

14. DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary only of the principal terms of ASTRO's material indebtedness.

The table below sets forth the outstanding balances of all borrowings in AAAN Bermuda and Celestial Pictures as at 31 July 2003:

SOURCE OF FUNDS	As at 31 July 2003 RM 000
AAAN Bermuda	
Non-current liabilities	
Corporate shareholder's advances	187,899
Borrowings (interest bearing)	846,344
	<u>1,034,243</u>
Current liabilities	
Borrowings (interest bearing)	261,380
	<u>1,295,623</u>
Celestial Pictures	
Current liabilities	
Corporate shareholder's advances	346,664
Total	<u><u>1,642,287</u></u>

The loan facilities described below contain customary default provisions that permit the lenders to accelerate amounts due under the loans or to terminate the commitments. In addition, some of the financial and other restrictive covenants in these facilities may affect the ability of ASTRO to obtain future financing and conduct their business. There has been no default on payments of either interest and/or principal sums in respect of any borrowings of ASTRO.

ASTRO maintains long-term and short-term financing arrangements (excluding finance lease and promissory notes) to meet its periodic capital and financing requirements. As at 31 July 2003, these facilities included short-term instruments with aggregate limits of RM606 million and U.S.\$40 million and long-term loans aggregating RM1,231 million and U.S.\$80 million. All of the financial covenant calculations for these facilities are defined by their respective facility agreement and made by MBNS in accordance with MAAS.

On 26 September 2003, AAAN entered into a credit facility agreement with DBS Bank Ltd, Labuan Branch, Sumitomo Mitsui Banking Corporation, Labuan Branch and CIMB (L) Limited/Bumiputra-Commerce Bank (L) Limited, in respect of a U.S.\$265 million syndicated term loan facility, which AAAN expects will be utilised prior to the Initial Public Offering on the terms described under "U.S.\$265 million syndicated term loan facility" in this Section.

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (*Cont'd*)

Long-Term Financing

1. Syndicated private debt securities ("PDS") facility for RM715 million

On 28 March 2000, as varied on 24 March 2003, MBNS secured a RM715 million syndicated, private debt securities facility lead-arranged by Aseambankers Malaysia Berhad ("AMB"), comprising six-year commercial papers and medium-term notes of RM365 million and five and six-year fixed-rate bonds of RM350 million. This facility is supported by a syndicated bank guarantee facility for a total of RM731 million of which RM16 million is linked to the guarantee of the coupon payment on the fixed-rate bonds. The Guarantors under the PDS facility are Malayan Banking Bhd, RHB Bank Bhd and Public Bank Bhd. The securities issued under the PDS facility rank pari passu with the ECA and BPI facilities. This facility was varied on 24 March 2003 to take into account the BPI facility entered into by MBNS as described below.

The facility contains a number of affirmative covenants including an undertaking by MBNS to: maintain a debt-to-shareholders' funds ratio (after excluding depreciation and non-cash items) of not more than 1.5x; maintain a debt-to-EBITDA ratio (as defined in the facility agreement) of not more than 3.5x for fiscal 2004, 2.5x for fiscal 2005, 2.0x for fiscal 2006 and 1.5x thereafter; maintain payment coverage ratio (as defined in the facility agreement) of at least 1.25x from fiscal 2005, to attain minimum subscription totals of 1.24 million in fiscal 2004, 1.44 million in fiscal 2005 and 2006; and incur maximum working capital indebtedness of RM500 million.

The repayment terms for the six-year commercial paper and medium term notes are RM35 million on the fourth anniversary, RM140 million on the fifth anniversary and RM175 million on the sixth anniversary from the date of issue, while the five and six-year fixed rate bonds are to be redeemed on the maturity date of 13 June 2005 and 13 June 2006, respectively.

Under this facility, MBNS has undertaken to ensure that all transactions with its directors, shareholders, subsidiaries, associates, affiliates and related companies are conducted on an arm's length basis. MBNS has also undertaken to comply with all tax requirements and to provide additional security in the event of a default. This facility contains customary and other default provisions that allow for the acceleration of amounts due under the facility or to terminate the commitments. The events of default include the non-payment of sums due under the facility, breach of obligations under the facility, cross default by MBNS through indebtedness in respect of the borrowed monies, breach of the financial covenants, dissolution or liquidation of MBNS, termination of material contracts and nationalisation of all or a material part of the property or assets of MBNS. The PDS facility contains a number of negative covenants that restricts MBNS from taking certain actions without the consent of the lead arranger or guarantors. These actions include creating or permitting to subsist a security over the existing security, disposing of any interest in the security, incurring further indebtedness, entering into transactions with any person, firm or company that is not on an arm's length basis, reducing the issued capital of MBNS, changing the scope of its business, declaring or making a dividend distribution and allowing the ASTRO subscription base to fall below 1,240,000 for the financial year ended 2004, below 1,435,000 for the financial years ended 2005 and 2006. This facility agreement is governed by Malaysian laws. The negative covenant restricting MBNS from declaring or making a dividend distribution was permanently waived on 22 September 2003.

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (Cont'd)

2. U.S.\$80 million syndicated foreign structured trade finance ("ECA") facility

On 1 June 2000 (as amended and restated as of 17 March 2003), MBNS secured a term loan facility lead-arranged by Citibank Malaysia (L) Limited ("Citibank"), by way of a structured trade finance facility guaranteed by export credit agencies. The facility was put in place to facilitate the importation of digital multi-media terminals, or set-top boxes. This facility has a final maturity date of 1 November 2005 and, together with a built-in U.S.\$40 million currency swap facility, (the currency swap facility is secured up to U.S.\$12 million), will rank *pari passu* with the PDS and Bank Pembangunan dan Infrastruktur Malaysia Berhad ("BPI") facilities. MBNS has started paying down this facility and the outstanding amount owed under the facility as at 31 July 2003 was U.S.\$23.8 million.

Under the facility, MBNS undertakes not, without the prior consent of the lenders, to create or permit the subsistence of any security interest over its assets, to borrow, dispose of all or substantial parts of its assets, to merge or be involved in a reconstruction (other than in relation to the initial public offering), declare or make any dividend distribution and to purchase, cancel or redeem its share capital. This facility contains customary and other default provisions that allow for the acceleration of amounts due under the facility or to terminate the commitments. The events of default include the non-payment of sums due under the facility, breach of obligations under the facility, cross default by MBNS through indebtedness in respect of the borrowed monies, breach of the financial covenants, dissolution or liquidation of MBNS, termination of material contracts and nationalisation of all or a material part of the property or assets of MBNS. This facility requires MBNS to maintain a minimum debt-to-EBITDA ratio (as defined in the facility agreement) and minimum subscription target consistent with the PDS facility. In addition, MBNS must achieve a total debt to adjusted free cash flow ratio of not more than 5.0x for fiscal 2004 and 4.5x for fiscal 2005; and a debt service coverage ratio of 1.2x at all times. In the event that the BPI facility is cancelled, MBNS has undertaken to procure further undertakings from its shareholders to extend loans for an equivalent amount. This facility agreement is governed by English law. The negative covenant restricting MBNS from declaring or making a dividend distribution was permanently waived on 15 September 2003.

3. RM500 million 10-year combined term loan facility and bank guarantee facility

On 6 February 2003, MBNS entered into a facility agreement with BPI for a RM500 million combined term loan facility and bank guarantee facility (which has a RM100 million bank guarantee sub-limit), comprising two tranches of RM300 million and RM200 million. As at 31 July 2003, RM25 million was outstanding under the facility. MBNS must maintain a debt-to-shareholders' funds ratio (after excluding depreciation and non-cash items) of not more than 1.5x and a debt-to-EBITDA ratio (as defined in the facility agreement) of 3.5x in fiscal 2004, 2.5x in fiscal 2005, 2.0x in fiscal 2006 and 1.5x thereafter for the remaining term of the facility.

The BPI facility has been set up to finance the lease payments for the satellite platform and the ongoing acquisition of set-top boxes. A designated amount of the facility is reserved for capital expenditure on hardware located at the All Asia Broadcast Centre, particularly with respect to the satellite uplink system, signal processing system, conditional access system and the baseband processing system. BPI shares the same security as that granted pursuant to the PDS and ECA facilities on a *pari passu* basis, but the BPI facility is structurally subordinated to the other facilities in terms of principal prepayment and repayment. The BPI facility contains a number of negative covenants that restricts MBNS from taking certain actions without the consent of the lender. These actions include creating or permitting to subsist any security over the existing security, disposing of any interest in the security, incurring further indebtedness, entering into transactions with any person, firm or company that is not on an arm's length basis, reducing the issued capital of MBNS, changing the scope of its business and declaring or making a dividend distribution.

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (Cont'd)

This facility contains customary and other default provisions that allow for the acceleration of amounts due under the facility or to terminate the commitments. The events of default include the non-payment of sums due under the facility, breach of obligations under the facility, cross default by MBNS through indebtedness in respect of the borrowed monies, breach of the financial covenants, dissolution or liquidation of MBNS, termination of material contracts and nationalisation of all or a material part of the property or assets of MBNS. This facility agreement is governed by Malaysian laws. The negative covenant restricting MBNS from declaring or making a dividend distribution was permanently waived on 19 September 2003.

4. U.S.\$265 million syndicated term loan facility

On 26 September 2003, AAAN entered into a credit facility agreement with DBS Bank Ltd, Labuan Branch, Sumitomo Mitsui Banking Corporation, Labuan Branch and CIMB (L) Limited/ Bumiputra-Commerce Bank (L) Limited for a U.S.\$265 million syndicated term loan facility consisting of three separate term loan facilities consisting of Facility A of U.S.\$120 million, Facility B of U.S.\$95 million and Facility C of U.S.\$50 million, guaranteed by, among others, AAAN Bermuda, AOL and Celestial. AAAN expects the Facilities to be drawdown prior to the closing of the Initial Public Offering upon the fulfilment of conditions precedent to disbursement therein. AAAN's obligations under the Facilities will be guaranteed by MBNS immediately upon the earlier of (1) the maturity date or full prepayment of the debt securities under the PDS facility; (2) the consent to the lifting, or the waiver of, any restrictions on MBNS providing guarantees to third parties by the guarantors of the PDS facility, the holders of debt securities under the PDS facility, the lenders under the ECA facility and the lenders under the BPI facility; and (3) 30 June 2006, being the "MBNS Security Date". The final maturity of the Facilities is expected to be two years after first drawdown unless, subject to fulfilment of certain conditions, AAAN elects to extend the final maturity date by an additional three and a half years.

The Facilities will be used for the following purposes:

- in respect of Facility A, to extend an intercompany loan to:
 - CEHL in an amount of up to U.S.\$47 million for the financing by CEHL of the acquisition of all of the issued and outstanding shares of Celestial from Pacific Investments (BVI) Limited and repayment of a shareholders loan due by CEHL to EAE;
 - Celestial in an amount of up to U.S.\$73 million to enable Celestial to repay certain indebtedness;
- in respect of Facility B, to extend a shareholder loan to AAAN Bermuda for general corporate purposes; and
- in respect of Facility C, to finance payment of fees, interest and other expenses related to the Facilities and other purposes as may be approved by the lenders of the Facilities.

The Facilities require ASTRO (excluding CEHL and its subsidiaries) to comply with certain financial covenants, which include interest coverage, debt to EBITDA and fixed charge coverage ratios. ASTRO's (but excluding CEHL and its subsidiaries) capital expenditures are limited by the terms of the Facilities.

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (Cont'd)

The Facilities contain negative covenants that restrict AAAN, the guarantors of the Facilities ("Guarantors") and their subsidiaries from taking certain actions without lenders' approval, including incurring indebtedness, creating security interests, merging and consolidating with any other company, disposing assets, engaging in other lines of business, making investments (although permitted without the need for approval in certain circumstances), paying dividends (although permitted without the need for approval in certain circumstances) and making other distributions with respect to share capital, paying and repaying any shareholder loans, granting of intercompany loans (although permitted without the need for approval in certain circumstances), entering into transactions with affiliates and shareholders which are not arm's length and in the ordinary course of business and modification of constitutive documents (other than such actions as are specifically permitted under the Facilities) except for the sale of such interest in AAAN pursuant to or after an initial public offering of shares of AAAN at all times up to the Listing Date.

Some of the financial and other restrictive covenants in the Facilities also restrict the ability of ASTRO to obtain future financing and control the manner in which it conducts its business.

The Facilities contain customary provisions that permit lenders to declare an event of default and to accelerate amounts due under the Facilities or to terminate their commitments upon the occurrence of certain events which include but are not limited to:

- cross default and cross acceleration by AAAN, any Guarantor or any of their respective subsidiaries of indebtedness in excess of U.S.\$15 million;
- any event or condition which would reasonably be expected to have a material adverse effect on the business condition (financial or otherwise) of ASTRO taken as a whole; and
- other customary events of default including insolvency, liquidation, the commencement of winding up proceedings and undischarged judgements.

The lenders' remedies for default will include acceleration of loans and the enforcement of the security described below.

The security for the Facilities, which is required to be perfected as a condition to drawdown of the Facilities include:

- debenture over all of AAAN's assets and revenues (including a charge over shares in AAAN Bermuda);
- assignment of bank accounts by AAAN (other than proceeds of the Initial Public Offering);
- debenture over all of AAAN Bermuda's assets and revenues (including over its shares in AOL);
- debenture over all of AOL's assets and revenues;
- share mortgage by AAAN in respect of its shares in MBNS;

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (Cont'd)

- the MBNS Undertaking whereby MBNS has undertaken to procure the relevant consents for MBNS to grant guarantee and *pari passu* security to the lenders under the Facilities immediately upon the earliest to occur of (1) the maturity date or full prepayment of the debt securities under the PDS facility, (2) the consent to the lifting, or the waiver of, any restrictions on MBNS providing guarantees to third parties by the guarantors of the PDS facility, the holders of debt securities under the PDS facility, the lenders under the ECA facility and the lenders under the BPI Facility; and (3) 30 June 2006, being the "MBNS Security Date";
- charge by EAE in respect of its shares in CEHL, charge by CEHL in respects of its shares in Celestial;
- charge by Celestial in respect of its shares in CFEL;
- charge by Celestial in respect of its shares in CMCL; and
- charge by AOL in respect of its shares in ASTRO Brunei.

In addition, MBNS is not permitted to create security over the shares it holds in any of its subsidiaries (present or future) and Usaha Tegas will undertake to maintain a minimum shareholding of 40 per cent. in AAAN (at all times up to the Listing date) and not to sell any part of its direct or indirect interest in AAAN prior to the Listing date unless simultaneously with the prepayment of the Facilities or unless such sale is made pursuant to or after the Initial Public Offering of shares in AAAN.

Upon the MBNS Security Date, the following securities are required:

- fixed and/or floating charges over MBNS and Digicast respective assets; and
- an assignment of all major present and future rights title benefit contracts and undertakings of MBNS and Digicast.

Such securities will be required to rank *pari passu* in point of priority and security with the guarantors of the PDS facility, the holders of debt securities under the PDS facility, the lenders under the ECA facility and the lenders under the BPI facility.

The Facilities will require repayment of Facility B and Facility C upon the closing of the Initial Public Offering.

For details of other indebtedness in respect of transactions with affiliated companies, see Section 18 of this Prospectus.

Other Financing Arrangements

AAAN Bermuda, through MBNS, has entered into the following short-term financing arrangements for working capital purposes, some of which have not been provided for in the financial statements.

Malayan Banking Berhad: RM70 million limit; RM35.8 million had been utilised as at 31 July 2003. This credit facility includes overdraft, revolving credit, letters of credit, trust receipts, bankers acceptances, bank guarantees and RM20 million for foreign exchange purposes and is subject to periodic review.

14. DESCRIPTION OF MATERIAL INDEBTEDNESS (Cont'd)

Citibank Berhad: RM190.8 million and U.S.\$40 million limits; RM167.2 million had been utilised as at 31 July 2003. This facility includes banker's acceptances, bank guarantees, letter of credit and the U.S.\$40 million is for foreign exchange purposes. This facility is subject to periodic credit limit reductions throughout 2003, decreasing to RM79.8 million by December 2003, and is subject to periodic review.

RHB Bank Berhad: RM345 million facility; RM138.8 million was drawn as at 31 July 2003. This financing agreement includes overdraft, revolving credit, letters of credit, bankers acceptances, bank guarantees, trust receipts and RM160 million for foreign exchange purposes. This agreement is subject to periodic review.

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15. FUTURE FINANCIAL INFORMATION

15.1 Consolidated Profit Forecast Together With the Assumptions Thereon

The Directors forecast that the consolidated profit after taxation of ASTRO pursuant to the Maximum Subscription and Minimum Subscription, respectively, upon Listing, for the year ending 31 January 2004, which includes the financial results for the six months ended 31 July 2003, will be as follows:

	<-- Year ending 31 January 2004 -->	
	Maximum Subscription RM million	Minimum Subscription RM million
Revenue	1,409.9	1,409.9
Consolidated profit before taxation but after minority interest	33.6	28.6
Less: Taxation ⁽¹⁾	(23.4)	(23.4)
Consolidated profit after taxation and minority interest	10.2	5.2
Basic EPS (sen) ⁽²⁾	0.75	0.39
Prospective price-earnings multiple on weighted average basis		
- based on Retail Price of RM3.80 (times)	506.7	974.4
- based on indicative Institutional Price of RM4.22 (times)	562.7	1,082.1

Notes:

- (1) *Included in taxation is a deferred tax charge of RM23.0 million arising in a subsidiary due to realisation of deferred tax assets.*
- (2) *Based on the weighted average number of Shares assumed in issue of 1,367.6 million (Maximum Subscription) and 1,321.3 million (Minimum Subscription). There is no diluted EPS as there are no potential dilutive ordinary shares and the assumed exercise price of the Options is the same as the Retail Price.*

The consolidated profit forecast of ASTRO for the year ending 31 January 2004 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the forecast was prepared, the Directors expect to take place. These future events may or may not take place. The principal assumptions are set out below and the risk factors which may impact their achievement are set out in Section 5 of this Prospectus.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of the Directors. Also, events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecast, and the differences may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the consolidated profit forecast.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

1. ASTRO's consolidated profit forecast for the year ending 31 January 2004 includes the effects of the following significant assumptions:

- (i) Assumption 28 of the principal bases and assumptions of the consolidated profit forecast assumes that gross addition of 167,000 subscribers will be achieved by the multi-channel subscription television business in the second six months of the year ending 31 January 2004. Assumption 28 also indicates that the costs associated with gaining new subscribers are significant. A sensitivity analysis prepared to illustrate the effect of gross addition of subscribers growth, as set out in Section 15.3.1 "Sensitivity Analysis Under Maximum Subscription", indicates that higher subscriber growth is expected to increase costs in the forecast period and reduces profitability while lower subscriber growth is expected to decrease costs and improves profitability in the forecast period. The amount and effect of subscriber growth is subject to significant uncertainty and the forecast is potentially sensitive to variations in the subscriber growth, amongst other factors.
- (ii) ASTRO's consolidated profit forecast for the year ending 31 January 2004 includes Celestial Pictures' and PANV Group's forecast results that are accounted for using the uniting of interests method. The respective consolidated (loss)/profit after taxation included in the forecast are as follows:

	Celestial Pictures RM million	PANV Group RM million
Consolidated (loss)/profit after taxation	<u>(68.9)</u>	<u>0.7</u>

- (iii) Note 2 and Assumption 3 indicates significantly reduced net finance costs as a result of reduced interest expense due to proposed reduction in borrowings and increase in interest income from higher cash deposits arising from the Initial Public Offering and other transactions as set out below which have not yet occurred.

2. As an integral part to the Listing, AAAN implemented a restructuring scheme ("Restructuring"). Details of the Restructuring and Initial Public Offering are as follows:

- (i) Business combination with AAAN Bermuda whereby AAAN acquired the entire issued and paid-up ordinary share capital in AAAN Bermuda Ltd on 20 September 2003, comprising 1,185,548,556 ordinary shares of approximately RM450.5 million in exchange for the issuance of 1,185,548,556 new Shares, amounting to approximately RM731.5 million. This business combination is presented using the uniting of interests method of accounting. The excess of par value of shares issued compared to the nominal value of ordinary shares acquired, amounting to approximately RM281.0 million, is recorded in the contributed surplus account.
- (ii) Acquisition of 53,947,368 "B Series" RCPS of U.S.\$0.01 each, which were issued at a premium of U.S.\$0.99 each in AAAN Bermuda Ltd in exchange for the issuance of 53,947,368 "Series I" RCPS of 1p each in AAAN on 20 September 2003. Acquisition of 103,947,368 "C Series" RCPS of U.S.\$0.01 each, which were issued at a premium of U.S.\$0.99 each in AAAN Bermuda Ltd in exchange for the issuance of 103,947,368 "Series II" RCPS of 1p each in AAAN on the same day.
- (iii) Issuance of 49,998 RPS of £1 each by AAAN for which consideration is settled by a letter of undertaking issued by the subscriber of the RPS on 3 September 2003. The RPS subscriber undertakes to pay on demand, or at the latest on 1 March 2004, the consideration of £49,998.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

- (iv) Conversion of "Series I" RCPS of 1p each into new Shares, representing 5.55 per cent. of the enlarged share capital after the Conversion of RCPS and the Initial Public Offering at the closing of the Initial Public Offering, which is stipulated as the Price Determination Date. The number of shares converted is assumed to be 105,646,612 new Shares under the Maximum Subscription and 95,363,393 new Shares under the Minimum Subscription. In addition, the accretion of premium on "Series I" RCPS, estimated to be RM43.4 million at the date of conversion, will be converted into 10,275,243 new Shares at a conversion price similar to the indicative Institutional Price of RM4.22 per Share.
- (v) Conversion of "Series II" RCPS of 1p each into 103,947,369 new Shares at the closing of the Initial Public Offering, which is stipulated as the Price Determination Date, at an indicative conversion price of RM3.80, which is at the equivalent of a 10 per cent. discount to the indicative Institutional Price of RM4.22 per Share.
- (vi) Based on an indicative Issue Price of RM4.22 and RM3.80 per Share for the Institutional Offering and Retail Offering, respectively, the proposed allocation of shares between the Institutional Offering and Retail Offering and the estimated gross proceeds from the Maximum Subscription and the Minimum Subscription are as follows:

	No. of new Shares (000)	Proceeds (RM million)
Maximum Subscription		
Institutional offering	425,000	1,793.5
Retail offering	83,400	316.9
Total	<u>508,400</u>	<u>2,110.4</u>
Minimum Subscription		
Institutional offering	250,000	1,055.0
Retail offering	83,400	316.9
Total	<u>333,400</u>	<u>1,371.9</u>

The estimated proceeds from the Maximum Subscription or the Minimum Subscription will be utilised by ASTRO during the period of 24 months after the date of the Initial Public Offering are as follows:

	Maximum Subscription (RM million)	Minimum Subscription (RM million)
Repayment of borrowings		
- current	138.1	138.1
- non-current	1,226.3	967.4
Estimated expenses for the Listing	113.3	86.3
Payment of the remaining 3.7 per cent. issued but not fully paid ordinary shares in TVBPH, an associate	19.0	19.0
Working capital/general corporate purposes	613.7	161.1
	<u>2,110.4</u>	<u>1,371.9</u>

The 49,998 units of RPS will be redeemed upon the completion of the Initial Public Offering. There will be no cash outflow as the amount to be paid for the redemption will be offset with the undertaking by the RPS subscribers.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

(vii) Prior to the business combination of AAAN with AAAN Bermuda Ltd referred to in Note 2(i) above, AAAN Bermuda Ltd issued the "C Series" RCPS, completed the business combinations and will redeem the "A Series" RCPS, as follows:

(a) On 18 August 2003, AAAN Bermuda Ltd issued 103,947,368 "C Series" RCPS of U.S.\$0.01 each at a premium of U.S.\$0.99 each, which amounted to RM395 million (equivalent to approximately U.S.\$103.9 million) for cash.

(b) On 20 August 2003, AAAN Bermuda acquired the entire issued and paid-up ordinary share capital of Celestial, comprising 25,000,000 ordinary shares of HK\$1.00 each, which amounted to approximately RM12.2 million, for a purchase consideration of approximately RM110.6 million, to be settled in cash by bank borrowings as set out in Note 2(viii)(a). In addition, an amount of approximately RM345.4 million of corporate advances from the former corporate shareholder of Celestial will be repaid in cash by bank borrowings as set out in Note 2(viii)(a).

Also on 20 August 2003, AAAN Bermuda acquired the entire issued and paid-up ordinary share capital of PANV, comprising 6,000 ordinary shares of U.S.\$1.00 each, for a purchase consideration of approximately RM23,000, to be settled in cash.

The above business combinations of AAAN Bermuda with Celestial Pictures and PANV Group are presented using the uniting of interests method of accounting. The excess of the cash consideration paid for the acquisition of the entire issued and paid-up ordinary share capital of Celestial and PANV over the value of shares acquired, amounting to RM98.3 million is recorded in the contributed surplus account.

(c) On 20 August 2003, AAAN Bermuda acquired an additional 10.0 per cent. issued (7.9 per cent called and paid-up) share capital in TVBPH, for a purchase consideration of approximately RM13.7 million, to be settled in cash. Goodwill arising from the acquisition of these additional shares in TVBPH is estimated to be RM11.4 million and is included in investments in associates.

Prior to the additional acquisition, AAAN Bermuda invested in 20.0 per cent. of the issued (18.4 per cent. called and paid-up) share capital of TVBPH. With the above additional acquisition, AAAN Bermuda holds a total of 26.3 per cent. of the issued and paid-up ordinary share capital and 3.7 per cent. unpaid ordinary share capital of TVBPH, with a consideration payable of approximately RM19.0 million.

(d) Redemption of "A Series" RCPS issued by AAAN Bermuda Ltd, including the accretion of premium up to the date of redemption, estimated to be approximately RM353.4 million, to be settled by cash.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

- (viii) AAAN will undertake the following transactions prior to the Initial Public Offering:
- (a) Drawdown of approximately RM1,007.0 million of new bank borrowings, less debt establishment costs of RM30.4 million, amounting to net proceeds of approximately RM976.6 million. Proceeds from the loan will be used to finance the acquisition of Celestial of approximately RM110.6 million and the repayment of the corporate shareholders' advances to the former corporate shareholders of Celestial of approximately RM345.4 million.
 - (b) Share split of the 2 ordinary shares of £1 each in AAAN into 20 Shares.
 - (c) Redemption of the promissory notes issued by AAAN Bermuda Ltd, including the accrued interest up to the date of redemption, estimated to be approximately RM89.2 million and repayment of the existing corporate shareholder's advances in AAAN Bermuda Ltd, including the accrued interest up to date of repayment, estimated to be approximately RM188.7 million, by cash.
- (ix) The number of the share options to be granted under the Schemes shall not exceed 10 per cent. of the issued and paid-up share capital of AAAN at any one time. Based on the illustrative enlarged issued and paid-up share capital of AAAN upon completion of the Initial Public Offering and conversion of RCPS, the assumed number of Options to be granted pursuant to the Schemes are as follows:

	Maximum Subscription (000)	Minimum Subscription (000)
Assumed number of Options	191,382	172,853

Principal bases and assumptions

3. AAAN will be listed and quoted on 28 October 2003 and will benefit from reduction in interest expense due to repayment of borrowings and reduced accretion on RCPS; and from increased in interest income from higher cash deposits balances as assumed in the forecast.
4. Bad and doubtful debts and anticipated bad debt recoveries will be at the forecast level.
5. There will be no further significant changes to the overall group structure of ASTRO.
6. There will be no further significant change to the principal activities and services offered by ASTRO, which are the provision of DTH satellite multi-channel subscription television services; radio broadcasting services; the production, licensing and distribution of film and television programming; the publication and distribution of magazines; and the provision of interactive and multi-media services.
7. There will be no significant change in prevailing global political and economic conditions, especially those conditions that affect the media industry, which will adversely affect the activities or performance of ASTRO.
8. There will be no significant change in present global legislation or government regulations, especially regulations of the media industry, which will adversely affect the activities or performance of ASTRO.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

9. There will be no major global industrial disputes or any abnormal circumstances or other force majeure events, especially those that affect the media industry, that will adversely affect the activities or performance of ASTRO.
10. There will be no significant change in existing strategic, operating and accounting policies as well as composition of existing key management personnel of ASTRO, which will adversely affect the activities or performance of ASTRO.
11. There will be no significant change in the assumed tax rates, bases of taxation and tax incentives as well as duties and levies and other corporate tax applicable to ASTRO.
12. There will be no significant fluctuation in exchange rates of foreign currencies from prevailing rates against Ringgit Malaysia. The exchange rates of Ringgit Malaysia against ASTRO's principal operating currencies are assumed as follows:
- | | | |
|--------------------|---|--------|
| U.S.\$1 | : | RM3.80 |
| 1 Euro | : | RM4.35 |
| 100 Rs | : | RM8.25 |
| 1 Singapore Dollar | : | RM2.16 |
| AUD\$1 | : | RM2.52 |
| £1 | : | RM6.17 |
| HK\$1 | : | RM0.49 |
| B\$1 | : | RM2.16 |
13. The inflation rates in countries where ASTRO operates will remain at present levels.
14. Existing trading relationships with major suppliers will be maintained. There will be no limitation or delay in the supply of critical equipment and materials by the suppliers that will significantly affect the activities or performance of ASTRO.
15. Existing financing facilities, which include the longer credit terms with suppliers for the purchase of set-top boxes, will continue to be made available to ASTRO at interest rates ranging between 1.27 per cent. to 9.70 per cent. per annum.
16. Other than inflationary increases, there will be no significant change in administrative and overhead expenses, cost of materials, labour and other materials used in the operations and businesses of ASTRO.
17. There will be no significant change in technology applicable to the broadcasting businesses.
18. The capital expenditure programme will be implemented, incurred and put into operations as planned and it is expected to provide sufficient capacity to support the forecast subscriber base. There will not be any material change in the cost and pricing structure of broadcasting equipment and materials from prevailing rates. There will be no significant disposals of property, plant and equipment in the forecast.
19. There will be no significant change in customer demand, selling prices, rebates and service product lines other than those assumed in the forecast.
20. ASTRO will have adequate manpower resources to support its forecast growth in business.
21. All necessary approvals from the relevant authorities will be obtained without limitations, as assumed in the forecast.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

22. All ASTRO's advertising and marketing plan will be carried out as assumed in the forecast.
23. All purchases procured and contracts and agreements entered into will be made based on terms and conditions as assumed in the forecast.
24. There will be no major disruption in the operations of the broadcasting facilities nor will there be any other events, abnormal factors or deterioration in the broadcasting network quality, which will adversely affect the operations of ASTRO.
25. Surplus funds will be placed in term deposits and will earn interest income at the prevailing interest rates.
26. There will be no dividend declared or paid in the forecast.
27. It is assumed that the Options to be granted pursuant to the Scheme will not be exercised by the employees during the financial year ending 31 January 2004.

Assumptions specific to multi-channel subscription television

28. Gross additions of 167,000 subscribers will be achieved by the multi-channel subscription television business in the second six months of the year ending 31 January 2004. The difference between the revenue and set-top box costs associated with this gross additions of subscribers is an increase in costs of approximately RM107.3 million.
29. The take up rates for the various subscription packages and average subscriber mix for multi-channel subscription television will be achieved as assumed in the forecast.
30. The annual churn rate for multi-channel subscription television is assumed at 7.2 per cent. in the forecast.
31. There will be no significant change to the subscription prices of the packages currently offered by the multi-channel subscription television.
32. The forecast monthly average revenue per user of approximately RM82 for multi-channel subscription television will be achieved in the forecast.
33. The average purchase cost per unit of set-top boxes for the multi-channel subscription television is assumed to be RM744 per unit in the forecast.
34. There will be no other significant changes in the prevailing programme provider fees for the multi-channel subscription television, except for an assumed reduction of 25 per cent. payable to one major supplier.
35. There will be no significant change in commission rates granted to dealers by the multi-channel subscription television from the present levels.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

36. The allowance for doubtful debts for the two main categories of trade receivables as included in the forecast is as follows:

**General allowance
for doubtful debts**

Subscription debtors:

Overdue less than 90 days	0%
Overdue 90 days but less than 210 days	50%
Overdue 210 days and above	100%

Advertising debtors:

Overdue less than 150 days	0%
Overdue 150 days but less than 180 days	25%
Overdue 180 days but less than 240 days	50%
Overdue 240 days but less than 300 days	75%
Overdue 300 days and above	100%

Assumptions specific to Celestial Pictures

37. The remastering of film titles will be completed based on timing and costs assumed in the forecast.
38. The release of titles to the various territories will be carried out based on a schedule as assumed in the forecast.
39. The launch of the movie channel in various territories will be completed as assumed in the forecast.
40. Costs associated with business and market developments will be incurred as assumed in the forecast.

The Reporting Accountants' Letter on the Consolidated Profit Forecast for the year ending 31 January 2004 is set out in Section 15.5 of this Prospectus.

15.2 Dividend Forecast

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends it receives from its subsidiaries. The payment of dividends by the Company's subsidiaries will depend upon their operating results, financial condition, capital expenditure plans, availability of tax credits and other factors that their respective boards of directors deem relevant. AAAN's ability to pay dividends is also limited by the terms of the Facilities, the description of which is set out in Section 14 of this Prospectus.

The actual dividend that the Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Board. In considering the level of dividend payments, if any, upon recommendation by the Board, AAAN intends to take into account various factors including:

- (i) the level of its cash, gearing, return on equity and retained earnings;
- (ii) its expected financial performance; and
- (iii) its projected levels of capital expenditure and other investment plans.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

In addition, under Malaysian law, the level of franking credits or exempt income accounts available to distribute dividends in a tax efficient manner may also limit the amount of dividends.

Considering the current financial position of AAAN, the Board intends to adopt a progressive dividend policy, subject to the factors stated above and in the absence of any circumstances which might reduce the amount of revenue reserve available to pay dividends, whether by losses, capital reduction or otherwise.

Investors should note that all the foregoing statements are merely statements of AAAN's present intention and shall not constitute legally binding statements in respect of AAAN's future dividends which are subject to modification (including reduction or non-declaration thereof) in the Board's sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to AAAN's actual future profitability or its ability to pay dividends in the future.

The Board has not forecast any dividends to be declared for the financial year ending 31 January 2004.

For a discussion of the risks relating to dividends, refer to Section 5.2.3 of this Prospectus.

15.3 Sensitivity Analysis under Maximum Subscription

15.3.1 Variations in Gross Additions of Residential Subscribers

	Forecast for the financial year ending 31 January 2004		
	Revenue RM million	EBITDA RM million	Profit after taxation RM million
Higher 10%	1,415.3	255.5	6.2
Higher 5%	1,412.6	258.0	7.9
Base			
Lower 5%	1,407.2	264.9	12.9
Lower 10%	1,404.5	268.7	19.6

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 15.1 of this Prospectus and assumes all other variables remain unchanged save for the 5 per cent. and 10 per cent. upward and downward variations in the gross additions of ASTRO's residential subscribers only.

15.3.2 Variations in Churn

	Forecast for the financial year ending 31 January 2004		
	Revenue RM million	EBITDA RM million	Profit after taxation RM million
Higher 10%	1,409.2	260.5	9.8
Higher 5%	1,409.6	260.8	10.0
Base			
Lower 5%	1,410.2	261.3	10.4
Lower 10%	1,410.6	261.6	10.6

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 15.1 of this Prospectus and assumes all other variables remain unchanged save for the 5 per cent. and 10 per cent. upward and downward variations in churn of net residential subscribers.

15. FUTURE FINANCIAL INFORMATION (Cont'd)

15.3.3 Variations in ARPU

	Forecast for the financial year ending 31 January 2004		
	Revenue	EBITDA	Profit/(loss)
	RM million	RM million	after taxation
			RM million
Higher 10%	1,465.3	316.5	50.1
Higher 5%	1,436.8	288.0	29.6
Base			
Lower 5%	1,379.5	230.7	(11.7)
Lower 10%	1,350.9	202.1	(32.3)

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 15.1 of this Prospectus and assumes all other variables remain unchanged save for the 5.0 per cent. and 10 per cent. upward and downward variations in revenue per ASTRO's subscribers only.

15.4 Directors' Analysis and Commentary on the Consolidated Profit Forecast

The Board of AAAN confirms that the profit forecast of ASTRO and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors having taken into account the future prospects of the broadcasting industry in Malaysia, the future strategies of ASTRO and its expected level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast is achievable under the prevailing business and economic environment.

Nevertheless, these bases and assumptions cover future periods for which there are inherent risks, and therefore, should be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies which are often outside the control of ASTRO. Therefore, certain assumptions used in the preparation of the profit forecast may differ significantly from the actual situation after the date of this profit forecast.

15. FUTURE FINANCIAL INFORMATION *(Cont'd)*

15.5 Reporting Accountants' Letter on the Consolidated Profit Forecast



The Board of Directors
ASTRO ALL ASIA NETWORKS plc
3rd Floor, Administration Building
All Asia Broadcast Centre
Technology Park Malaysia
Lebuhraya Puchong-Sungai Besi
Bukit Jalil
57000 Kuala Lumpur
Malaysia

PricewaterhouseCoopers
(AF 1146)
Chartered Accountants
11th Floor Wisma Sime Darby
Jalan Raja Laut
P O Box 10192
50706 Kuala Lumpur, Malaysia
Telephone +60 3 2693 1077
Facsimile +60 3 2693 0997

26 September 2003

ASTRO ALL ASIA NETWORKS plc CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 JANUARY 2004

Dear Sirs,

- 1 We have reviewed the consolidated profit forecast of ASTRO ALL ASIA NETWORKS plc ("AAAN") and its proposed subsidiary companies which were acquired subsequent to 31 July 2003 (collectively known as "ASTRO"), for the year ending 31 January 2004, as set out in Section 15.1 of the Prospectus in accordance with International Standards on Auditing 810 applicable to the review of forecasts. The consolidated profit forecast has been prepared in connection to AAAN's proposed flotation on the Main Board of the Kuala Lumpur Stock Exchange and should not be relied on for any other purposes. On 20 September 2003, AAAN entered into a share sale agreement to acquire the entire issued and paid-up ordinary share capital of ASTRO ALL ASIA NETWORKS Limited ("AAAN Bermuda Ltd"), which had already acquired Celestial Pictures Limited ("Celestial") and Philippines Animation N.V. ("PANV") in August 2003. Together, AAAN, AAAN Bermuda Ltd and its subsidiary companies ("AAAN Bermuda"), Celestial and its subsidiary company ("Celestial Pictures") and PANV and its subsidiary companies ("PANV Group") comprise the Group.
- 2 Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by AAAN, AAAN Bermuda and Celestial Pictures in their audited financial statements for the period ended 31 July 2003, which have been adopted by ASTRO as the Group accounting policies. The Directors of AAAN are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.
- 3 Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variations could be material.

15. FUTURE FINANCIAL INFORMATION (Cont'd)



The Board of Directors
ASTRO ALL ASIA NETWORKS plc
26 September 2003

- 4 We draw your attention to Assumption 28 of the principal bases and assumptions of the consolidated profit forecast as set out in Section 15.1 of the Prospectus whereby it is assumed that the gross additions of 167,000 subscribers will be achieved by the multi-channel subscription television segment in the second six months of the year ending 31 January 2004, which also indicates that the costs associated with gaining new subscribers are significant. The amount and effect of subscriber growth is subject to significant uncertainty and therefore the forecast is potentially sensitive to variations in the subscriber growth, amongst other factors.
- 5 Subject to the matters stated in the preceding paragraphs:
- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the principal bases and assumptions of the consolidated profit forecast in Section 15.1 of the Prospectus, do not provide a reasonable basis for the preparation of the profit forecast; and
 - (ii) in our opinion, the profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by AAAN, AAAN Bermuda and Celestial Pictures in their audited financial statements for the period ended 31 July 2003, which have been adopted by ASTRO as the Group accounting policies.
- 6 Our letter is solely for the purpose of this Prospectus and not for inclusion in the International Offering Circular.

Yours faithfully,

A handwritten signature in cursive script, appearing to read 'Price Waterhouse Coopers'.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in cursive script, appearing to read 'Uthaya Kumar'.

UTHAYA KUMAR S/O K. VIVEKANANDA
(No. 1455/06/04 (J))
Partner of the firm