Finance lease payables,<br>non-current portion             | 200              | 1,587            | 200              | 1,587            |
| Notes payable, non-current portion                         | 110,024          | 41,805           | 96,491           | 35,765           |
| Other non-current liabilities                              | 10,503           | 12,646           | 9,404            | 11,328           |



# Notes to the Financial Statements

31st December, 2002

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## 44. FINANCIAL INSTRUMENTS (continued)

### Interest rate risk

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

#### As at 31st December, 2002

|                        | Within<br>one year<br>HK\$'000 | In the<br>second year<br>HK\$'000 | In the<br>third to<br>fifth years,<br>inclusive<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------|--------------------------------|-----------------------------------|---|-------------------|
| Fixed rate             |                                |                                   |   |                   |
| Bank loans             | 104,514                        | 254                               | 2,301   | 107,069           |
| Other borrowings       | 32,992                         | 107,056                           | –   | 140,048           |
| Finance lease payables | 185                            | 15                                | –   | 200               |
| Notes payable          | 17,756                         | 60,087                            | 49,937  | 127,780           |
| Floating rate          |                                |                                   |   |                   |
| Cash and bank deposits | 26,406                         | –                                 | –   | 26,406            |
| Pledged bank deposits  | 1,117                          | –                                 | –   | 1,117             |
| Bank overdrafts        | 4,298                          | –                                 | –   | 4,298             |
| Bank loans             | 194,488                        | 3,104                             | 4,030   | 201,622           |
| Other borrowings       | 84,083                         | –                                 | –   | 84,083            |

#### As at 31st December, 2001

|                        |         |        |        |         |
|------------------------|---------|--------|--------|---------|
| Fixed rate             |         |        |        |         |
| Bank loans             | 49,979  | 1,940  | 3,067  | 54,986  |
| Other borrowings       | 14,588  | 61,788 | –      | 76,376  |
| Finance lease payables | 676     | 911    | –      | 1,587   |
| Notes payable          | 14,813  | 19,021 | 22,785 | 56,619  |
| Floating rate          |         |        |        |         |
| Cash and bank deposits | 33,227  | –      | –      | 33,227  |
| Pledged bank deposits  | 39,108  | –      | –      | 39,108  |
| Bank overdrafts        | 3,629   | –      | –      | 3,629   |
| Bank loans             | 155,557 | 19,519 | 1,247  | 176,323 |
| Other borrowings       | 84,063  | –      | –      | 84,063  |

# Notes to the Financial Statements

31st December, 2002

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## 44. FINANCIAL INSTRUMENTS (continued)

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

## 45. FINANCIAL RISK MANAGEMENT

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

### (a) Credit risk

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

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

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

AAM Group has significant concentration of credit risk with respect to its short term investments. As further detailed in note 27 to the financial statements, AAM Group has invested in certain managed funds with a carrying value of approximately HK\$112.6 million at 31st December, 2002. The managed funds have to date invested primarily in various fixed-income products, including, but not limited to, promissory notes and commercial paper issued by various companies and accordingly, may expose AAM Group to various credit and other risks, which are beyond the direct control of AAM Group. Such investments are closely monitored by senior management on an ongoing basis. AAM Group's exposure to credit risk would arise from default of the issuer, with maximum exposure equal to the carrying amount of the investments.

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





# Notes to the Financial Statements

31st December, 2002

## 45. FINANCIAL RISK MANAGEMENT (continued)

### (b) Foreign currency risk

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

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

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

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

### (c) Interest rate risk

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

AAM Group's policy is to manage its interest cost using a mixture of fixed and variable rate borrowings. At 31st December, 2002, approximately 46% of AAM Group's interest-bearing borrowings were at a fixed rate of interest.

Further details of interest rate risk of AAM Group are set out in note 44 to the financial statements.

### (d) Liquidity risk

AAM Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, promissory notes, finance leases, other payables and balances with related companies. Approximately HK\$116.7 million and HK\$110.0 million of AAM Group's total borrowings and notes payable, respectively, at the balance sheet date will mature in more than one year. Due to the dynamic nature of underlying businesses, AAM Group aims at maintaining flexibility in funding by keeping committed credit lines available. Further details of the liquidity risk of AAM Group and the actions taken and arrangements/measures implemented to address/mitigate such risk are set out in note 2 to the financial statements.



# Notes to the Financial Statements

31st December, 2002

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## 45. FINANCIAL RISK MANAGEMENT (continued)

### (e) Market risk

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

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

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

### (f) Economic risk

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

### (g) Business risk

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





# Notes to the Financial Statements

31st December, 2002

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## 46. RELATED PARTY TRANSACTIONS

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

|   | AAM Group        |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Services fee from distribution and maintenance of hardware equipment and software packages and services fee for technology solutions rendered to: |                  |                  |
| – PT Bank Lippo Tbk   | 42,640           | 71,393           |
| – PT Lippo General Insurance Tbk  | –                | 342              |
| – PT Matahari Putra Prima Tbk   | 1,205            | 1,558            |
| – PT Siloam Healthcare Tbk  | 546              | –                |
| Interest income from:   |                  |                  |
| – PT Bank Lippo Tbk   | 1,207            | 3,562            |
| Shares administration fee income from:  |                  |                  |
| – PT Bank Lippo Tbk   | 809              | 6,929            |
| – PT Lippo E-Net Tbk  | 596              | 2,966            |
| – PT Lippo Karawaci Tbk   | –                | 430              |
| – PT Bukit Sentul Tbk   | 489              | –                |
| Insertion fee income for services rendered to:  |                  |                  |
| – PT Bank Lippo Tbk   | –                | 1,114            |
| – PT Matahari Putra Prima Tbk   | 5,981            | –                |
| Sales of software package to:   |                  |                  |
| – PT Matahari Putra Prima Tbk   | –                | 9,439            |
| Sales of merchandise to:  |                  |                  |
| – PT Bank Lippo Tbk   | –                | 858              |
| – PT Matahari Putra Prima Tbk   | –                | 3,466            |
| Operating lease rentals charged by:   |                  |                  |
| – PT Matahari Putra Prima Tbk   | 1,546            | 1,283            |
| Interest expense on loans obtained from:  |                  |                  |
| – PT Bank Lippo Tbk   | 4,025            | 12,088           |
| Interest expense on temporary advances from:  |                  |                  |
| – PT Ciptadana Sekuritas  | –                | 2,652            |
| – PT Lippo E-Net Tbk  | –                | 420              |
| – PT Satriajati Patria Luhur  | –                | 369              |
| – PT Matahari Putra Prima Tbk   | –                | 1,998            |

# Notes to the Financial Statements

31st December, 2002

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## 46. RELATED PARTY TRANSACTIONS (continued)

|                                  | AAM Group       |                 |
|----------------------------------|-----------------|-----------------|
|                                  | 2002            | 2001            |
|                                  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Pension fund expense charged by: |                 |                 |
| – PT AIG Lippo                   | 2,138           | 1,013           |
| Advertising expense charged by:  |                 |                 |
| – PT Cosmopolitan Indonesia      | 104             | 3,670           |

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

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

## 47. POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of AAM Group are set out in notes 2 and 42 to the financial statements.

## 48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation including, inter alia, certain segment information, investment properties, goodwill on acquisition of associates and related amortisation, share of net assets of certain associates, certain interest-bearing borrowings and notes payable, and related disclosures.

## 49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 2nd May, 2003.





# Notice of Annual General Meeting

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**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of AcrossAsia Multimedia Limited (the "Company") will be held at Harbour Room, 3rd Floor, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Friday, 13th June, 2003 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December, 2002.
2. To consider the re-election of the retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.
3. To consider the re-appointment of Ernst & Young as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

A. **"THAT:**

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

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- (iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting.

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

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

**B. “THAT:**

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





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(iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting.”

C. **“THAT** conditional on the passing of Resolution 4B as set out in the notice convening this Meeting of which this Resolution forms a part, the general mandate granted to the Directors of the Company to allot and issue shares pursuant to the said Resolution 4A be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company under the authority granted pursuant to such Resolution 4B, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this Resolution.”

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

“THAT the existing interpretation of “recognised clearing house” in Article 2 of the Company’s Articles of Association be deleted and replaced with the following new interpretation:

|                                   |   |
|-----------------------------------|---|
| <b>“recognised clearing house</b> | “recognised clearing house” shall have the meaning ascribed thereto in the Securities and Futures Ordinance of Hong Kong as amended from time to time;” |
|-----------------------------------|---|

By Order of the Board

**Kelsch Woon Kun WONG**

*Company Secretary*

Hong Kong, 16th May, 2003

*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.