

ANNUAL REPORT 2003



BROADBAND SERVICES

CELLULAR SERVICES

ACROSS ASIA

IT SOLUTIONS

RETAIL

ACROSS ASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the Directors of AcrossAsia Multimedia Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

| | |
|---|----|
| Corporate Information | 2 |
| Corporate Structure | 3 |
| Chairman's Statement | 4 |
| Financial Summary | 5 |
| Management Review | 6 |
| Directors and Senior Management | 12 |
| Report of the Directors | 14 |
| Report of the Auditors | 21 |
| Consolidated Income Statement | 22 |
| Balance Sheets | 23 |
| Consolidated Statement of Changes in Equity | 25 |
| Consolidated Cash Flow Statement | 26 |
| Notes to the Financial Statements | 28 |
| Notice of Annual General Meeting | 94 |

Corporate Information

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

AUDITORS

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

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Lippo Centre
89 Queensway
Hong Kong

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

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

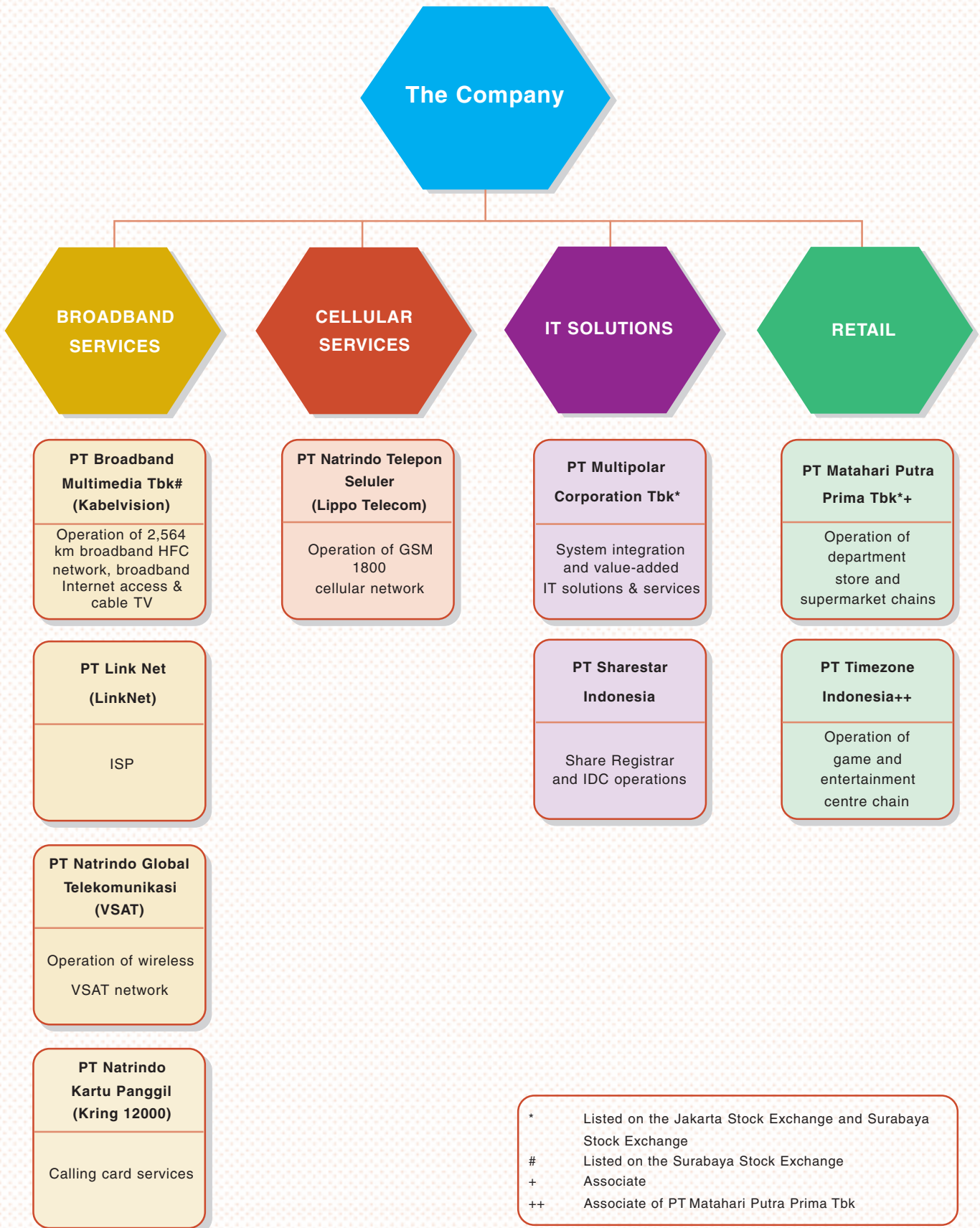
STOCK CODE

8061

WEBSITES OF THE COMPANY AND MAJOR SUBSIDIARIES AND ASSOCIATE

www.acrossasiamm.com
www.kabelvision.com
www.link.net.id
www.lippotel.com
www.multipolar.com
www.matahari.co.id

Corporate Structure



Chairman's Statement

“ AAM Group's performance improved by focusing on growth of existing businesses, as well as further cost reduction. Turnover and gross profit again reached new highs. ”



I am pleased to present the Company's annual report for the year 2003.

The year 2003 saw the start of the long anticipated global economic turnaround. Indonesia experienced improving macro economic indicators, such as the control of inflation, a more stable rupiah and improved fiscal stability. Consumer purchasing power gradually improved towards the end of 2003. Furthermore, lower interest rates widened funding options. AAM Group's performance improved by focusing on growth of existing businesses, as well as further cost reduction. Turnover and gross profit again reached new highs. In particular, AAM Group achieved positive EBITDA (excluding other income and expenses) for each quarter for a second straight year, totalling HK\$74.8 million compared to HK\$11.6 million in 2002. Net loss has reduced by a substantial 34%. However, there is still some way to go to reduce and ultimately eliminate net loss.

AAM Group strengthened its leading positions in Broadband Services, IT Solutions and Retail. Broadband Services passed the 100,000 subscriber mark in 2003. IT Solutions made significant breakthroughs in providing higher value-added services. In Retail, PT Matahari Putra Prima Tbk ("Matahari") continued its restructuring of existing stores while at the same time opening new outlets, with the objective to improve overall profitability. Cellular Services continued its preparation for providing nationwide GSM services in Indonesia.

Both the global and Indonesian economies are expected to continue to improve in 2004, although the forthcoming political elections in Indonesia may have some bearing on the degree of improvement. In the light of the improving conditions, AAM Group will position itself to take maximum advantage as new opportunities present themselves.

AAM Group is cautiously exploring opportunities in China and other Asian markets by capitalising on its established operations.

I acknowledge with heartfelt gratitude the work and commitment of my fellow Directors, and our management team and staff which have been crucial to the achievements made.

Richard Woolcott
Chairman

Hong Kong, 22nd March 2004

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:

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|------------------|-----------|-----------|-----------|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Consolidated results | | | | | |
| Turnover | 819,313 | 690,412 | 663,468 | 391,920 | 272,909 |
| Gross profit | 202,956 | 141,142 | 124,947 | 89,090 | 89,268 |
| (Loss) Profit after taxation but before minority interests | (53,030) | (118,087) | (169,570) | (143,930) | 9,260 |
| (Loss) Profit attributable to shareholders | (49,585) | (75,239) | (216,460) | (171,839) | 4,146 |
| Consolidated assets and liabilities | | | | | |
| Shareholders' equity | 578,777 | 586,348 | 586,642 | 839,390 | 434,929 |
| Non-current assets | 1,773,133 | 1,706,831 | 1,430,302 | 1,378,349 | 1,195,002 |
| Current assets | 484,975 | 506,307 | 368,781 | 406,166 | 107,692 |
| Current liabilities | 656,988 | 811,161 | 693,598 | 599,593 | 414,507 |
| Non-current liabilities | 536,873 | 349,141 | 148,210 | 3,177 | 98,102 |

Notes:

1. Pursuant to a group reorganisation in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of AAM Group on 22nd May 2000. The summary of the consolidated results for the years ended 31st December 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 year ended 31st December 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").

Management Review

AAM Group took advantage of the improving macro economic environment in 2003. Financial performance improved across the board for all four Business Groups: Broadband Services, Cellular Services, IT Solutions and Retail.

FINANCIAL REVIEW

Turnover

AAM Group's turnover from operations rose by 18.7% to HK\$819.3 million in 2003 compared to HK\$690.4 million in 2002.



Broadband Services, led by PT Broadband Multimedia Tbk ("Broadband Multimedia") (a subsidiary of the Company listed on the Surabaya Stock Exchange), maintained its growth momentum and scored a 30.4% rise in revenue to HK\$247.7 million in 2003 from HK\$189.9 million in 2002 through increased penetration of both cable TV and broadband Internet services as well as augmented recurring revenue from customers.

Cellular Services, represented by the GSM1800 operation in East Java of PT Natrindo Telepon Seluler ("Natrindo"), achieved a 57.0% increase in revenue to HK\$31.4 million in 2003 from HK\$20.0 million in 2002.



Revenue from IT

Solutions, which is mainly project based, increased 12.4% to HK\$540.1 million in 2003 from HK\$480.5 million in 2002 as PT Multipolar Corporation Tbk ("Multipolar") (a subsidiary of the Company listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange), moved into higher value-added services satisfactorily.

Gross Profit

Gross profit from operations surged by 43.9% to HK\$203.0 million in 2003 from HK\$141.1 million in 2002.

Gross profit margin continued to improve to 24.8% in 2003 from 20.4% in 2002 mainly due to the increased revenue, cost control and appreciation of Indonesian Rupiah.

Management Review

Profit from Operations

Other operating income and gains decreased by 26.6% to HK\$52.3 million in 2003 from HK\$71.3 million in 2002 primarily due to a decrease in foreign exchange gain. Total operating expenses (excluding other income and expenses) of continuing operations were cut by 14.9% to HK\$243.1 million in 2003 compared to HK\$285.6 million in 2002. This achievement was mainly the result of rationalization of headcount and tight cost control despite increased retrenchment costs, write-off of certain obsolete assets and bad debts, and increase in advertising and promotion expenses. Corporate headquarters cost reduced by 47.3% to HK\$13.7 million in 2003 from HK\$26 million in 2002.

As a milestone for its continuously improving performance, AAM Group recorded its first profit from operations in 2003 amounting to HK\$12.2 million compared to loss from operations of HK\$73.1 million in 2002. The main contributors to the positive result were Broadband Services, IT Solutions and the ongoing implementation of the management plan as stated in the Annual Report 2002 of the Company (the "Management Plan").

AAM Group achieved a positive EBITDA (excluding other income and expenses) for eight consecutive quarters as well as the second financial year. EBITDA for 2003 increased 5.5 times to HK\$74.8 million from HK\$11.6 million in 2002.



Share of Results of Associates

AAM Group's share of profit of associates (net of goodwill amortization) increased by 28.8% to HK\$47.6 million for 2003 compared to HK\$36.9 million for 2002. The increase was due to the 18.3% net profit growth of Matahari, a 47.4% owned associate of AAM Group listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange. The commendable results of Matahari beat market expectations and were attributable to its strong performance in the second half of 2003 notwithstanding that the consumers' purchasing power had been affected by the escalation in

the prices of basic commodities during the first half of 2003, timely decision to consolidate its operations in 2002 and successful completion of a bond issue in 2003.

Net Loss from Ordinary Activities attributable to Shareholders

Net loss from ordinary activities attributable to shareholders of AAM Group continued its decreasing trend and shrank by 34.0% to HK\$49.6 million in 2003 compared to HK\$75.2 million in 2002.

Financial Resources and Capital Structure

AAM Group primarily financed its operations with its internally generated cash flows and borrowings during 2003. As at 31st December 2003, AAM Group had cash and bank balances and short-term

Management Review

investments of HK\$197.9 million and net assets of HK\$578.8 million. Total borrowings amounted to HK\$805.2 million and were mainly denominated in Indonesian Rupiah and United States Dollars 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. Net current liabilities significantly reduced to HK\$172.0 million in 2003 as compared to HK\$304.9 million in 2002. During 2003, AAM Group (Multipolar in particular) succeeded in restructuring a majority portion of its short-term debts into long term loans. AAM Group has also implemented and is continuing to implement the Management Plan to further improve its financial position: restructuring of current liabilities into non-current liabilities; reduction of operating expenses and improvement of operational efficiency; procurement of long term debt/equity financing; identification and securing of strategic investors as business partners for its broadband and cellular businesses; strengthening of the broadband network and increase of the penetration of the cable TV and other broadband services; development of high margin IT solutions and service offerings; and exploring new business opportunities that will enhance/implement existing operations. AAM Group's gearing ratio, representing total borrowings divided by shareholders' funds, was 139.1% as at 31st December 2003. The Company provided a corporate guarantee of approximately HK\$101.2 million to a finance company as security for its financing to AAM Group.

As a result of significant operations in Indonesia, AAM Group has foreign currency exposure mainly in transaction and conversion risks. During 2003, the foreign currency exposure had a positive impact on AAM Group's results. AAM Group will continue to take measures to minimize its foreign exchange exposure.

BUSINESS REVIEW

Broadband Services

Broadband Services has been focusing 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.



Its core operation, Broadband Multimedia, operates the largest two-way HFC (Hybrid Fibre Coaxial) broadband network in Indonesia which has now reached over 2,564 km, passed more than 218,570 homes and covered major residential and central business districts in five cities/locales including Jakarta, Surabaya and Bali.

Management Review

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. The broadband network is being used by the Jakarta Stock Exchange to provide remote trading services to stockbrokers. As of December 2003, 19 securities houses and two banks have joined the service, thereby increasing the total corporate links to 115.

During 2003, the total number of individual and corporate broadband Internet subscribers rose by 29% to approximately 12,670 while the penetration rate of cable TV subscribers that have also subscribed to the broadband Internet access service increased to 16.3% from 15.8%.

Broadband Multimedia is also the leading cable TV operator in Indonesia now offering 67 national and international channels of programming under the brand name "Kabelvision". During 2003, Broadband Multimedia enhanced its service offerings by launching several new channels including the first pay-per-view channel in Indonesia on sports, a family channel and an interactive SMS channel. A second pay-per-view sports channel has just been added in March 2004. The number of cable TV subscribers surged by 35% and passed the important 100,000 mark during 2003, with penetration reaching 48.3% as compared to 36.9% in 2002.

Cellular Services

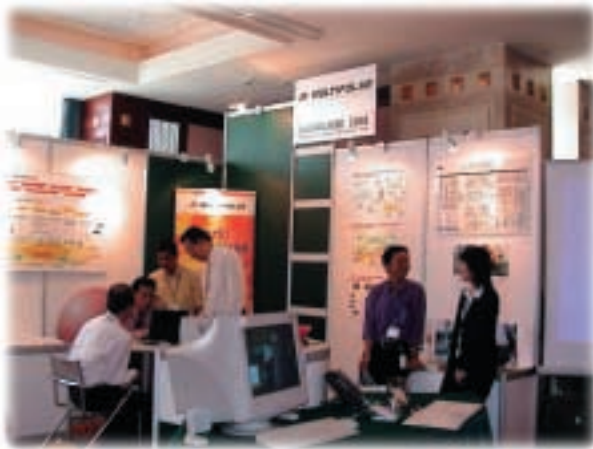
Cellular Services, through Natrindo, provides GSM 1800 cellular services under the brand name "Lippo Telecom" in East Java. Natrindo's network is capable of delivering both voice and data communication services.

In June 2003, Natrindo was formally awarded a national GSM 1800 licence by the Government of Indonesia. The national licence will enable Natrindo to access the booming nationwide market. Natrindo is formulating the blueprint for the rollout of its services nationwide in Indonesia.

Natrindo's subscriber base grew by 21.6% to 89,000 as at the end of 2003. Direct interconnections and inter-operator SMS with all GSM operators in Indonesia as well as international roaming with countries in Asia-Pacific, Middle East and Europe have been established.



Management Review



IT Solutions

During 2003, competition remained keen in the IT industry with increased pressure on margins. IT Solutions consolidated its business focus. In keeping with its strategy to provide higher value-added services, it exited certain non-performing hardware and network businesses. It also closed down its IT facilities management group. IT Solutions made significant breakthroughs in the higher value-added services by having won a number of high profile projects against international competition in the financial

services and public utilities sectors. The success in the value-added services arena has provided IT Solutions with the platform for future growth and differentiated itself from its competitors.

Retail

Matahari is the core of AAM Group's Retail business. It is the top retail brand and the largest publicly listed modern retailer in Indonesia offering one-stop shopping to middle and upper-income families with a customer base of over 10 million people nationwide. It had 80 department stores and 58 supermarkets in over 38 cities as at 31st December 2003.

In 2003, Matahari continued to focus on inventory management, efficient merchandise procurement as well as promotion strategy. Furthermore, expenses were tightly controlled and at the same time Matahari has successfully maintained its competitive advantage by maximizing the overall store productivity level and capital utilization. Store portfolio continues to be revitalized by renovation of certain existing stores and by aggressively closing down the majority of unprofitable stores in early 2003 and replacing with newer and better stores located in more strategic locations to meet demographic and geographical needs.



Management Review

PROSPECTS

Broadband Services will maintain its focus on fostering the penetration of its cable TV and broadband Internet services through promotion and attractive packages while concurrently enhancing the quality of the services. Major technical improvements in the service, maintenance and planning systems will be implemented in 2004, as well as a major overhaul of the Internet service network and of the customer care centre. It will launch in 2004 smart TV services comprising digital cable and digital DTH (Direct-to-Home) services to be supported by leading edge conditional access technology and security solutions. The services are expected to boost the subscriber base substantially over the next two years. Furthermore, four branches have been established as service centres within Jakarta. The branch concept will focus on decentralized sales, technical service and walk-in enquiries.

Cellular Services is now planning its national network expansion in Indonesia after gaining its foothold in East Java and new national GSM 1800 licence. The low cellular penetration of about 6% out of a population of 215 million has made Indonesia one of the most lucrative cellular markets in Asia with projected annual growth rate of 35% or more over the next few years. The Indonesian cellular market assures growth potential for AAM Group.

IT Solutions will continue its goals to tap the higher value-added IT business solutions and services which can provide satisfactory recurring revenue in the light of the recovering Indonesian business community. With its shift in emphasis from hardware and software distribution to solution services, IT Solutions expects to be able to meet the changing needs of its customers going forward.

For Retail, Matahari aims to heighten its competitive edge in the middle and upper-income market segment for its future aggressive expansion by capitalising on its strong brand image, solid foundation and greater business accountability. It will continue to optimise the department store and supermarket chain portfolio and undertaking cost efficiency program to capitalize any opportunities arising in the market. Several new stores will be opened including compact hypermarket operations in 2004. Matahari has recently announced public offerings of two bond issues for an aggregate maximum amount of Rp.300 billion (approximately HK\$272.5 million) which, if materialized, will further fortify its leading position in the retail sector in Indonesia.

At the same time, AAM Group is cautiously pursuing business opportunities in China and other parts of Asia.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Cheng Wen CHENG, aged 59, 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, marketing and general 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 (an ABB subsidiary) and Vice President of Taiwan International Standard Electronics Ltd. (an Alcatel subsidiary). He also worked for Bell Telephone Manufacturing Company (an ITT subsidiary) in Belgium and Bell Laboratories in the United States of America (“USA”) prior to returning back to Taiwan. 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 44, has been an executive Director of the Company since May 2002 and the Chief Financial Officer of the Company. He is also the Chief Executive Officer of Broadband Multimedia. Mr. Cooper joined AAM Group in April 1999. He has over 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 45, has been a non-executive Director of the Company since June 2000. He is currently Chairman of The Taipan Group and a 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 61, 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 76, 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 42, has been an independent non-executive Director of the Company since June 2000. He is a partner of Or, Ng & Chan, Solicitors. His areas of practice include corporate finance, merger and acquisition, banking and securities. He qualified and was admitted as a solicitor in Hong Kong in 1991. He holds a Bachelor of Laws degree from the University of Hong Kong.

SENIOR MANAGEMENT

Mr. Jeffrey Koes WONSONO, aged 44, 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 44, joined AAM Group in 2000, and is Vice Chairman of the Company's Indonesia Office, the President of Lippo Telecom and President Director of Broadband Multimedia. Prior to joining AAM Group, he has worked with the Lippo Group for 17 years holding various senior executive and non-executive positions in listed, non-listed and joint venture companies, including Managing Director of PT Bank Lippo Tbk and President Director of AIG Lippo Life. Mr. Sindoro holds a Bachelor of Arts degree in Finance and a Masters degree in Business Administration from the University of South Dakota, USA.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and AAM Group for 2003.

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 services, respectively.

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

CUSTOMERS AND SUPPLIERS

For 2003, the five largest customers of AAM Group accounted for approximately 42% (2002 – 49%) of AAM Group's total turnover, while the five largest suppliers of AAM Group accounted for approximately 41% (2002 – 42%) of AAM Group's total purchases. The largest customer of AAM Group accounted for 15% (2002 – 19%) of AAM Group's total turnover while the largest supplier of AAM Group accounted for 24% (2002 – 27%) 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 2003 are set out in the consolidated income statements on page 22 of the annual report.

The Directors do not recommend the payment of a dividend in respect of 2003.

PENSION COSTS

Particulars of pension costs for 2003 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 2003 are set out in the consolidated statement of changes in equity on page 25 of the annual report.

Report of the Directors

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

During 2003, there was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 16 to the accompanying consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment during 2003 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 2003 are set out in Notes 31 and 32 respectively 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 2003 are set out in Notes 41 and 42 respectively to the accompanying consolidated financial statements.

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 2003 and up to the date of this report were:

Executive Directors

Dr. Cheng Wen CHENG

Mr. Marshall Wallace COOPER

Report of the Directors

Non-executive Directors

Mr. Stephen HUNG

Mr. Jonathan Limbong PARAPAK

Independent non-executive Directors

Mr. Richard Arthur WOOLCOTT

Mr. Kwok Ming CHEUNG

In accordance with Article 116 of the Articles of Association of the Company, Dr. Cheng Wen Cheng and Mr. Jonathan Limbong Parapak 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 two years commencing from 1st June 2003. 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 2003 or at any time during 2003.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors and Chief Executive

As at 31st December 2003, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange under Rule 5.40 of the GEM Listing Rules or as otherwise required by Rule 23.07 of the GEM Listing Rules were as follows:

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

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

Report of the Directors

Long Position in Underlying Shares of the Company and Associated Corporations

(i) Physically settled equity derivatives

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

| Name | Granted | Lapsed | Number of underlying shares | |
|-----------------------------|------------|--------|--|---|
| | | | Outstanding as of 31st December 2003 | Percentage of enlarged issued share capital |
| Dr. Cheng Wen Cheng | 13,150,000 | – | 13,150,000 (Note 1) | 0.25 |
| Mr. Richard Arthur Woolcott | 3,546,000 | – | 3,546,000 (Note 2) | 0.07 |
| Mr. Stephen Hung | 2,364,000 | – | 2,364,000 (Note 3) | 0.04 |
| Mr. Kwok Ming Cheung | 2,364,000 | – | 2,364,000 (Note 3) | 0.04 |
| Mr. Marshall Wallace Cooper | 355,000 | – | 355,000 (Note 4) | 0.01 |
| Total | 21,779,000 | – | 21,779,000 | |

Notes:

- 1,330,000 shares became exercisable from 14th January 2001 and 2,364,000 shares from each of 1st June 2001, 1st June 2002 and 1st June 2003; 2,364,000 shares shall become exercisable from each of 1st June 2004 and 1st June 2005.
- 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.
- The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").

Report of the Directors

(ii) Cash settled and other equity derivatives

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

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

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

Substantial Shareholders

As at 31st December 2003, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in Shares of the Company

| Name | Number of shares | Percentage of issued share capital |
|------------------------|-------------------------|---|
| Grandhill Asia Limited | 500,000,000 | 9.87 |
| Lippo Cayman Limited | 3,669,576,788 | 72.45 |
| Lanius Limited | 3,669,576,788 | 72.45 |
| Dr. Mochtar Riady | 3,669,576,788 | 72.45 |
| Madam Lidya Suryawaty | 3,669,576,788 | 72.45 |

Note:

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

Long Position in Underlying Shares of the Company

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

Short Position in Shares and Underlying Shares of the Company

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

Report of the Directors

Other Persons

As at 31st December 2003, no other persons had any interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company according to the registers required to be kept by the Company under the SFO.

SHARE OPTIONS

In addition to the Pre-IPO Plan, the Company also has a share option scheme adopted on 14th May 2002 (the "2002 Scheme") under which employees of AAM Group (including the Directors of the Company) and other persons may be granted on or after 15th May 2002 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2002 Scheme. Details of the share options were 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 2003 was below the subscription price in respect of all the options granted. Any valuation based on assumptions would not be meaningful.

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

COMPETING INTERESTS

The Lippo Group (a general reference to the companies (including Lippo Cayman) in which Dr. Mochtar Riady and his family have a direct or indirect interest; the Lippo Group is not a legal entity and does not operate as one; each of the companies in the Lippo Group operates within its own legal, corporate and financial framework) might have had or developed interests in other technology related business, including telecommunications in Hong Kong and other parts in Asia during 2003. There was a chance that such businesses might have competed with AAM Group during 2003.

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 2003.

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 2003.

Report of the Directors

AUDITORS

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

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

On behalf of the Board of Directors

Richard Woolcott

Chairman

Hong Kong, 22nd March 2004

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS

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 2003, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International 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 2003 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\$49,585,000 for the year ended 31st December 2003 and had net current liabilities of HK\$172,013,000 as at 31st December 2003. Prior to and subsequent to the balance sheet date, the Directors initiated a number of measures to improve the Group’s liquidity position. 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.

RSM NELSON WHEELER

Certified Public Accountants

Hong Kong, 22nd March 2004

Consolidated Income Statement

For the year ended 31st December 2003

| | Notes | 2003 HK'000 | 2002 HK'000 |
|---|-------|------------------|----------------|
| TURNOVER | | | |
| Continuing operations | 5 | 819,313 | 690,412 |
| Discontinued operations | 6 | – | – |
| | | 819,313 | 690,412 |
| Cost of sales and services rendered | | (616,357) | (549,270) |
| Gross profit | | 202,956 | 141,142 |
| Other operating income and gains | 5 | 52,301 | 71,378 |
| Selling and distribution costs | | (52,139) | (38,528) |
| General and administrative expenses | | (190,772) | (238,806) |
| Other operating expenses | | (180) | (8,301) |
| PROFIT/(LOSS) FROM OPERATIONS | 7 | 12,166 | (73,115) |
| Finance costs | 8 | (92,170) | (79,923) |
| Share of results of associates | | 60,360 | 48,949 |
| Amortisation of goodwill on acquisition of associates | | (12,715) | (11,963) |
| | | 47,645 | 36,986 |
| Net gain from discontinued operations | 6 | – | 6,530 |
| (LOSS)/PROFIT BEFORE INCOME TAX | | (32,359) | (116,052) |
| Continuing operations | | (32,359) | (116,052) |
| Discontinued operations | 6 | – | 6,530 |
| | | (32,359) | (109,522) |
| Income tax expense | | | |
| Continuing operations | 11 | (20,671) | (8,565) |
| Discontinued operations | 6 | – | – |
| | | (20,671) | (8,565) |
| LOSS BEFORE MINORITY INTERESTS | | (53,030) | (118,087) |
| Minority interests | | 3,445 | 42,848 |
| NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | 12 | (49,585) | (75,239) |
| LOSS PER SHARE (HK cents) | 13 | | |
| Basic | | (0.98) | (1.49) |
| Diluted | | N/A | N/A |

Balance Sheets

As at 31st December 2003

| | Notes | AAM Group | | Company | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 14 | 560,388 | 578,669 | 201 | 529 |
| Investment properties | 15 | 48,927 | 47,088 | – | – |
| Interests in subsidiaries | 16 | – | – | 575,935 | 594,104 |
| Interests in associates | 17 | 934,954 | 863,640 | – | – |
| Long term investments | 18 | 6,297 | 5,746 | – | – |
| Goodwill | 19 | 139,423 | 135,675 | – | – |
| Intangible assets | 20 | 29,251 | 6,869 | – | – |
| Deferred tax assets | 21 | 28,499 | 39,457 | – | – |
| Non-current prepayments, deposits and receivables | 22 | 22,974 | 27,795 | – | – |
| Due from related companies | 23 | 2,420 | 1,892 | – | – |
| | | 1,773,133 | 1,706,831 | 576,136 | 594,633 |
| Current assets | | | | | |
| Inventories | 24 | 29,386 | 72,596 | – | – |
| Trade receivables | 25 | 189,444 | 167,569 | – | – |
| Prepayments, deposits and other current assets | 26 | 68,237 | 108,611 | 907 | 788 |
| Short term investments | 27 | 148,112 | 130,008 | – | – |
| Pledged bank deposits | 28 | 9,179 | 1,117 | – | – |
| Cash and bank deposits | 28 | 40,617 | 26,406 | 303 | 598 |
| | | 484,975 | 506,307 | 1,210 | 1,386 |
| TOTAL ASSETS | | 2,258,108 | 2,213,138 | 577,346 | 596,019 |

Balance Sheets

As at 31st December 2003

| | Notes | AAM Group | | Company | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Issued capital | 29 | 506,462 | 506,462 | 506,462 | 506,462 |
| Accumulated losses | | (819,401) | (769,816) | (603,217) | (589,494) |
| Reserves | 30 | 891,716 | 849,702 | 664,271 | 664,271 |
| | | 578,777 | 586,348 | 567,516 | 581,239 |
| Minority interests | | 485,470 | 466,488 | – | – |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 31 | 468,421 | 116,745 | – | – |
| Notes payable | 32 | 52,870 | 110,024 | – | – |
| Finance lease obligations | 33 | – | 15 | – | – |
| Due to related companies | 34 | 6,717 | 5,919 | 4,000 | 4,000 |
| Non-current trade and other payables | 35 | 8,865 | 15,893 | – | 250 |
| Liabilities/estimated liabilities relating to certain discontinued operations | 37 | – | 100,545 | – | – |
| | | 536,873 | 349,141 | 4,000 | 4,250 |
| Current liabilities | | | | | |
| Interest-bearing borrowings | 31 | 280,221 | 420,375 | – | – |
| Notes payable | 32 | 62,882 | 17,756 | – | – |
| Finance lease obligations | 33 | – | 185 | – | – |
| Due to related companies | 34 | 49,910 | 50,844 | – | – |
| Trade payables | 36 | 114,484 | 96,469 | – | – |
| Receipts in advance | | 18,151 | 22,945 | – | – |
| Other payables and accruals | | 100,057 | 137,016 | 5,830 | 10,530 |
| Liabilities/estimated liabilities relating to certain discontinued operations | 37 | – | 43,091 | – | – |
| Tax payable | | 31,283 | 22,480 | – | – |
| | | 656,988 | 811,161 | 5,830 | 10,530 |
| TOTAL EQUITY AND LIABILITIES | | 2,258,108 | 2,213,138 | 577,346 | 596,019 |

Cheng Wen CHENG
Director

Marshall Wallace COOPER
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2003

| | Issued capital HK\$'000 | Share premium account HK\$'000 | Equity transactions | | | Translation reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|-------------------------------|---|--------------------------------|------------------------------|-----------|------------------------------------|-----------------------------------|-------------------|
| | | | Capital reserve HK\$'000 | of associates HK\$'000 | | | | |
| At 1st January 2002 | 506,462 | 32,877 | 1,464,802 | 782 | (723,704) | (694,577) | 586,642 | |
| Net gain on available-for-sale financial assets of associates | - | - | - | 1,925 | - | - | 1,925 | |
| Currency translation differences | - | - | - | - | 73,020 | - | 73,020 | |
| Net gain not recognised in the income statement | - | - | - | 1,925 | 73,020 | - | 74,945 | |
| Net loss attributable to shareholders | - | - | - | - | - | (75,239) | (75,239) | |
| At 31st December 2002 and 1st January 2003 | 506,462 | 32,877 | 1,464,802 | 2,707 | (650,684) | (769,816) | 586,348 | |
| Net gain on available-for-sale financial assets of associates | - | - | - | 218 | - | - | 218 | |
| Currency translation differences | - | - | - | - | 41,796 | - | 41,796 | |
| Net gain not recognised in the income statement | - | - | - | 218 | 41,796 | - | 42,014 | |
| Net loss attributable to shareholders | - | - | - | - | - | (49,585) | (49,585) | |
| At 31st December 2003 | 506,462 | 32,877 | 1,464,802 | 2,925 | (608,888) | (819,401) | 578,777 | |

Consolidated Cash Flow Statement

For the year ended 31st December 2003

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (32,359) | (109,522) |
| Adjustments for: | | |
| Finance costs | 92,170 | 79,923 |
| Share of results of associates (less amortisation of goodwill on acquisition of associates) | (47,645) | (36,986) |
| Net gain from discontinued operations | – | (6,530) |
| Depreciation | 89,159 | 96,366 |
| Amortisation of goodwill | 3,175 | 893 |
| Amortisation of intangible assets | 1,551 | 1,092 |
| Write back of impairment of property and equipment | (180) | (275) |
| Impairment of long term investments | – | 8,576 |
| Unrealised gain on revaluation of short term investments | (1,504) | – |
| Net loss/(gain) on disposal of property and equipment | 7,657 | (9,965) |
| Loss on disposal of intangible assets | 1,713 | – |
| Bad debt expense/provision for doubtful debts | 1,967 | 4,473 |
| Provision for inventories | 63 | 1,851 |
| Net loss on disposal of subsidiaries | 2,158 | 1,495 |
| Interest income | (15,598) | (13,226) |
| Gain on disposal of an associate | – | (2,336) |
| Operating profit before working capital changes | 102,327 | 15,829 |
| Decrease in amount due to an associate | – | (2,726) |
| (Increase)/decrease in amounts due from related companies | (3,765) | 536 |
| Decrease in inventories | 46,424 | 5,335 |
| Increase in trade receivables | (18,926) | (103,608) |
| Decrease in prepayments, deposits and other current assets | 47,401 | 44,669 |
| (Decrease)/increase in amounts due to related companies | (2,788) | 30,526 |
| Increase/(decrease) in trade payables | 11,337 | (2,234) |
| (Decrease)/increase in receipts in advance | (5,912) | 4,234 |
| Decrease in other payables and accruals | (67,988) | (68,246) |
| Cash from/(used in) operations | 108,110 | (75,685) |
| Income taxes refunded | 9,178 | 3,542 |
| Net cash inflow/(outflow) from operating activities | 117,288 | (72,143) |

Consolidated Cash Flow Statement

For the year ended 31st December 2003

| | Notes | 2003 HK\$'000 | 2002 HK\$'000 |
|---|-------|------------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | | (49,451) | (54,614) |
| Purchases of investment properties | | (885) | (4,287) |
| Proceeds from disposal of property and equipment | | 2,267 | 45,914 |
| Net cash inflow attributable to acquisition of subsidiaries | 39(a) | – | 496 |
| Net cash outflow attributable to disposal of subsidiaries | 39(b) | (364) | (446) |
| Increase in intangible assets | | – | (7,026) |
| Decrease in short term investments | | – | 12,170 |
| (Increase)/decrease in pledged bank deposits | | (7,972) | 40,248 |
| Interest received | | 5,028 | 13,226 |
| Dividends received from associates | | – | 11,019 |
| Net cash (outflow)/inflow from investing activities | | (51,377) | 56,700 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of interest-bearing borrowings and notes payable | | (163,913) | (172,627) |
| New interest-bearing borrowings and notes payable | | 203,402 | 256,563 |
| Repayment of capital element of finance lease obligations | | (208) | (1,590) |
| Interest paid | | (92,170) | (75,539) |
| Net cash (outflow)/inflow from financing activities | | (52,889) | 6,807 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | 13,022 | (8,636) |
| Cash and cash equivalents at beginning of year | | 26,406 | 33,227 |
| Effect of foreign exchange rate changes, net | | 1,189 | 1,815 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 40,617 | 26,406 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank deposits | | 40,617 | 26,406 |

Notes to the Financial Statements

For the year ended 31st December 2003

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands on 6th March 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13th July 2000. 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 2003 was approximately 740 (2002: 1,042).

2. BASIS OF PRESENTATION

The financial statements have been prepared on the going concern basis, notwithstanding AAM Group reported a consolidated net loss from ordinary activities attributable to shareholders of HK\$49.6 million for the year ended 31st December 2003 and consolidated net current liabilities of HK\$172.0 million at 31st December 2003. 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.

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

For the year ended 31st December 2003

2. BASIS OF PRESENTATION (Continued)

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 results from operations improved from loss of HK\$73,115,000 for the year ended 31st December 2002 to profit of HK\$12,166,000 for 2003 and net loss attributable to shareholders reduced from HK\$75,239,000 for the year ended 31st December 2002 to HK\$49,585,000 for 2003.

AAM Group has 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.

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\$44 million; and
- (ii) 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\$137.6 million, over a 12-month period to March 2004 and subject to renewal for a further period of one year by mutual consent of both parties.

Notes to the Financial Statements

For the year ended 31st December 2003

2. BASIS OF PRESENTATION (Continued)

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 2003 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(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, over which AAM Group is in a position to exercise significant influence, but not control, through participation in its financial and operating policy decisions.

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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

For the year ended 31st December 2003

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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 consolidated income statement is the difference between the net sale proceeds and the carrying amount of the relevant asset.

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

(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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

Application software licenses are amortised on the straight-line basis over their estimated useful lives of 5 years. The estimated useful life of the GSM 1800 cellular licence will be determined upon the start of the roll out of the nationwide cellular operation in Indonesia.

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.

(i) 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.

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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

For the year ended 31st December 2003

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 consolidated 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

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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;

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition (Continued)

- (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.

(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 financial statements of the individual companies, transactions in foreign currencies during the year are translated into the respective measurement currencies at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective measurement currencies at the applicable rates of exchange ruling at that date, non-monetary assets and liabilities denominated 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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currencies (Continued)

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

(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 insurance 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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

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 expiry date are deleted from the register of outstanding options and have no impact on the consolidated income statement or balance sheet.

(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.

Notes to the Financial Statements

For the year ended 31st December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(y) **Change of accounting estimates**

The prematurity period, as defined in note (n) above, of certain cable television distribution network (the "Network") of AAM Group ended on 31st December 2003.

During the prematurity period of the Network, depreciation was computed based on the total estimated capitalised cost and expected number of subscribers at the end of the prematurity period.

Subsequent to the end of the prematurity period, AAM Group changed the basis of depreciation computation on the Network to reflect the actual capitalised cost and actual number of subscribers. As a result, the depreciation charge decreased by HK\$27.7 million for the year ended 31st December 2003.

Notes to the Financial Statements

For the year ended 31st December 2003

4. SEGMENT INFORMATION

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

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 system integration and solution services;
- (d) the 'Retail' segment primarily engages in retail operations; 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.

AAM Group has no change in business segments during 2003.

Notes to the Financial Statements

For the year ended 31st December 2003

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

Notes to the Financial Statements

For the year ended 31st December 2003

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

Notes to the Financial Statements

For the year ended 31st December 2003

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

| AAM Group | Broadband Services HK\$'000 | Cellular Services HK\$'000 | IT Solutions HK\$'000 | Retail HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--|-----------------------------------|----------------------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------------|
| At 31st December 2002 | | | | | | | |
| 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 (less amortisation of goodwill on acquisition of associates) | - | - | 373 | 36,613 | - | - | 36,986 |
| Net gain from discontinued 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 attributable to shareholders | | | | | | | (75,239) |

Notes to the Financial Statements

For the year ended 31st December 2003

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

| AAM Group | Broadband | Cellular | IT Solutions | Retail | Others | Eliminations | Consolidated |
|--|-----------|----------|--------------|----------|----------|--------------|--------------|
| | Services | Services | | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 31st December 2002 | | | | | | | |
| 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 |
| Year ended 31st December 2002 | | | | | | | |
| 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

For the year ended 31st December 2003

4. SEGMENT INFORMATION (Continued)

(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 segments is presented.

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:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Turnover | | |
| Continuing operations: | | |
| Broadband Services | | |
| – Insertion fees | 19,271 | 7,863 |
| – Subscription fees for cable television programmes | 142,863 | 113,929 |
| – Converter and fixed line broadband rental income, installation income and cable television membership joining fees | 30,526 | 20,012 |
| – Subscription fees for fast speed Internet access | 11,580 | 16,867 |
| – Corporate and other access network service fees | 43,487 | 31,262 |
| | 247,727 | 189,933 |
| Cellular Services | | |
| – Service connection fees | 31,433 | 20,003 |
| IT Solutions | | |
| – Fees for distribution and maintenance of hardware equipment and software packages and service fees for technology solutions rendered | 537,579 | 479,411 |
| Others | | |
| – Share administration fee* | 2,574 | 1,065 |
| | 819,313 | 690,412 |

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

Notes to the Financial Statements

For the year ended 31st December 2003

5. TURNOVER, REVENUE AND GAINS (Continued)

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Other operating income and gains | | |
| Interest income | 15,598 | 13,226 |
| Foreign exchange gains, net | 16,286 | 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 | 1,504 | – |
| Others | 18,913 | 2,671 |
| | 52,301 | 71,378 |
| Total | 871,614 | 761,790 |

6. DISCONTINUED OPERATIONS

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

Notes to the Financial Statements

For the year ended 31st December 2003

6. 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:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Turnover | – | – |
| Cost of sales and services rendered | – | – |
| Gross profit | – | – |
| Other operating income and gains | – | – |
| Selling and distribution costs | – | – |
| General and administrative expenses | – | – |
| Loss from operations | – | – |
| Finance costs | – | – |
| Gain on disposal of asset/discharge of liabilities relating to the discontinued operations* | – | 6,530 |
| Profit before income tax | – | 6,530 |
| Income tax expense | – | – |
| Net profit after income tax | – | 6,530 |

* There was no tax effect arising from discontinued operations.

There were no assets and liabilities relating to the discontinued operations as at 31st December 2003 (2002: Nil).

Notes to the Financial Statements

For the year ended 31st December 2003

7. PROFIT/(LOSS) FROM OPERATIONS

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Cost of sales and services rendered | 616,357 | 549,270 |
| Depreciation of property and equipment: | | |
| Owned assets | 88,434 | 95,323 |
| Leased assets | – | 355 |
| | 88,434 | 95,678 |
| Depreciation of investment properties | 725 | 688 |
| Amortisation of goodwill * | 3,175 | 893 |
| Amortisation of intangible assets * | 1,551 | 1,092 |
| | 4,726 | 1,985 |
| Staff costs, including Directors' remuneration (Note 9): | | |
| Salaries, allowances and benefits in kind | 98,160 | 106,770 |
| Retirement benefits scheme contributions (defined contribution scheme) | 175 | 1,444 |
| | 98,335 | 108,214 |
| (Write back of impairment)/impairment of: ** | | |
| Property and equipment | (180) | (275) |
| Long term investments | – | 8,576 |
| | (180) | 8,301 |
| Minimum lease payments under operating leases in respect of land and buildings | 19,097 | 21,758 |
| Net loss on disposal of property and equipment | 7,657 | – |
| Repairs and maintenance expenditure on property and equipment | 2,827 | 2,588 |
| Bad debts expense/provision for doubtful debts | 1,967 | 4,473 |
| Provision for inventories | 63 | 1,851 |
| Loss on disposal of subsidiaries | 2,158 | 3,383 |
| Auditors' remuneration | 1,932 | 2,249 |
| and crediting: | | |
| Interest income | 15,598 | 13,226 |
| 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 | 1,504 | – |
| Foreign exchange gains, net | 16,286 | 41,292 |

Notes to the Financial Statements

For the year ended 31st December 2003

7. PROFIT/(LOSS) FROM OPERATIONS (Continued)

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

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

8. FINANCE COSTS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Interest on: | | |
| Bank loans and overdrafts wholly repayable within five years | 56,733 | 43,280 |
| Notes payable wholly repayable within five years | 19,522 | 18,082 |
| Other borrowings wholly repayable within five years | 15,915 | 18,267 |
| Finance leases | – | 294 |
| | 92,170 | 79,923 |

9. DIRECTORS' REMUNERATION

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Fees | 60 | 53 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 5,297 | 5,728 |
| Performance related bonuses | 1,000 | 1,000 |
| Retirement benefits scheme contributions | 24 | 1,099 |
| | 6,321 | 7,827 |
| | 6,381 | 7,880 |

Notes to the Financial Statements

For the year ended 31st December 2003

9. DIRECTORS' REMUNERATION (Continued)

Fees include HK\$20,000 (2002: HK\$36,000) payable to the independent non-executive Directors. There were no other emoluments payable to the independent non-executive Directors during 2003 (2002: Nil).

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

| | Number of Directors | |
|--------------------------------|---------------------|-----------|
| | 2003 | 2002 |
| Nil to HK\$1,000,000 | 4 | 8 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | 1 |
| HK\$4,000,001 to HK\$4,500,000 | 1 | 1 |
| | 6 | 10 |

There was no arrangement under which a Director waived or agreed to waive any remuneration during 2003.

During 2003, no share options were granted to the Directors in respect of their services to AAM Group (2002: Nil).

For 2003, two (2002: three) executive Directors of the Company received emoluments of approximately HK\$4,300,000 and HK\$1,417,000 (2002: HK\$4,427,000, HK\$1,648,000 and HK\$669,000). Four (2002: four) non-executive Directors received Directors' fees of HK\$10,000 each (2002: HK\$10,000 each) for 2003. Three non-executive Directors did not receive any fee for the year ended 31st December 2002.

10. FIVE HIGHEST PAID EMPLOYEES

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

| | 2003 | 2002 |
|---|--------------|---------------|
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 7,395 | 9,827 |
| Performance related bonuses | 1,062 | 2,347 |
| Retirement benefits scheme contributions | 24 | 124 |
| | 8,481 | 12,298 |

The five highest paid employees during 2003 included two (2002: two) Directors, details of whose remuneration are set out in Note 9 above.

Notes to the Financial Statements

For the year ended 31st December 2003

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 | |
|--------------------------------|---------------------|----------|
| | 2003 | 2002 |
| HK\$1,000,001 to HK\$1,500,000 | 3 | 2 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | 1 |
| HK\$2,500,001 to HK\$3,000,000 | – | 1 |
| HK\$4,000,001 to HK\$4,500,000 | 1 | 1 |
| | 5 | 5 |

During 2003, no share options were granted to the three (2002: three) non-director, highest paid employees in respect of their services to AAM Group (2002: 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 2003 (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which AAM Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| AAM Group: | | |
| Current income tax * | – | – |
| Deferred income tax * | 12,873 | 2,223 |
| | 12,873 | 2,223 |
| Share of tax attributable to associates: | | |
| Current income tax * | 8,222 | 8,855 |
| Deferred tax benefits * | (424) | (2,513) |
| | 7,798 | 6,342 |
| Income tax expense | 20,671 | 8,565 |

* Imposed outside Hong Kong

Notes to the Financial Statements

For the year ended 31st December 2003

11. INCOME TAX EXPENSE (Continued)

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

| | 2003 | 2002 |
|----------------------------------|------|------|
| | % | % |
| Weighted statutory tax rate | 24 | 28 |
| Allowance on deferred tax assets | (94) | (33) |
| Non-deductible items | (16) | (4) |
| Non-taxable items | 27 | 5 |
| Others | (5) | (4) |
| Effective tax rate | (64) | (8) |

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for 2003 dealt with in the financial statements of the Company was HK\$13,723,000 (2002: HK\$5,403,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for 2003 of HK\$49,585,000 (2002: HK\$75,239,000), and 5,064,615,385 (2002: 5,064,615,385) ordinary shares in issue during 2003.

Diluted loss per share for the years ended 31st December 2003 and 2002 were not disclosed as there were no dilutive potential ordinary shares.

Notes to the Financial Statements

For the year ended 31st December 2003

14. PROPERTY AND EQUIPMENT

| AAM Group | Building | | Office furniture, | | Cable | | Equipment | Vehicles | Total |
|---|-------------------------------------|--|----------------------------|---------------------------|---------------------------------------|-----------------------------|-----------|----------|----------|
| | Land use rights and buildings | renovations and leasehold improvements | Communication equipment | fixtures and equipment | distribution television network | Construction in progress | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost: | | | | | | | | | |
| At 1st January 2003 | 26,507 | 20,426 | 202,407 | 74,265 | 40,085 | 368,018 | 48,024 | 1,590 | 781,322 |
| Additions | 4,527 | 1,162 | 10,505 | 6,276 | 2,523 | 14,610 | 5,716 | 4,132 | 49,451 |
| Disposals | - | (4,789) | (3) | (13,658) | - | - | (9,664) | (4,644) | (32,758) |
| Transfers | - | (27) | 4,170 | (4,089) | 377,312 | (377,366) | - | - | - |
| Translation adjustments | 1,061 | 1,254 | 9,855 | 3,850 | 5,684 | 16,565 | 2,515 | 89 | 40,873 |
| At 31st December 2003 | 32,095 | 18,026 | 226,934 | 66,644 | 425,604 | 21,827 | 46,591 | 1,167 | 838,888 |
| Accumulated depreciation and impairment: | | | | | | | | | |
| At 1st January 2003 | 1,802 | 10,188 | 36,617 | 36,890 | 9,037 | 82,634 | 24,630 | 855 | 202,653 |
| Depreciation provided during the year | 348 | 5,103 | 13,173 | 17,000 | 6,194 | 35,041 | 11,309 | 266 | 88,434 |
| Write back of impairment during the year recognised in the income statement | - | (180) | - | - | - | - | - | - | (180) |
| Disposals | - | (1,280) | - | (12,041) | - | - | (9,663) | (392) | (23,376) |
| Transfers | - | (13) | 1,992 | (1,979) | 108,412 | (108,412) | - | - | - |
| Translation adjustments | 96 | 557 | 2,022 | 1,881 | 1,558 | 3,534 | 1,278 | 43 | 10,969 |
| At 31st December 2003 | 2,246 | 14,375 | 53,804 | 41,751 | 125,201 | 12,797 | 27,554 | 772 | 278,500 |
| Net book value: | | | | | | | | | |
| At 31st December 2003 | 29,849 | 3,651 | 173,130 | 24,893 | 300,403 | 9,030 | 19,037 | 395 | 560,388 |
| At 31st December 2002 | 24,705 | 10,238 | 165,790 | 37,375 | 31,048 | 285,384 | 23,394 | 735 | 578,669 |

AAM Group has no finance leases at 31st December 2003. 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.

Notes to the Financial Statements

For the year ended 31st December 2003

14. PROPERTY AND EQUIPMENT (Continued)

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------|------------------|------------------|
| Medium term leases | 4,663 | 2,554 |
| Short term leases | 25,186 | 22,151 |
| | 29,849 | 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 2003, certain property and equipment with net book value of HK\$42,471,000 (2002: HK\$39,785,000) were pledged as security for certain banking and other borrowing facilities of AAM Group (Note 43).

| Company | Office furniture, fixtures and equipment HK\$'000 |
|---------------------------------------|---|
| Cost: | |
| At 1st January 2003 | 1,277 |
| Disposals | (376) |
| | <hr/> |
| At 31st December 2003 | 901 |
| | <hr/> |
| Accumulated depreciation: | |
| At 1st January 2003 | 748 |
| Depreciation provided during the year | 248 |
| Disposals | (296) |
| | <hr/> |
| At 31st December 2003 | 700 |
| | <hr/> |
| Net book value: | |
| At 31st December 2003 | 201 |
| | <hr/> |
| At 31st December 2002 | 529 |
| | <hr/> |

Notes to the Financial Statements

For the year ended 31st December 2003

15. INVESTMENT PROPERTIES

AAM Group

| | HK\$'000 |
|---------------------------------------|---------------|
| At cost: | |
| At 1st January 2003 | 47,801 |
| Additions | 885 |
| Disposals | (771) |
| Translation adjustments | <u>2,450</u> |
| At 31st December 2003 | <u>50,365</u> |
| Accumulated depreciation: | |
| At 1st January 2003 | 713 |
| Depreciation provided during the year | <u>725</u> |
| At 31st December 2003 | <u>1,438</u> |
| Net book value: | |
| At 31st December 2003 | <u>48,927</u> |
| At 31st December 2002 | <u>47,088</u> |
| Fair value: | |
| At 31st December 2003 | <u>69,293</u> |
| At 31st December 2002 | <u>68,640</u> |

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.

Notes to the Financial Statements

For the year ended 31st December 2003

15. INVESTMENT PROPERTIES (Continued)

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

| | 2003 | 2002 |
|--------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Medium term leases | 44,859 | 43,311 |
| Short term leases | 4,068 | 3,777 |
| | 48,927 | 47,088 |

At 31st December 2003, certain investment properties with an aggregate net book value of approximately HK\$48,790,000 (2002: HK\$46,523,000) were pledged as security for certain banking and other borrowing facilities of AAM Group (Note 43).

16. INTERESTS IN SUBSIDIARIES

| | Company | |
|-------------------------------|------------------|-----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Listed shares, at cost | 557,690 | 557,690 |
| Unlisted shares, at cost | 9,870 | 9,870 |
| | 567,560 | 567,560 |
| Due from subsidiaries | 505,461 | 523,630 |
| | 1,073,021 | 1,091,190 |
| Provision for impairment | (497,086) | (497,086) |
| | 575,935 | 594,104 |
| Market value of listed shares | 769,142 | 661,270 |

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\$106,984,000 (2002: HK\$100,882,000), which bears interest at three-month LIBOR rate plus 2.5% (2002: 9.5%) per annum for the amount denominated in United States dollar and one-month SBI rate plus 2% (2002: 18%) per annum for the amount denominated in Indonesian Rupiah.

Notes to the Financial Statements

For the year ended 31st December 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

| Name | Place of incorporation and operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|---------------------------------------|--|--|------|--|
| | | | 2003 | 2002 | |
| PT Multipolar Corporation Tbk ("Multipolar") (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 |
| 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 |

Notes to the Financial Statements

For the year ended 31st December 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

| Name | Place of incorporation and operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---------------------------------------|--|--|------|--|
| | | | 2003 | 2002 | |
| 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 | 51.5 | Operation of GSM 1800 cellular network |
| PT Inti Mitratama Abadi | Indonesia | Rp60,000,000,000 | 58.5 | 58.5 | Investment holding |
| PT Link Net | Indonesia | Rp12,500,000,000 | 97 | 97 | Internet service provider |
| PT Tirta Mandiri Sejahtera ("TMS") | Indonesia | Rp5,000,000 | 88 | 88 | Investing holding |
| Cyberworks Group Limited ("Cyberworks") | British Virgin Islands | US\$1,000 | 100 | 100 | Investing holding |

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 2003 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 years ended 31st December 2003 and 2002 are set out in Note 39 to the financial statements.

Notes to the Financial Statements

For the year ended 31st December 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

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% (2002: 57.6%) equity interest in Broadband Multimedia and Multipolar (a 50.1% (2002: 50.1%) owned subsidiary) owns 16.7% (2002: 16.7%) equity interest in Broadband Multimedia.*
- c. *The Company directly owns 95% (2002: 95%) equity interest in AsiaNet and Multipolar (a 50.1% (2002: 50.1%) owned subsidiary) owns 5% (2002: 5%) equity interest in AsiaNet.*

None of the subsidiaries had any loan capital in issue at any time during 2003 (2002: Nil).

At 31st December 2003, 95,500,000 shares (2002: 140,359,000 shares) in Broadband Multimedia with a quoted market value of approximately HK\$206,548,000 (2002: HK\$339,776,000) as at 31st December 2003 were pledged as security for banking and other borrowing facilities of AAM Group, as further detailed in Note 43 to the financial statements.

17. INTERESTS IN ASSOCIATES

AAM Group

| | 2003 | | | 2002 | | |
|-------------------------------|---------------------------|-----------------------------|-------------------|---------------------------|-----------------------------|-------------------|
| | Listed shares HK\$'000 | Unlisted shares HK\$'000 | Total HK\$'000 | Listed shares HK\$'000 | Unlisted shares HK\$'000 | Total HK\$'000 |
| Share of net assets | 760,940 | 8,838 | 769,778 | 688,027 | 6,280 | 694,307 |
| Goodwill on acquisition | 165,176 | – | 165,176 | 169,333 | – | 169,333 |
| | 926,116 | 8,838 | 934,954 | 857,360 | 6,280 | 863,640 |
| Market value of listed shares | 572,722 | N/A | | 518,844 | N/A | |

Notes to the Financial Statements

For the year ended 31st December 2003

17. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

| Name | Place of incorporation and operations | Nominal value of issued ordinary share capital | Percentage of ownership interest attributable to AAM Group | | Principal activities |
|---------------------------------------|---------------------------------------|--|--|-------|---|
| | | | 2003 | 2002 | |
| PT Matahari Putra Prima Tbk (a) & (b) | Indonesia | Rp1,352,997,000,000 | 23.78 | 23.63 | 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 |

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 2003 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 2003, 409,524,000 shares (2002: 330,001,000 shares) in Matahari with a market value of approximately HK\$197,168,000 (2002: HK\$143,937,000) 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 other associates are private limited companies.*
- (b) *Multipolar, a 50.1% (2002: 50.1%) owned subsidiary, owns 47.44% (2002: 47.17%) equity interest in Matahari. Accordingly, Matahari is considered an associate of AAM Group.*

Notes to the Financial Statements

For the year ended 31st December 2003

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

| | HK\$'000 |
|---------------------------------------|----------------|
| Cost: | |
| At 1st January 2003 | 363,930 |
| Translation adjustments | <u>18,653</u> |
| At 31st December 2003 | <u>382,583</u> |
| Accumulated amortisation: | |
| At 1st January 2003 | 194,597 |
| Amortisation provided during the year | 12,715 |
| Translation adjustments | <u>10,095</u> |
| At 31st December 2003 | <u>217,407</u> |
| Net book value: | |
| At 31st December 2003 | <u>165,176</u> |
| At 31st December 2002 | <u>169,333</u> |

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

18. LONG TERM INVESTMENTS

| | AAM Group | |
|-----------------------------|--------------|--------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Listed equity investments | 1,238 | 698 |
| Unlisted equity investments | 5,059 | 5,048 |
| | <u>6,297</u> | <u>5,746</u> |

Notes to the Financial Statements

For the year ended 31st December 2003

19. GOODWILL

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

AAM Group

| | HK\$'000 |
|---------------------------------------|----------------|
| Cost: | |
| At 1st January 2003 | 144,892 |
| Translation adjustments | <u>7,336</u> |
| At 31st December 2003 | <u>152,228</u> |
| Accumulated amortisation: | |
| At 1st January 2003 | 9,217 |
| Amortisation provided during the year | 3,175 |
| Translation adjustments | <u>413</u> |
| At 31st December 2003 | <u>12,805</u> |
| Net book value: | |
| At 31st December 2003 | <u>139,423</u> |
| At 31st December 2002 | <u>135,675</u> |

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

Notes to the Financial Statements

For the year ended 31st December 2003

20. INTANGIBLE ASSETS

AAM Group

| | Application software licenses HK\$'000 | Exclusive marketing and distribution rights HK\$'000 | GSM 1800 cellular licence HK\$'000 | Total HK\$'000 |
|---------------------------------------|---|---|---------------------------------------|-------------------|
| Cost: | | | | |
| At 1st January 2003 | 7,278 | 1,628 | – | 8,906 |
| Additions | 2,213 | – | 23,096 | 25,309 |
| Disposals | (1,936) | – | – | (1,936) |
| Translation adjustments | 373 | 68 | – | 441 |
| At 31st December 2003 | 7,928 | 1,696 | 23,096 | 32,720 |
| Accumulated amortisation: | | | | |
| At 1st January 2003 | 409 | 1,628 | – | 2,037 |
| Amortisation provided during the year | 1,551 | – | – | 1,551 |
| Disposals | (223) | – | – | (223) |
| Translation adjustments | 36 | 68 | – | 104 |
| At 31st December 2003 | 1,773 | 1,696 | – | 3,469 |
| Net book value: | | | | |
| At 31st December 2003 | 6,155 | – | 23,096 | 29,251 |
| At 31st December 2002 | 6,869 | – | – | 6,869 |

Notes to the Financial Statements

For the year ended 31st December 2003

21. DEFERRED TAX ASSETS

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

| | AAM Group | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Accumulated tax losses carried forward | 103,464 | 115,567 |
| Provision for doubtful debts | 15,161 | 18,755 |
| Depreciation on construction in progress in relation to cable television distribution network during the prematurity period | 11,211 | 20,623 |
| Depreciation on other property and equipment | (4,812) | (786) |
| Others | 4,585 | 3,463 |
| | 129,609 | 157,622 |
| Less: Provision for unrealisable items | (101,110) | (118,165) |
| | 28,499 | 39,457 |

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 | |
|--|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Rental and other deposits | 6,602 | 5,419 |
| Advance payments for acquisition of property and equipment | 4,310 | 5,886 |
| Loans to employees | 862 | 1,881 |
| Trade receivables (<i>Note 25</i>) | 3,340 | 2,195 |
| Prepaid expenses and others | 7,860 | 12,414 |
| | 22,974 | 27,795 |

The loans to employees are unsecured and interest-free.

Notes to the Financial Statements

For the year ended 31st December 2003

23. DUE FROM RELATED COMPANIES

AAM Group

| | 31st December 2003 | 1st January 2003 | Maximum amounts outstanding during the year |
|--------------------------------|-----------------------|---------------------|---|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| PT AIG Lippo Life | – | 6 | 6 |
| PT Bank Lippo Tbk | – | 280 | 294 |
| PT Ciptadana Sekuritas | – | 1,151 | 1,210 |
| PT Ciptamas Kreasi Dinamika | – | 71 | 74 |
| PT Dwi Putra Makmur Utama | – | 12 | 13 |
| PT JO Metropolitan | 27 | – | 27 |
| PT Kodel Investindo Mesa | – | 201 | 211 |
| PT Lippo E-Net Tbk | – | 72 | 78 |
| PT Lippo General Insurance | 10 | – | 10 |
| PT Matahari Putra Prima Tbk | 1,427 | 87 | 1,427 |
| PT Multifiling Mitra Indonesia | 956 | – | 957 |
| PT Prima Mitratama Sentara | – | 12 | 13 |
| | <hr/> | <hr/> | |
| | 2,420 | 1,892 | |
| | <hr/> | <hr/> | |

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 | |
|-------------------------|---------------|----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Finished goods, at cost | 29,386 | 72,596 |
| | <hr/> | <hr/> |

At 31st December 2003, inventories with carrying amount of approximately HK\$28,769,000 (2002: HK\$71,571,000) were pledged to secure certain banking and other borrowing facilities granted to AAM Group (Note 43).

Notes to the Financial Statements

For the year ended 31st December 2003

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 | |
|--|------------------|-----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Within 3 months | 181,542 | 168,461 |
| 3 to 6 months | 3,196 | 3,222 |
| Over 6 months | 14,483 | 6,478 |
| | 199,221 | 178,161 |
| Less: Provision for doubtful debts | (6,437) | (8,397) |
| Total trade receivables | 192,784 | 169,764 |
| Portion classified as current assets | (189,444) | (167,569) |
| Non-current portion (<i>Note 22</i>) | 3,340 | 2,195 |

The trade receivables of AAM Group at 31st December 2003 included trading receivables from certain related companies totalling HK\$46,720,000 (2002: HK\$13,049,000) which are unsecured, interest-free and are repayable principally in accordance with normal trading terms.

At 31st December 2003, trade receivables with a carrying value of approximately HK\$130,242,000 (2002: HK\$132,564,000) were pledged to secure certain banking and other borrowing facilities granted to AAM Group (Note 43).

Notes to the Financial Statements

For the year ended 31st December 2003

26. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

| | AAM Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Deposits | 78 | 789 | 78 | 241 |
| Prepaid operating expenses | 13,346 | 5,246 | 829 | 547 |
| Prepaid taxes | 22,626 | 51,051 | – | – |
| Advances to suppliers and contractors | 9,552 | 16,768 | – | – |
| Other receivables | 22,635 | 34,757 | – | – |
| | 68,237 | 108,611 | 907 | 788 |

Included in other receivables is an amount due from a related company amounting HK\$8,005,000 (2002: HK\$6,210,000). The balance as at 31st December 2003 represented the maximum balance during 2003.

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

27. SHORT TERM INVESTMENTS

| | AAM Group | |
|------------------------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Listed securities, at market value | 19,871 | 17,458 |
| Managed funds | 128,241 | 112,550 |
| | 148,112 | 130,008 |

Notes to the Financial Statements

For the year ended 31st December 2003

27. SHORT TERM INVESTMENTS (Continued)

The investments in managed funds represent discretionary guaranteed funds managed by a licensed investment manager and a third party (collectively "Fund Managers") pursuant to certain investment management agreements entered into between AAM Group and the Fund Managers. The initial funds invested under these management agreements were denominated in Indonesian Rupiah and United States dollar of approximately HK\$95 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 dollar. 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 Fund Managers 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 dollar must be invested in fixed-income products. The investment management agreements have a term of one year, which will expire on 29th November 2004 and are renewable upon expiry, and may be terminated at any time by AAM Group or the Fund Managers 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 2003, the investments managed under these agreements comprised cash and bank deposits, promissory notes and commercial papers issued by various companies totalling approximately HK\$24,438,000, HK\$16,112,000 and HK\$87,691,000 respectively.

28. CASH AND BANK DEPOSITS AND PLEDGED BANK DEPOSITS

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

At 31st December 2003, certain cash and bank deposits (including pledged bank deposits) of AAM Group amounting to approximately HK\$26,248,000 (2002: HK\$26,927,000) were denominated in Indonesian Rupiah.

At 31st December 2003, certain bank deposits of AAM Group of HK\$9,179,000 (2002: HK\$1,117,000) were pledged to secure certain banking facilities of AAM Group (Note 43).

Notes to the Financial Statements

For the year ended 31st December 2003

29. SHARE CAPITAL

Shares

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|-------------------|------------------|
| <i>Authorised:</i> | | |
| 150,000,000,000 (2002: 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 (2002: 5,064,615,385) ordinary 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 2003 and 2002.

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 25 of the financial statements.

(b) Company

| | 2003 HK\$'000 | 2002 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 2003 and 2002.

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").

Notes to the Financial Statements

For the year ended 31st December 2003

31. INTEREST-BEARING BORROWINGS

| | AAM Group | |
|--|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Bank overdrafts: | | |
| Secured | 1 | 4,298 |
| Bank loans: | | |
| Secured | 418,809 | 291,244 |
| Unsecured | – | 17,447 |
| | 418,809 | 308,691 |
| Other borrowings: | | |
| Secured | 43,178 | – |
| Unsecured | 286,654 | 224,131 |
| | 329,832 | 224,131 |
| | 748,642 | 537,120 |
| The maturities of the borrowings are as follows: | | |
| Bank overdrafts repayable within one year or on demand | 1 | 4,298 |
| Bank loans repayable: | | |
| Within one year | 196,610 | 299,002 |
| In the second year | 53,250 | 3,358 |
| In the third to fifth years, inclusive | 168,949 | 6,331 |
| | 418,809 | 308,691 |
| Other borrowings: | | |
| Within one year | 83,610 | 117,075 |
| In the second year | 211,680 | 107,056 |
| In the third to fifth years, inclusive | 34,542 | – |
| | 329,832 | 224,131 |
| Total bank and other borrowings | 748,642 | 537,120 |
| Portion classified as current liabilities | (280,221) | (420,375) |
| Non-current portion | 468,421 | 116,745 |

Notes to the Financial Statements

For the year ended 31st December 2003

31. INTEREST-BEARING BORROWINGS (Continued)

Approximately HK\$53,284,000 (2002: HK\$90,507,000) of AAM Group's bank loans are denominated in United States dollar and bear interest at 6.5% to 9% (2002: 9% to 10.5%) per annum. Approximately HK\$365,526,000 (2002: HK\$222,482,000) of AAM Group's bank loans and overdrafts are denominated in Indonesian Rupiah and bear interest at rates ranging from 16% to 23% (2002: 18% to 23%) per annum.

Approximately HK\$49,072,000 (2002: HK\$111,916,000) of AAM Group's other borrowings at 31st December 2003 are denominated in United States dollar and bear interest at rates ranging from 3.25% to 5.48% (2002: 4.9% to 10.5%) per annum. Approximately HK\$280,760,000 (2002: HK\$112,215,000) of AAM Group's other borrowings are denominated in Indonesia Rupiah and bear interest at rates ranging from 9.5% to 23% (2002: 13% to 23%) 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.

At 31st December 2002, AAM Group had a bank loan from PT Bank Lippo Tbk, a related company, amounting to approximately HK\$21,372,000, which was secured by 100 million shares of Matahari, bore interest at rates ranging from 19% to 19.5% per annum and was repaid during 2003.

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 3.4% to 25% (2002: 9% to 24%) per annum and are repayable as follows:

| | AAM Group | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Within one year or on demand | 62,882 | 17,756 |
| In the second year | 33,793 | 60,087 |
| In the third to fifth years, inclusive | 19,077 | 49,937 |
| | 115,752 | 127,780 |
| Portion classified as current liabilities | (62,882) | (17,756) |
| Non-current portion | 52,870 | 110,024 |

Notes to the Financial Statements

For the year ended 31st December 2003

33. FINANCE LEASE OBLIGATIONS

At 31st December 2003 and 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

| | Minimum lease payments | Minimum lease payments | Present value of minimum lease payments | Present value of minimum lease payments |
|---|------------------------------|------------------------------|---|---|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| AAM Group | | | | |
| Amounts payable: | | | | |
| Within one year | – | 249 | – | 185 |
| In the second year | – | 20 | – | 15 |
| Total minimum finance lease payments | – | 269 | – | 200 |
| Future finance charges | – | (69) | | |
| Total net finance lease payable | – | 200 | | |
| Portion classified as current liabilities | – | (185) | | |
| Non-current portion | – | 15 | | |

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 (2002: HK\$4,000,000) at 31st December 2003, which bears interest at Hong Kong dollar prime lending rate plus 1% per annum (2002: Hong Kong dollar prime lending rate plus 1% per annum).

The amounts due to related companies of AAM Group have no fixed terms of repayment, except for certain amounts totalling approximately HK\$6,717,000 (2002: HK\$5,919,000) 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 lending rate plus 1% per annum (2002: Hong Kong dollar prime lending rate plus 1% per annum) and is not repayable within twelve months from the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December 2003

35. NON-CURRENT TRADE AND OTHER PAYABLES

| | AAM Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Trade payables (<i>Note 36</i>) | – | 4,584 | – | – |
| Other payables | 8,865 | 11,309 | – | 250 |
| | 8,865 | 15,893 | – | 250 |

36. TRADE PAYABLES

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

| | AAM Group | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Within 3 months | 78,022 | 52,021 |
| 3 to 6 months | 13,179 | 9,170 |
| 6 to 12 months | 23,283 | 32,053 |
| Over 12 months | – | 7,809 |
| | 114,484 | 101,053 |
| Portion classified as current liabilities | (114,484) | (96,469) |
| | – | 4,584 |
| Long term portion (<i>Note 35</i>) | – | 4,584 |

The trade payables of AAM Group at 31st December 2003 included payable to certain related companies totalling HK\$2,494,000 (2002: HK\$244,000). The balances are unsecured, interest-free and are payable principally in accordance with normal trading terms.

Notes to the Financial Statements

For the year ended 31st December 2003

37. LIABILITIES/ESTIMATED LIABILITIES RELATING TO CERTAIN DISCONTINUED OPERATIONS

| | AAM Group | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Amounts payable: | | |
| Within one year or on demand | – | 43,091 |
| In the second year | – | 100,545 |
| | – | 143,636 |
| Portion classified as current liabilities | – | (43,091) |
| Non-current portion | – | 100,545 |

In accordance with the agreements entered into by AAM Group with certain third parties with respect to the disposal 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 2002 represented credit facility granted by PT Japan Asia Investment Corporation in connection with the settlement of the liabilities arising from the discontinued operations of AAM Group. The credit facility was interest bearing at 18% per annum and was secured by AAM Group's investment in Matahari to the extent of approximately HK\$34,894,000 and investment in Broadband Multimedia to the extent of approximately HK\$235,683,000.

During 2003, the credit facility and interest accrued thereon amounting approximately HK\$97.1 million and HK\$53.9 million were re-financed by a bank and a finance company, respectively.

Notes to the Financial Statements

For the year ended 31st December 2003

38. SHARE OPTION SCHEMES

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

(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 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 GEM.

As at 31st December 2003, options granted on the Grant Date to 12 participants (other than the Directors of the Company) to subscribe for an aggregate of 12,885,000 shares of the Company at a subscription price of HK\$3.28 per share were outstanding. The option for each grantee is exercisable in accordance with the Pre-IPO Plan at any time during a period commencing from the respective commencement dates and ending on 22nd June 2010 in accordance with the following schedule:

| Commencement date | Percentage of underlying shares |
|-------------------|---------------------------------|
| 14th January 2001 | 10 |
| 1st April 2001 | 10 |
| 1st April 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 options granted under the Pre-IPO Plan are set out in the Prospectus.

Notes to the Financial Statements

For the year ended 31st December 2003

38. SHARE OPTION SCHEMES (Continued)

(a) Pre-IPO Plan (Continued)

The following options were outstanding under the Pre-IPO Plan during 2003:

| Participant | Number of underlying shares | | |
|-------------|------------------------------|-----------------------|--------------------------------|
| | As at 1st January 2003 | Lapsed during 2003 | As at 31st December 2003 |
| Directors | 21,779,000 | – | 21,779,000 |
| Others | 15,865,200 | (2,980,200) | 12,885,000 |
| Total | 37,644,200 | (2,980,200) | 34,664,000 |

Options granted under the Pre-IPO Plan in respect of 34,664,000 shares of the Company represented approximately 0.68% of the enlarged issued share capital thereof.

No options under the Pre-IPO Plan were exercised or cancelled during 2003.

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

(b) 2002 Scheme

The purpose of the 2002 Scheme is to reward the participants who have contributed or may contribute to 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 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.

Notes to the Financial Statements

For the year ended 31st December 2003

38. SHARE OPTION SCHEMES (Continued)

(b) 2002 Scheme (Continued)

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

No options had been granted under the 2002 Scheme since the adoption date and up to 31st December 2003.

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

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

During 2002, 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 share 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.

Notes to the Financial Statements

For the year ended 31st December 2003

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

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 the financial statements of AAM Group for the year ended 31st December 2002, pending the completion of appraisals of the identifiable assets and liabilities acquired (the "Appraisals"). There are no material changes in the values of the identifiable assets and liabilities acquired and the goodwill on acquisition as stated below subsequent to the completion of the Appraisals during 2003.

Notes to the Financial Statements

For the year ended 31st December 2003

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

| | 2003 HK\$'000 | 2002 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 |

Notes to the Financial Statements

For the year ended 31st December 2003

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Cash consideration paid | – | (3) |
| Cash and bank deposits acquired | – | 499 |
| Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries | – | 496 |

There were no acquisition of subsidiaries during the year ended 31st December 2003.

The subsidiaries acquired during the year ended 31st December 2002 had no significant impact in respect of AAM Group's consolidated turnover or loss after tax for that year.

Notes to the Financial Statements

For the year ended 31st December 2003

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Net assets disposed of: | | |
| Property and equipment | 229 | 50 |
| Intangible assets | – | 24,959 |
| Deferred tax assets | 19 | – |
| Due from related companies | 3,368 | – |
| Trade receivables | 892 | – |
| Prepayments, deposits and other current assets | 328 | 250 |
| Short term investments | – | 5,505 |
| Cash and bank deposits | 364 | 446 |
| Notes payable | – | (31,909) |
| Other payables and accruals | (1,442) | (3,555) |
| Tax payable | (1,600) | (136) |
| Minority interests | – | 39,416 |
| | 2,158 | 35,026 |
| Net loss on disposal of subsidiaries | (2,158) | (1,495) |
| | – | 33,531 |
| Satisfied by: | | |
| Cash consideration receivable | – | 33,531 |

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Cash and bank deposits disposed of | (364) | (446) |
| Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries | (364) | (446) |

The subsidiaries disposed during the years ended 31st December 2003 and 2002 have no significant impact in respect of AAM Group's consolidated turnover or loss after tax for those years.

Notes to the Financial Statements

For the year ended 31st December 2003

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

AAM Group had the following major non-cash transactions during 2003:

- (a) During 2003, AAM Group acquired intangible assets at a total consideration of approximately HK\$25,309,000. The consideration was still outstanding at the balance sheet date.
- (b) During 2003, AAM Group received interest income from managed funds of approximately HK\$10,570,000. The interest receivable had been re-invested into the respective managed funds.

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 | |
|---|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Within one year | 11,856 | 8,967 | — | — |
| In the second to fifth years, inclusive | 17,564 | 19,545 | — | — |
| After five years | 9,285 | 6,279 | — | — |
| | 38,705 | 34,791 | — | — |

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:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|----------------------------------|------------------|------------------|
| Contracted, but not provided for | — | 3,149 |

The Company did not have any significant capital commitments as at 31st December 2003 (2002: Nil).

Notes to the Financial Statements

For the year ended 31st December 2003

42. CONTINGENT LIABILITIES

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

| | AAM Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Guarantee given to a financing company for a loan granted to a subsidiary | – | – | 101,215 | – |
| Guarantees given to a vendor and an affiliated finance company of the vendor for financing granted to a subsidiary | – | – | – | 84,082 |

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\$42,471,000 as at 31st December 2003 (2002: HK\$39,785,000)(Note 14).
- (ii) Investment properties with net book value of approximately HK\$48,790,000 as at 31st December 2003 (2002: HK\$46,523,000)(Note 15).
- (iii) 95,500,000 shares (2002: 140,359,000 shares) in Broadband Multimedia, a subsidiary, with market value of approximately HK\$206,548,000 as at 31st December 2003 (2002: HK\$339,776,000)(Note 16).
- (iv) 409,524,000 shares (2002: 330,001,000 shares) in Matahari with market value of approximately HK\$197,168,000 as at 31st December 2003 (2002: HK\$143,937,000) (Note 17).
- (v) Inventories with a carrying value of approximately HK\$28,769,000 as at 31st December 2003 (2002: HK\$71,571,000)(Note 24).
- (vi) Trade receivables with a carrying value of approximately HK\$130,242,000 as at 31st December 2003 (2002: HK\$132,564,000)(Note 25).
- (vii) Bank deposits of approximately HK\$9,179,000 as at 31st December 2003 (2002: HK\$1,117,000)(Note 28).

Notes to the Financial Statements

For the year ended 31st December 2003

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\$1,238,000 (2002: HK\$698,000), which are stated at quoted market price, their carrying amount approximates their fair value. For long term investments in unlisted shares of approximately HK\$5,059,000 (2002: HK\$5,048,000), 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 | |
|--|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Other non-current financial assets | 6,494 | 5,968 | 4,224 | 5,301 |
| Long term floating rate borrowings, non-current portion | 302,136 | 7,134 | 202,683 | 5,693 |
| Long term fixed rate borrowings, non-current portion | 166,285 | 109,611 | 147,329 | 98,224 |
| Finance lease payables, non-current portion | – | 200 | – | 200 |
| Notes payable, non-current portion | 52,870 | 110,024 | 45,370 | 96,491 |
| Other non-current liabilities | 6,717 | 10,503 | 6,172 | 9,404 |

Notes to the Financial Statements

For the year ended 31st December 2003

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 2003

| | Within one year HK\$'000 | In the second year HK\$'000 | In the third to fifth years, inclusive HK\$'000 | Total HK\$'000 |
|------------------------|--------------------------------|-----------------------------------|---|-------------------|
| Fixed rate | | | | |
| Bank loans | 9,170 | – | 9,290 | 18,460 |
| Other borrowings | 28,925 | 156,995 | – | 185,920 |
| Finance lease payables | – | – | – | – |
| Notes payable | 62,882 | 33,793 | 19,077 | 115,752 |
| Floating rate | | | | |
| Cash and bank deposits | 40,617 | – | – | 40,617 |
| Pledged bank deposits | 9,179 | – | – | 9,179 |
| Bank overdrafts | 1 | – | – | 1 |
| Bank loans | 187,440 | 53,250 | 159,659 | 400,349 |
| Other borrowings | 54,685 | 54,685 | 34,542 | 143,912 |

As at 31st December 2002

| | | | | |
|------------------------|---------|---------|--------|---------|
| 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 |

Notes to the Financial Statements

For the year ended 31st December 2003

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\$128.2 million at 31st December 2003. 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.

Notes to the Financial Statements

For the year ended 31st December 2003

45. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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.

(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 become due. Any adverse movement in the exchange rate of Indonesian Rupiah against the United States dollar would have an adverse effect on the result of 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 2003, approximately 37% of AAM Group's interest-bearing borrowing 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.

Notes to the Financial Statements

For the year ended 31st December 2003

45. FINANCIAL RISK MANAGEMENT (Continued)

(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\$468.4 million and HK\$52.9 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.

(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 business.

Notes to the Financial Statements

For the year ended 31st December 2003

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 2003:

| | AAM Group | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Services fee from distribution and maintenance of hardware equipment and software packages and services fee for technology solutions rendered to: | | |
| – PT AIG Lippo | 1,267 | – |
| – PT Bank Lippo Tbk | 76,236 | 42,640 |
| – PT Matahari Putra Prima Tbk | 3,395 | 1,205 |
| – PT Siloam Healthcare Tbk | – | 546 |
| Interest income from: | | |
| – PT Bank Lippo Tbk | 443 | 1,207 |
| Share administration fee income from: | | |
| – PT Bank Lippo Tbk | 1,181 | 809 |
| – PT Lippo E-Net Tbk | 224 | 596 |
| – PT Bukit Sentul Tbk | – | 489 |
| Insertion fee income for services rendered to: | | |
| – PT Cosmopolitan Indonesia | 17,040 | – |
| – PT Matahari Putra Prima Tbk | – | 5,981 |
| Subscription fees for fast speed Internet access: | | |
| – PT Bank Lippo Tbk | 1,159 | – |
| Operating lease rentals charged by: | | |
| – PT Matahari Putra Prima Tbk | 1,371 | 1,546 |
| Interest expense on loans obtained from: | | |
| – PT Bank Lippo Tbk | 2,843 | 4,025 |
| Interest expense on temporary advances from: | | |
| – PT Multifiling Mitra Indonesia | 100 | – |
| Pension fund expense charged by: | | |
| – PT AIG Lippo | 1,130 | 2,138 |
| Advertising expense charged by: | | |
| – PT Cosmopolitan Indonesia | – | 104 |
| Achieve management fees: | | |
| – PT Multifiling Mitra Indonesia | 659 | – |
| – PT Ciptadana Securities Tbk | 365 | – |

Notes to the Financial Statements

For the year ended 31st December 2003

46. RELATED PARTY TRANSACTIONS (Continued)

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 Note 2 to the financial statements.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 22nd March 2004.

Notice of Annual General Meeting

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 Monday, 10th May 2004 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 2003.
2. To consider the re-election of the retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.
3. To consider the re-appointment of RSM Nelson Wheeler as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

A. **"THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional authorised and issued shares in the capital of the Company and to make or grant offers, agreements and options including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options including rights to subscribe for or convert into shares, the making or granting of which might require the exercise of such powers to allot, issue and deal with additional shares in the capital of the Company after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any option granted under the Company's share option schemes or any other option, scheme or similar arrangement for the time being adopted for the grant

Notice of Annual General Meeting

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
- (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.”

Notice of Annual General Meeting

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

Notice of Annual 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 Articles of Association of the Company be amended as follows:

A. The existing interpretation of “subsidiary and holding company” in Article 2 be deleted and replaced with the following new interpretation:

“subsidiary “subsidiary” includes the following:

and

holding company (a) the meaning attributed to it in section 2 of the Companies Ordinance;

(b) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards; and

(c) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards; and

“holding company” shall have the meaning ascribed to it in the Companies Ordinance;”

Notice of Annual General Meeting

- B. The following Article 85A be inserted immediately after Article 85:

“Abstain from voting as required under the Listing Rules 85A. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

- C. The existing paragraphs (c) and (f) under Article 107 be deleted and replaced with the following new paragraphs (c) and (f):

“Director may not vote where he has a material interest (c) A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal whatsoever in which he or any of his Associate(s) (as defined below in paragraph (f)) has any material interest, but this prohibition shall not apply to any of the following matters, namely:

- Director may vote in respect of certain matters**
- (i) the giving of any security or indemnity either:
 - (aa) to the Director or his Associate(s) (as defined below in paragraph (f)) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associate(s) (as defined below in paragraph (f)) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his

Notice of Annual General Meeting

Associate(s) (as defined below in paragraph (f)) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iii) any proposal concerning any other company in which the Director or his Associate(s) (as defined below in paragraph (f)) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his Associate(s) (as defined below in paragraph (f)) is/are beneficially interested in the shares of that company, provided that the Director and any of his Associates (as defined below in paragraph (f)) are not in aggregate, beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any Associate(s) (as defined below in paragraph (f)) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his Associate(s) (as defined below in paragraph (f)) may benefit; or
 - (bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates to Directors, his Associate(s) (as defined below in paragraph (f)) and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his Associate(s) (as defined below in paragraph (f)) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

Notice of Annual General Meeting

- (v) any contract or arrangement in which the Director or his Associate(s) (as defined below in paragraph (f)) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”

“Definition of “Associates” (f) For the purpose of paragraph (c), “Associates” means, in relation to an individual:

- (i) his spouse;
- (ii) any child or step-child, natural or adopted, under the age of 18 years of such individual or of his spouse (together with (f)(i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);
- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (f)(iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the

Notice of Annual General Meeting

HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.”

- D. The existing Article 120 be deleted and replaced with the following new Article:

| | |
|---|---|
| <p>“Notice to be given when person proposed for election</p> | <p>120. No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless not less than seven clear days before the day appointed for the meeting and not earlier than the day after the despatch of the notice for such meeting, there has been given to the Secretary (i) notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also (ii) notice in writing signed by the person to be proposed of his willingness to be elected.””</p> |
|---|---|

By Order of the Board
Kelsch Woon Kun WONG
Company Secretary

Hong Kong, 30th March 2004

*Head Office and Principal Place of
 Business in Hong Kong:*
 Room 4302, 43rd Floor
 Tower One
 Lippo Centre
 89 Queensway
 Hong Kong

Notice of Annual General Meeting

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.*