

22. ACCOUNTANTS' REPORT (Cont'd)

PRICEWATERHOUSECOOPERS 

Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(h) Finance lease liabilities (continued)

The following is a summary of the minimum lease payments for the lease of transponders on MEASAT-1:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
Lease rental obligations	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:						
Not later than 1 year	106,287	37,029	37,029	37,029	37,029	37,029
Later than 1 year and not later than 2 years	106,145	37,029	37,029	37,029	37,029	37,029
Later than 2 years and not later than 5 years	318,437	111,088	111,088	111,088	101,832	83,315
Later than 5 years	444,015	101,831	64,802	27,773	0	0
	974,884	286,977	249,948	212,919	175,890	157,373
Future finance charges on finance lease	(326,336)	(86,488)	(67,800)	(50,946)	(36,110)	(29,508)
Present value of finance lease liabilities	648,548	200,489	182,148	161,973	139,780	127,865
Maturity period						
Not later than 1 year	46,543	18,341	20,175	22,193	24,412	25,604
Later than 1 year and not later than 2 years	50,982	20,175	22,193	24,412	26,853	28,164
Later than 2 years and not later than 5 years	185,628	73,458	80,804	88,884	88,515	74,097
Later than 5 years	365,395	88,515	58,976	26,484	0	0
Present value of finance lease liabilities	648,548	200,489	182,148	161,973	139,780	127,865

One of the five transponders leased on MEASAT-1 is rent free until revenue is generated from commercial use of that transponder, whereupon rental will be mutually agreed based on prevailing market rates, prorated for transponder capacity utilised. Should a third party propose to take a sublease of that transponder, MBNS, the lessee may either sublease it directly, remitting the balance of rental after deduction of reasonable costs to BSS, or procure a third party to lease it directly from BSS, thereby relinquishing MBNS's rights to that transponder. No revenue has been generated from this transponder for each of the years/period.

For the years/period presented in this Report, there was no material default on borrowings and no major legal or other actions taken by the lenders to recover the amounts owed.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

26 Redeemable convertible preference shares ("RCPS")

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Authorised						
<u>A Series RCPS of U.S.\$0.01 each</u>						
At beginning of year/period	0	0	0	2,850	2,850	2,850
Created during the year/period	0	0	2,850	0	0	0
At end of year/period						
- 75,000,000 RCPS	0	0	2,850	2,850	2,850	2,850
<u>B Series RCPS of U.S.\$0.01 each</u>						
At beginning of year/period	0	0	0	2,050	2,050	2,050
Created during the year/period	0	0	2,050	0	0	0
At end of year/period						
- 53,947,368 RCPS	0	0	2,050	2,050	2,050	2,050
	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Issued and fully paid						
<u>Equity component</u>						
A Series RCPS	0	0	10,000	10,000	10,000	10,000
B Series RCPS	0	0	7,230	7,230	7,230	7,230
RCPS (equity component)	0	0	17,230	17,230	17,230	17,230
<u>Non-current liability component</u>						
A Series RCPS	0	0	292,277	314,359	0	0
B Series RCPS	0	0	201,404	216,620	232,986	241,629
Non-current RCPS (liability component)	0	0	493,681	530,979	232,986	241,629

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

26 Redeemable convertible preference shares ("RCPS") (continued)

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Issued and fully paid (continued)						
<u>Current liability component</u>						
A Series RCPS	0	0	0	0	338,109	349,777
Current RCPS (liability component)	0	0	0	0	338,109	349,777
Total RCPS	0	0	510,911	548,209	588,325	608,636

Total RCPS may be analysed as follows:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Nominal value</u>						
- A Series RCPS	0	0	2,850	2,850	2,850	2,850
- B Series RCPS	0	0	2,050	2,050	2,050	2,050
Nominal value	0	0	4,900	4,900	4,900	4,900
<u>Share premium</u>						
- A Series RCPS	0	0	282,150	282,150	282,150	282,150
- B Series RCPS	0	0	202,950	202,950	202,950	202,950
Share premium	0	0	485,100	485,100	485,100	485,100
<u>Accretion of yield</u>						
- A Series RCPS	0	0	17,278	39,359	63,110	74,777
- B Series RCPS	0	0	3,633	18,850	35,215	43,859
Accretion of yield	0	0	20,911	58,209	98,325	118,636
Total RCPS	0	0	510,911	548,209	588,325	608,636

On 12 October 2000, AAAN Bermuda Ltd issued 75,000,000 RCPS of U.S.\$0.01 each ("A Series RCPS") at an issue price of U.S.\$1.00 each for the acquisition of RCPS in MBNS and on 31 October 2000, additional 53,947,368 RCPS of U.S.\$0.01 each were issued at an issue price of U.S.\$1.00 each for cash ("B Series RCPS").

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

26 Redeemable convertible preference shares ("RCPS") (continued)

The salient terms relating to the A Series RCPS and B Series RCPS are as follows:

- (a) Upon the occurrence of an Initial Public Offering ("IPO"), the A Series RCPS and B Series RCPS will be converted into ordinary shares representing 9.4% and 5.6%, respectively, of the enlarged share capital of AAAN Bermuda Ltd after the IPO, plus:
 - (i) additional shares equivalent to 8.0% per annum (compounded annually) of the issue price of the A Series RCPS and B Series RCPS calculated from the date which is six months from the Relevant Dates (ie. 28 March 2000 for the A Series RCPS and 31 October 2000 for the B Series RCPS) up to the date of conversion, divided by the IPO price per share, less such amount of the said 8.0% yield which AAAN Bermuda Ltd may decide to pay in cash after the third anniversary of the Relevant Dates; and
 - (ii) for A Series RCPS, a specified percentage of post IPO shares (approximately 1.3% of every U.S.\$100.0 million up to a maximum of 6.3%) if the fully diluted value of AAAN Bermuda Ltd falls below U.S.\$1,000.0 million. The fully diluted value means the U.S.\$ equivalent of the amount in Ringgit Malaysia which is 110.0% of the post IPO shares multiplied by the IPO price.
- (b) The ordinary shares to be issued on conversion of the A Series RCPS and B Series RCPS shall rank *pari passu* in all respects with the ordinary shares of AAAN Bermuda Ltd then in issue and fully paid.
- (c) If the A Series RCPS and B Series RCPS are not converted at the second anniversary from the Relevant Dates, the RCPS holders have an option to require AAAN Bermuda Ltd to redeem all the RCPS between the second and third anniversary of the Relevant Dates at U.S.\$75.0 million for the A Series RCPS and U.S.\$ equivalent of RM205.0 million for the B Series RCPS plus a sum representing 8.0% per annum calculated from the date which is six months following the Relevant Dates to the date of redemption. AAAN Bermuda Ltd has nine months from the service of the notice to redeem the RCPS. If AAAN Bermuda Ltd is unable to redeem the RCPS within nine months from the service of the notice, it may in lieu of redeeming the RCPS, procure a third party to purchase the RCPS within three months following the expiry of the redemption period for a consideration equal to the redemption amount. If the A Series RCPS and B Series RCPS holders do not give a redemption notice, AAAN Bermuda Ltd may redeem all the RCPS at any time following the third anniversary of the Relevant Dates.
- (d) The A Series RCPS and B Series RCPS passed their second anniversary on 28 March 2002 and 31 October 2002, respectively. On 19 December 2002, the holder of the A Series RCPS served a redemption notice on AAAN Bermuda Ltd.
- (e) In the event of the winding up of AAAN Bermuda Ltd or a reduction by repayment of capital, the RCPS carry the right to have the surplus assets applied first in paying off the RCPS held by the holders and in payment of the arrears of premium. The RCPS holders shall not be entitled to any further assets available for distribution.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

27 Payables

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at
	1999	2000	2001	2002	2003	31 July
Current	RM'000	RM'000	RM'000	RM'000	RM'000	2003
Trade payables and accruals	81,634	214,764	90,893	126,372	355,885	325,660
Other payables and accruals	130,591	176,056	210,325	136,474	183,681	174,258
Amounts due to related parties	87,628	129,767	28,512	36,441	35,112	40,670
Unearned revenue	14,724	27,295	39,080	56,218	68,098	67,931
Forward contract liabilities	0	0	0	674	0	0
	314,577	547,882	368,810	356,179	642,776	608,519
Non current						
Trade payables and accruals	0	0	0	0	12,931	33,838
Other payables and accruals	0	0	0	0	0	191
	0	0	0	0	12,931	34,029

The credit terms granted by vendors ranged from no credit to 60 days except for certain vendors for set-top boxes that granted longer payment terms of 12 months and 24 months ("vendor financing") to AAAN Bermuda commencing from financial year ended 31 January 2003 as set out below:

- (i) Interest charged for 12 months vendor financing terms is at the twelve-month LIBOR calculated at 335 days from invoice date and/or the Singapore Inter Bank Offer Rate ("SIBOR") + 1.5% per annum for a period of twelve (12) months from delivery date.
- (ii) Interest charged for 24 months vendor financing terms is two year U.S.\$ swap rate calculated at 700 days from invoice date.

In addition, there was a 6-month credit term granted by certain vendors in the financial year ended 2001. Interest charged for this payment term was SIBOR + 3.0% per annum.

The effective interest rates per annum as at the end of the year/period are as follows:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at
	1999	2000	2001	2002	2003	31 July
	%	%	%	%	%	%
Effective interest rates	n/a	7.8	6.7	n/a	1.5 to 3.0	1.3 to 2.8

n/a - not applicable

Interest is chargeable on balances with a related party which remain unpaid at the due date.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

27 Payables (continued)

The currency exposure profile of non-current and current payables (excluding unearned revenue) is as follows:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	164,924	348,927	187,802	211,774	420,873	423,644
U.S.\$	131,744	160,367	120,209	74,341	154,714	141,114
Euro/French Franc	4	6,761	18,312	11,526	5,669	5,764
Others	3,181	4,532	3,407	2,320	6,353	4,095
	299,853	520,587	329,730	299,961	587,609	574,617

28 Provision for liabilities and charges

	MEASAT		AAAN Bermuda			
	Year ended		Year ended 31 January			Six months
	31 January		Year ended 31 January			ended
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year/period	0	0	0	0	0	62,168
Amount recognised during the year/period	0	0	0	0	125,844	0
Amount utilised during the year/period	0	0	0	0	(63,676)	(29,743)
At end of year/period	0	0	0	0	62,168	32,425

During the financial year ended 31 January 2003, AAAN Bermuda committed to replace, free of charge, the first generation set-top boxes of active multi-channel television subscribers with second generation set-top boxes that feature enhanced interactive functionalities. The replacement of an estimated total of 172,000 units of set-top boxes is being carried out in phases. As at 31 January 2003 and 31 July 2003, 80,000 and 123,000 units have been replaced respectively. The amount of provision at the end of each financial year/period represents the remaining obligation to AAAN Bermuda.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

29 Non-cash transactions

For the purpose of cash flow statement, the principal non cash transactions are as follows:

Year ended 31 January 2003

- Advertising air-time sales in exchange for motor vehicles of RM1.7 million and consumable items of RM2.4 million and subsequent settlement of liabilities using these consumable items.
- Gain on dispute settlement of RM47.5 million was received in the form of free set-top boxes. These set-top boxes were subsequently charged to cost of sales upon sale to subscribers.

Six months ended 31 July 2003

- Advertising air-time sales in exchange for motor vehicles of RM1.4 million and consumable items of RM1.8 million and subsequent settlement of liabilities using these consumable items.
- Gain on dispute settlement of RM23.1 million was received in the form of free set-top boxes. These set-top boxes were subsequently charged to cost of sale upon sale to subscribers.

30 Proceeds from disposal of property, plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Note	AAAN Bermuda	
		Year ended 31 January	Six months ended 31 July
		2003 RM'000	2003 RM'000
Net book amount	13	3,210	293
Gain on disposals	7	1,828	129
Proceeds from disposals		5,038	422

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

31 Financial instruments

(a) Credit risk

AAAN Bermuda has no other significant concentration of credit risk. A majority of AAAN Bermuda's deposits are placed with major financial institutions in Malaysia.

(b) Fair values

The carrying amount of financial assets and liabilities of MEASAT and AAAN Bermuda as at the balance sheet date approximated their fair value except as set out below:

	<u>BPI</u> <u>Facility</u> RM'000	<u>PDS</u> <u>Facility</u> RM'000	<u>Finance</u> <u>lease -</u> <u>rental</u> <u>obligations</u> RM'000	<u>RCPS</u> <u>(liability</u> <u>components)</u> RM'000
As at 31 January 1999				
Carrying amount	0	0	648,548	0
Fair value	0	0	633,317	0
As at 31 January 2000				
Carrying amount	0	0	200,489	0
Fair value	0	0	223,141	0
As at 31 January 2001				
Carrying amount	0	637,305	182,148	493,681
Fair value	0	674,748	212,377	502,037
As at 31 January 2002				
Carrying amount	0	684,379	161,973	530,979
Fair value	0	714,219	186,589	537,395
As at 31 January 2003				
Carrying amount	0	697,469	139,780	232,986
Fair value	0	729,009	160,709	236,803
As at 31 July 2003				
Carrying amount	24,883	671,148	127,865	241,629
Fair value	22,263	681,580	145,082	241,629

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

31 Financial instruments (continued)

The corporate shareholder's advances are subordinated to the PDS Facility, ECA Facility and BPI Facility unless repaid by an equivalent amount of equity injection. The PDS Facility and ECA Facility mature in the financial year 2007 and 2006, respectively. The BPI Facility has a maximum of 5 year availability period for utilisation and the maximum repayment tenure of 10- years commencing from the date of first draw down. Since the maturity date of the facilities cannot be reliably ascertained, the fair value of the corporate shareholder's advances cannot be reliably estimated. The corporate shareholder's advances are stated at cost.

The ECA Facility and non current payables are charged on a floating rate basis and the carrying amounts approximate their fair values at the respective balance sheets dates.

32 Subsidiaries

The subsidiaries as at 31 July 2003 were as follows:

Name of subsidiary	Country of incorporation	Note	Effective date of acquisition	Effective interest %	Principal activities
Directly held by AAAN Bermuda Ltd					
MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")	Malaysia	(x)	12 October 2000 (Legal ownership transferred on 18 October 2000)	100	Direct-to-Home satellite broadcasting services
ASTRO Overseas Limited ("AOL")	Bermuda	(viii)	4 March 2000	100	Investment holding
Subsidiaries held by MBNS					
MEASAT Digicast Sdn. Bhd.	Malaysia		24 November 1994	100	Property holding and rental services
MEASAT Publications Sdn. Bhd.	Malaysia		27 March 1996	100	Magazine publication and distribution
Tayangan Unggul Sdn. Bhd.	Malaysia		4 January 1997	100	Production, acquisition, commissioning and distribution of films
ASTRO Productions Sdn. Bhd.	Malaysia		21 February 1997	100	Production and distribution of television drama programmes
ASTRO Shaw Sdn. Bhd.	Malaysia	(xiii)	6 December 1996	100	Production and distribution of films

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Name of subsidiary	Country of incorporation	Note	Effective date of acquisition	Effective interest %	Principal activities
Subsidiaries held by MBNS (continued)					
MBNS Multimedia Technologies Sdn. Bhd.	Malaysia	(i)	12 March 1998	100	Research and development and sales of multimedia related technologies
MBNS Worldwide Sdn. Bhd.	Malaysia		24 September 1997	100	Investment holding
All Asia Programming Systems (BVI) Ltd	British Virgin Islands		27 September 1995	100	Inactive
Multimedia Interactive Technologies Sdn. Bhd.	Malaysia	(iii)	12 July 1999	100	Development and licensing of multimedia and interactive applications
Radio Advertising and Programming Systems Sdn. Bhd. ("RAPS")	Malaysia	(ix)	27 March 2000	100	Investment holding
Subsidiaries held by RAPS					
MEASAT Radio Communications Sdn. Bhd.	Malaysia		28 December 1996	100	Operation of commercial radio broadcasting stations
Maestra Broadcast Sdn. Bhd.	Malaysia		28 December 1996	100	Operation of commercial radio broadcasting stations
Hotspotz.Com Sdn. Bhd.	Malaysia		1 June 1999	100	Multimedia and interactive advertising
Airtime Management and Programming Sdn. Bhd. ("AMP")	Malaysia		28 December 1996	100	Management of commercial radio broadcasting stations, content and programme provider and provision of multimedia and advertising agency services
Subsidiaries held by AMP					
DVR Player.Com Sdn. Bhd.	Malaysia		1 January 2000	100	Provision of radio services via internet
MAMBO Networks Sdn. Bhd.	Malaysia		10 January 2001	100	Inactive

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Name of subsidiary	Country of incorporation	Note	Effective date of acquisition	Effective interest %	Principal activities
Subsidiaries held by AOL					
ASTRO (Brunei) Sdn. Bhd.	Malaysia	(iv)	12 October 2000 (Legal ownership transferred on 18 October 2000)	100	Investment holding
All Asia Television and Radio Company (BVI) Ltd	British Virgin Islands		12 October 2000	100	Investment holding
MEASAT Broadcast Network Systems (BVI) Ltd	British Virgin Islands	(v)	12 October 2000	100	Investment holding
Digital Software Exports Ltd ("DSE")	Mauritius	(vi)	12 October 2000	100	Investment holding
ASTRO Broadcast Corporation (BVI) Ltd	British Virgin Island		23 March 2000	100	Investment holding
All Asia Television Broadcast Ltd	Mauritius		7 June 2000	100	Inactive
ASTRO E.Com Ltd ("AEC")	Mauritius		7 June 2000	100	Investment holding
ASTRO Radio Broadcast (BVI) Ltd ("ARB (BVI)")	British Virgin Islands		18 April 2000	100	Investment holding
All Asia Customer Services (Mauritius) Ltd. ("AACs")	Mauritius		7 June 2000	100	Investment holding
ASTRO Broadcast Corporation Ltd	Mauritius	(xiv)	27 May 2003	100	Inactive
ASTRO Multimedia International (BVI) Ltd (formerly known as MBNS (Brunei) Ltd)	British Virgin Islands	(xv)	30 July 2003	100	Inactive
Subsidiary held by AACs					
Airtime Marketing & Sales India Private Limited	India		27 October 2000	74	Radio consultancy, marketing and selling of airtime services
Subsidiaries held by ARB (BVI)					
OZ-E Radio Pty Limited	Australia		26 April 2000	100	Inactive
ASTRO Broadcasting Pty Limited	Australia	(xii)	24 September 2002	100	Inactive

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Name of subsidiary	Country of incorporation	Note	Effective date of acquisition	Effective interest %	Principal activities
Subsidiary held by AEC and DSE					
ASTRO Network India Private Limited	India	(xi)	15 July 2002	74	Internet service provider ("ISP") business

Year ended 31 January 1999

(i) Acquisition of MBNS Multimedia Technologies Sdn. Bhd. ("MMT")

On 12 March 1998, MBNS acquired the entire issued and paid-up share capital, representing two ordinary shares of RM1.00 each in MMT, for a consideration of RM2.

(ii) Acquisition of MEASAT Digicom Sdn. Bhd. ("MDSB")

On 1 July 1998, MBNS acquired the entire issued and paid-up share capital, representing two ordinary shares of RM1.00 each in MDSB, for a consideration of RM2.

Year ended 31 January 2000

(iii) Acquisition of Multimedia Interactive Technologies Sdn. Bhd. ("MIT")

On 12 July 1999, MBNS acquired the entire issued and paid-up share capital, representing two ordinary shares of RM1.00 each in MIT, for a consideration of RM2.

(iv) Acquisition of Astro (Brunei) Sdn. Bhd. ("ASTRO Brunei")

On 13 August 1999, MBNS Worldwide Sdn. Bhd. ("MWSB") acquired the entire issued and paid-up share capital, representing two ordinary shares of RM1.00 each in ASTRO Brunei, for a consideration of RM2. MWSB transferred the ordinary shares in ASTRO Brunei to AOL on 12 October 2000.

(v) Acquisition of MEASAT Broadcast Network Systems (BVI) Ltd ("MBNS (BVI)")

On 11 November 1999, MWSB acquired the entire issued and paid-up share capital, representing one ordinary share of U.S.\$1.00 each in MBVI, for a consideration of U.S.\$1.00 (RM3.80). MWSB transferred the share in MBNS (BVI) to AOL on 12 October 2000.

(vi) Acquisition of DSE

On 27 December 1999, MWSB acquired a 80% equity interest representing eight ordinary shares of U.S.\$1.00 each in DSE for a consideration of RM30.40. As a result, DSE became a wholly owned subsidiary of the Group. MWSB transferred the shares in DSE to AOL on 12 October 2000.



IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Year ended 31 January 2000 (continued)

(vii) Disposal of subsidiaries

On 30 August 1999, MBNS disposed of its entire shareholding at par for cash consideration in the following subsidiaries; Astro Television Broadcast Sdn. Bhd. (RM2), Astro Radio Broadcast Sdn. Bhd. (RM2), MEASAT Productions Sdn. Bhd. (RM2), All Asia Television Broadcast Ltd (U.S.\$2) and MEASAT Digicom Sdn. Bhd. (RM2).

On the same day, MEASAT Digicast Sdn. Bhd., a subsidiary of MBNS disposed of its shareholding at par for cash consideration in All Asia Broadcast Centre Sdn. Bhd. (RM2).

Year ended 31 January 2001

(viii) Subscription of ordinary shares in ASTRO Overseas Limited ("AOL")

On 4 March 2000, AAAN Bermuda Ltd subscribed for the entire share capital of AOL, comprising 120,000 ordinary shares of U.S.\$0.10 each. The shares were issued at par and payment has not been called.

(ix) MBNS's business combination with RAPS

On 27 March 2000, MBNS acquired the entire issued and paid-up share capital of RAPS, a company under common control of Ananda Krishnan Tatparanandam (Ananda Krishnan Tatparanandam directly and indirectly owns more than 50% shareholdings in MBNS and RAPS), comprising 40,000,002 ordinary shares of RM1.00 each at par. MBNS issued 2,857,142 new ordinary shares of RM1.00 each as consideration for the acquisition. The ordinary shares issued by MBNS represented 4.3% of the enlarged ordinary share capital of MBNS.

The business combination with RAPS has been accounted for using the principles of uniting of interests. Accordingly, the consolidated financial statements of MEASAT included in this Report have been prepared as if the business combination was in place for each period presented.

(x) AAAN Bermuda Ltd's business combination with MBNS

On 12 October 2000, AAAN Bermuda Ltd acquired the entire issued and paid-up share capital of MBNS, a company under the common control of the shareholders of AAAN Bermuda Ltd (all the shareholders of AAAN Bermuda Ltd are also shareholders of MBNS), comprising 65,857,142 ordinary shares of RM1.00 each. AAAN Bermuda Ltd issued 1,185,428,556 new ordinary shares of U.S.\$0.10 each as consideration for the said acquisition. In addition, AAAN Bermuda Ltd also acquired the entire issued and paid-up RCPS of MBNS, comprising 285,000,000 RCPS of RM0.01 each by the issuance of 75,000,000 RCPS of U.S.\$0.01 each. The ordinary shares issued by AAAN Bermuda Ltd represented 99.9% of the enlarged ordinary share capital of AAAN Bermuda Ltd.

The business combination with MBNS has been accounted for using the principles of uniting of interests. Accordingly, the consolidated financial statements of AAAN Bermuda are prepared as if the internal reorganisation was in place for all periods.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Year ended 31 January 2002

There were no acquisitions and disposals of subsidiaries in the year ended 31 January 2002.

Year ended 31 January 2003

The subsidiaries acquired during the year are consolidated in accordance with the principles of acquisition accounting.

(xi) Acquisition of ASTRO Network India Private Limited ("ASTRO Network India")

On 15 July 2002, Digital Software Exports Ltd ("DSE"), a subsidiary held by AOL acquired a 49.0% equity interest in ASTRO Network India Private Limited ("ASTRO Network India"), a company incorporated in India, for a consideration of Rs1,029,000 (equivalent to RM81,700). The remaining 51.0% of ASTRO Network India is held by ASTRO E.Com India Private Limited ("AECIPL"). On 3 August 2002, ASTRO E.Com Ltd ("AEC"), a subsidiary of AOL, acquired 49.0% equity interest in AECIPL. As a result, on 3 August 2002, the combined effective interest on ASTRO Network India was 74.0% and the Group can exercise control over ASTRO Network India via the power to govern the financial and operating policies of ASTRO Network India and ASTRO Network India became a subsidiary of AAAN Bermuda.

There are no non-current assets and non-current liabilities in ASTRO Network India. Current assets and current liabilities are estimated to approximate their fair values.

The assets and liabilities arising from the acquisition above are as follows:

	RM'000
Current assets	1,100
Current liabilities	(975)
Minority interest	(6)
Fair value of net assets acquired	119
Total purchase consideration	119
Less:	
Cash and cash equivalents in subsidiary acquired	(906)
Cash inflow on acquisition	(787)

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

32 Subsidiaries (continued)

Year ended 31 January 2003 (continued)

(xii) Acquisition of ASTRO Broadcasting Pty Limited ("ABPL")

On 24 September 2002, ARB (BVI), a subsidiary held by AOL, acquired a 100.0% equity interest representing 2 ordinary shares of AUD\$1.00 each in ABPL, a company incorporated in Australia, for a consideration of AUD\$2.00.

Period ended 31 July 2003

(xiii) Acquisition of the remaining 20% in ASTRO Shaw Sdn. Bhd.

On 27 May 2003, MBNS acquired the remaining 500,000 ordinary shares of RM1.00 each in ASTRO Shaw Sdn. Bhd. from the other shareholder for a purchase consideration of RM0.4 million (U.S.\$0.1 million), resulting in ASTRO Shaw Sdn. Bhd. becoming a wholly owned subsidiary of the Group.

(xiv) Acquisition of ASTRO Broadcast Corporation Ltd

On 27 May 2003, AOL acquired 100% of the share capital of ASTRO Broadcast Corporation Ltd, a company incorporated in Mauritius for a total consideration of U.S.\$2.00. The share capital of ASTRO Broadcast Corporation Ltd comprises of two ordinary shares of U.S.\$1.00 each. ASTRO Broadcast Corporation Ltd has not commenced operations.

(xv) Acquisition of ASTRO Multimedia International (BVI) Ltd (formerly known as MBNS (Brunei) Ltd) ("AMI")

On 30 July 2003, AOL also acquired the entire share capital of AMI for a total consideration of U.S.\$1.00. The share capital of AMI comprises of 1 ordinary share of U.S.\$1.00. AMI has not commenced operations.

33 Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions and balances. MEASAT's and AAAN Bermuda's policy is, where practicable, to agree terms with the related parties which are similar to those that would be available if the transaction was contracted with a third party.

MEASAT and AAAN Bermuda have entered into a variety of related party transactions with companies directly or indirectly controlled by or associated with Usaha Tegas Sdn Bhd ("Usaha Tegas") as well as companies or entities directly or indirectly controlled by or associated with Ananda Krishnan Tatparanandam or in which he is deemed to have an interest, both of whom are deemed substantial shareholders of AAAN Bermuda Ltd.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

Tanjong public limited company and Maxis Communications Berhad are associates of Usaha Tegas. MAI Holdings Sdn Bhd and Worldwide Sports and Entertainment Inc ("WSE") are ultimately controlled by Ananda Krishnan Tatparanandam.

Related parties	Relationship
Maxis Mobile Sdn. Bhd.	Subsidiary of Maxis Communications Berhad
Maxis Broadband Sdn. Bhd.	Subsidiary of Maxis Communications Berhad
Maxis International Sdn. Bhd.	Subsidiary of Maxis Communications Berhad
Pan Malaysian Pools Sdn. Bhd.	Subsidiary of Tanjong public limited company
UTSB Management Sdn. Bhd.	Subsidiary of Usaha Tegas
SRG Asia Pacific Sdn. Bhd.	Subsidiary of UTES
All Asia Radio Technologies Sdn. Bhd.	Associate of Usaha Tegas
Bonuskad Loyalty Sdn. Bhd.	Associate of Usaha Tegas
Celestial Pictures Ltd	Subsidiary of Usaha Tegas.
Celestial Movie Channel Ltd	Subsidiary of Celestial Pictures Ltd
Binariang Satellite Systems Sdn. Bhd.	Subsidiary of MAI Holdings Sdn. Bhd.
Worldwide Satellite Broadcasting Inc	Subsidiary of WSE
Matinee Entertainment Inc	Subsidiary of WSE
Philippine Animation Studio Inc	Subsidiary of WSE

The following transactions were carried out with related parties:

(a) Sales of goods and services

	MEASAT		AAAN Bermuda			
	Year ended		Year ended 31 January			Six months ended
	31 January		2001	2002	2003	31 July
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Subscription sales to:</u>						
Maxis Broadband Sdn. Bhd.	2,356	2,716	3,369	4,065	715	10
<u>Advertising airtime sales to:</u>						
Maxis Mobile Sdn. Bhd.	0	973	2,197	1,140	3,234	730
Maxis Communications Berhad	0	457	0	0	267	101
<u>Multimedia and interactive sales to:</u>						
Maxis Mobile Sdn. Bhd.	0	918	625	1,771	2,459	1,575
Pan Malaysian Pools Sdn. Bhd.	0	0	1,385	119	2,022	332
<u>Set-top boxes sales to:</u>						
Kristal-ASTRO Sdn. Bhd.	0	3,220	10,667	1,084	6,871	1,425
Maxis Broadband Sdn. Bhd.	0	0	0	0	1,215	0
<u>Programme rights sales to:</u>						
Kristal-ASTRO Sdn. Bhd.	0	0	610	1,061	1,295	773

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

(a) Sales of goods and services (continued)

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Technical support services to:</u>						
Kristal-ASTRO Sdn. Bhd.	0	0	949	1,202	1,457	850
<u>Rental income from:</u>						
Maxis Broadband Sdn. Bhd.	146	146	146	146	146	73
<u>Transponder sublease rental from:</u>						
Hsin-Chi Broadcast Co. Ltd	17,646	0	0	0	0	0

Subscription sales

Subscription sales to Maxis Broadband Sdn Bhd are carried out in accordance to the terms and conditions negotiated between Maxis Broadband Sdn Bhd, and MBNS. The terms and conditions are stipulated in the agreement.

Advertising airtime sales

Advertising airtime sales to Maxis Mobile Sdn Bhd and Maxis Communications Berhad are on commercial terms and conditions and at the prevailing market prices, subject to negotiated discounts given for bulk sales.

Multimedia and interactive sales

The multimedia and interactive sales to Maxis Mobile Sdn Bhd and Pan Malaysian Pools Sdn Bhd are carried out according to the terms negotiated between Multimedia Interactive Technologies Sdn Bhd and the respective parties. The terms and conditions are stipulated in the respective agreements.

Set-top boxes sales

Sale of set-top boxes to Kristal-ASTRO Sdn Bhd are carried out at cost to the Group, whereas sale of set-top boxes to Maxis Broadband Sdn Bhd are made at commercial rates available to third parties at point of transaction.

Programme rights sales and technical support services

The sale of programme rights and provision of technical support services are made under agreements between the parties and at rates negotiated between the parties involved.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

(a) Sales of goods and services (continued)

Rental income

The rental income from the sub-lease of All Asia Broadcast Centre land are made under the agreement between MEASAT Digicast Sdn Bhd and Maxis Broadband Sdn Bhd based on the percentage of occupancy of the land at the rental rates payable under the principal lease.

Transponder sublease rental

The rental income from the sublease of transponder are based on terms and conditions negotiated and agreed by the parties.

(b) Purchases of goods and services

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Personnel and consultancy services from:</u>						
UTSB Management Sdn. Bhd.	16,903	22,126	12,996	10,387	10,643	5,442
Worldwide Satellite Broadcasting Inc.	4,895	563	0	0	0	0
<u>Marketing, programming and advertising services from:</u>						
All Asia Radio Technologies Sdn. Bhd. ("AART")	1,719	2,660	8,652	5,898	7,152	3,904
SRG Asia Pacific Sdn. Bhd.	0	0	3,444	1,372	606	41
Bonuskad Loyalty Sdn. Bhd.	2,203	2,972	2,848	1,672	3,701	1,463
<u>Telecommunication services from:</u>						
Maxis Communications Berhad	0	49	2,256	0	0	0
Maxis Broadband Sdn. Bhd.	7,394	7,281	8,027	4,575	6,470	3,284
Maxis Mobile Sdn. Bhd.	1,223	62	814	382	420	120
Maxis International Sdn. Bhd.	0	0	0	2,713	1,050	525
<u>Interaction call centre service from:</u>						
SRG Asia Pacific Sdn. Bhd.	0	0	0	558	1,112	1,183
<u>Programme rights, turnaround channel transmission rights and programme production costs from:</u>						
Celestial Pictures Ltd	0	0	0	108	0	0
Celestial Movie Channel Ltd	0	0	0	0	0	3,096
Matinee Entertainment Inc	8,042	3,292	0	0	0	0
Philippine Animation Studio Inc	2,038	1,913	0	0	0	0
<u>Expenses related to finance lease:</u>						
BSS	56,125	38,772	40,662	30,915	24,873	7,564

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

(b) Purchases of goods and services (continued)

Personnel and consultancy services

Personnel and consultancy services are charged under a service agreement between MBNS and UTSB Management Sdn Bhd. The terms and conditions of the service agreement were negotiated and agreed by the parties.

Consultancy services from Worldwide Satellite Broadcasting Inc. are charged based on terms and conditions negotiated and agreed by the parties.

Marketing, programming and advertising services

Marketing, programming and advertising services fees are on terms and conditions negotiated and agreed by the parties.

Telecommunication services

Telecommunication services are on corporate rates negotiated between the parties. The corporate rates are at prevailing market rates which would have been made available to third parties on negotiation.

Interaction call centre service

Interaction call centre services are charged based on terms and conditions negotiated and agreed by the parties.

Programme rights, turnaround channel transmission rights and programme production costs

Programme rights from Celestial Pictures Ltd and turnaround channel transmission rights from Celestial Movie Channel Ltd are on terms and conditions based on agreements negotiated and agreed by the parties.

Management, development and other programme production related costs are charged under a production agreement between MBNS and Matinee Entertainment Inc. The terms and conditions of the production agreement were negotiated and agreed by the parties.

Purchases of programming materials from Philippine Animation Studio Inc. for production of programme are charged based on terms and conditions negotiated and agreed by the parties.

Expenses related to finance lease

The amounts payable to Binariang Satellite Systems Sdn Bhd ("BSS") represent interest, executory and related costs arising from the lease of the transponders from BSS (refer to Note 25(h)). The rates of charges are based on long term lease agreements entered into by the parties.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

(c) Year/period end balances arising from sales/purchases of goods and services during the year/period

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Receivable from related parties						
Maxis Broadband Sdn. Bhd.	1,421	1,909	637	1,024	454	83
Maxis Communications Berhad	0	457	0	0	174	101
Maxis Mobile Sdn. Bhd.	0	1,586	902	1,324	3,384	2,305
Pan Malaysian Pools Sdn. Bhd.	0	0	1,176	119	2,022	332
Kristal-ASTRO Sdn. Bhd.	0	3,220	5,543	3,347	7,130	3,048
Payable to related parties						
UTSB Management Sdn. Bhd.	16,903	22,126	3,701	10,387	2,982	5,442
AART	54	1,871	7,157	5,898	7,152	3,904
SRG Asia Pacific Sdn. Bhd.	0	0	2,893	1,143	1,718	648
Bonuskad Loyalty Sdn. Bhd.	879	1,481	2,683	1,672	1,040	1,440
Maxis Communications Berhad	0	49	194	0	0	0
Maxis Broadband Sdn. Bhd.	3,000	7,281	8,027	4,575	6,470	3,284
Maxis Mobile Sdn. Bhd.	1,152	57	663	0	258	120
Maxis International Sdn. Bhd.	0	0	0	2,713	1,050	525
BSS	56,125	38,772	40,662	30,915	24,873	7,564
Celestial Movie Channel Ltd	0	0	0	0	0	1,548
Worldwide Satellite Broadcasting Inc	4,895	563	0	0	0	0
Matinee Entertainment Inc	8,042	3,292	0	0	0	0
Philippine Animation Studio Inc	1,915	0	0	0	0	0

(d) Key management personnel's remuneration and emoluments

	MEASAT		AAAN Bermuda			Six months ended 31 July 2003 RM'000
	Year ended 31 January		Year ended 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Remuneration	4,555	13,348	6,435	4,632	5,165	3,746
Defined Contribution Plan	189	374	405	485	508	307
Benefits in kind	334	372	373	388	342	178

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

33 Significant related party disclosures (continued)

(e) Guarantees and collateral from related parties

On 19 October 2000, UTES, a principal corporate shareholder of AAAN Bermuda Ltd provided letters of undertaking with respect to:

- (i) a cash deficiency facility of up to a maximum aggregate amount of RM510.0 million ("Cash Deficiency Facility"), as part of the ECA Facility agreement, to enable AAAN Bermuda Ltd to meet its obligations to provide a similar facility to MBNS. On 22 May 2003, AAAN Bermuda Ltd was released from the Cash Deficiency Facility undertaking as a result of the Amendment and Restatement Agreement signed on 17 March 2003 between MBNS and the ECA lenders to amend certain terms of the ECA Facility; and
- (ii) a cash facility of up to U.S.\$75.0 million plus accrued interest to enable AAAN Bermuda Ltd to meet its redemption obligations under the A Series RCPS.

UTES confirmed its intention to provide financial support to MBNS to enable MBNS to meet its liabilities as and when they fall due and to carry on the business without significant curtailment of operations. The financial statements of AAAN Bermuda as at 31 January 2000 disclosed this intent in a paragraph describing the basis of preparation of the financial statements as a going concern basis.

Subsequently, in a letter dated 28 January 2003, UTES confirmed its intention to provide financial support, subject to a limit of RM376 million, to AAAN Bermuda to enable AAAN Bermuda to meet its liabilities as and when they fall due and to carry on the business without significant curtailment of operations. The financial statements of AAAN Bermuda as at 31 January 2001 and 2002 disclosed this intent in a paragraph describing the basis of preparation of the financial statements on a going concern basis. As a result of the aforesaid BPI Facility and a committed offer from DBS Bank Limited for a financing package of RM1,007.0 million, UTES's financial support intention was not disclosed in the financial statements for the year ended 31 January 2003 and six months ended 31 July 2003.

UTES has confirmed that on successful Listing and Quotation of AAAN, it is no longer the intention of UTES to provide any form of financial support to AAAN Bermuda in the manner set out in the letter dated 28 January 2003.

(f) Advances to Kristal-ASTRO Sdn. Bhd.

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	2,106	2,106	2,106
Advanced during the year/period	0	0	2,106	0	0	0
At end of year/period	0	0	2,106	2,106	2,106	2,106

Refer Note 14 for terms and conditions of the advances.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

34 Commitments

(a) Capital commitments

Capital expenditure approved and contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Property, plant and equipment	54,047	31,265	31,847	17,731	8,126	6,138
Investment in an associate	0	0	0	18,963	18,963	9,482
Total capital commitments	54,047	31,265	31,847	36,694	27,089	15,620

Capital commitment for investment in an associate

On 30 November 2001, AAAN Bermuda was allotted 4,500,000 shares ("Additional Shares") by its associate, TVB Publishing Holding Limited (formerly known as TVB.Com Limited) for a consideration of HK\$38.7 million. The Additional Shares are to be paid in four tranches of HK\$9.7 million each on 30 June 2002 (subsequently deferred to 30 November 2002), 29 December 2002, 30 September 2003 and 30 June 2004. The Additional Shares rank pari passu in all respect with the existing shares except that the Additional Shares shall be credited when paid and voting rights shall accrue in proportion to the amounts paid and dividends shall be apportioned and paid pro-rata according to the amounts paid on the Additional Shares.

As at 31 January 2003, AAAN Bermuda was negotiating for the deferment of payment of the first and second tranches of HK\$9.7 million each that were due on 30 November 2002 and 29 December 2002, respectively. The deferment was subsequently agreed and these tranches were paid and recognised on 28 February 2003. The third and fourth tranches of HK\$9.7 million each that are due on 30 September 2003 and 30 June 2004, have been rescheduled to 30 September 2004 and 30 June 2005 respectively.

The shareholding in TVB Publishing Holding Limited will increase from 18.4% to 20.0% upon the full payment of the Additional Shares.

(b) Programming commitments

MEASAT and AAAN Bermuda have the following contracted film library and programme rights at the balance sheet date but not recognised in the financial statements.

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Film library and programme rights	116,117	64,713	43,721	28,643	50,855	53,558

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

35 Contingent Liabilities

MEASAT and AAAN Bermuda has the following bank guarantees and letters of credit which the liabilities have not been provided for in the financial statements:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Unsecured						
Set-top boxes	0	242,513	69,303	70,774	69,633	68,202
Utilities	836	1,647	810	810	810	810
Custom duties, stamp duties and import duties	196	78	492	4,771	2,171	956
Programme rights	13,435	13,435	14,469	15,024	15,481	13,747

36 Events subsequent to balance sheet date

(a) Issuance of C Series Redeemable Convertible Preference Shares

On 18 August 2003, AAAN Bermuda Ltd issued 103,947,368 redeemable convertible preference shares with a par value of U.S.\$0.01 each at U.S.\$1.00 each at a total subscription price equivalent to RM395 million (or approximately U.S.\$103.9 million) ("C Series RCPS"). The C Series RCPS are redeemable at the option of the holder, who may issue a redemption notice between 18 December 2003 and 17 December 2004. AAAN Bermuda Ltd has twelve months, from the date of issue of the redemption notice, to settle the redemption or to procure another person or entity to purchase the C Series RCPS. The C Series RCPS has no coupon and therefore the redemption amount would be U.S.\$ equivalent of RM395 million on the redemption date. Additionally, the C Series RCPS are convertible upon flotation of AAAN Bermuda Ltd, for a variable number of ordinary shares. The number of ordinary shares which can be subscribed for is calculated as an amount equivalent to one hundred times the total nominal value of all the C Series RCPS, based on the assumption that the value to be subscribed for each ordinary share shall be 90.0% of the initial public offering ("IPO") price to be paid by institutional investors.

(b) Acquisition of East Asia Entertainment (BVI) Limited. ("EAE")

On 14 August 2003, AOL subscribed for the entire issued and paid-up ordinary share capital in EAE, comprising one ordinary share of U.S.\$1.00 each at par.

(c) Acquisition of Celestial Entertainment Holdings Limited ("CEHL")

On 18 August 2003, EAE acquired the entire issued and paid-up ordinary share capital in CEHL, comprising two ordinary shares of HK\$1.00 each at par.

(d) AAAN Bermuda's business combination with Celestial

On 20 August 2003, AAAN Bermuda via an intermediate subsidiary holding company, CEHL, acquired the entire issued and paid-up share capital of Celestial. Celestial was incorporated on 19 March 1996 in Hong Kong under the Hong Kong Companies Ordinance (Chapter 32). The principal activities of Celestial Pictures are film production, licensing and distribution, and the operation of movie channels. In May 2000, Celestial Pictures acquired the Shaw Brothers' film library comprising over 760 film titles and in March 2003, it launched its movie channel, "Celestial Movies".