
13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis as at and for the five years ended 31 January 2003 and for the six months ended 31 July 2003 are based on, and should be read in conjunction with, (i) the relevant sections in the Accountants' Report with respect to MEASAT, AAAN Bermuda and Celestial Pictures; (ii) AAAN Bermuda's audited consolidated financial statements and related notes thereto for the three years ended 31 January 2003 and the six months ended 31 July 2003; (iii) MEASAT's audited consolidated financial statements and related notes thereto for the two years ended 31 January 2000; (iv) Celestial Pictures' audited consolidated financial statements and related notes thereto for the three years ended 31 January 2003 and the six months ended 31 July 2003; and (v) AAAN Bermuda's and Celestial Pictures' selected financial and operating data and related notes thereto. The results of AAAN Bermuda and Celestial Pictures for the six months ended 31 July 2003 are not indicative of their results for fiscal 2004.

In the following discussion and analysis, "AAAN Bermuda" refers to AAAN Bermuda Ltd and its consolidated subsidiaries (except for any discussion and analysis of the fiscal years ended 31 January 1999 and 2000, where "AAAN Bermuda" refers to MEASAT), excluding Celestial Pictures and the PANV Group. The financial information of Celestial Pictures and the PANV Group are not included in the consolidated financial information for AAAN Bermuda in the following discussion and analysis, but are included on a proforma basis together with AAAN Bermuda's financial information elsewhere in this Prospectus and the financial information for Celestial Pictures are also included separately elsewhere herein.

The financial statements of (i) AAAN Bermuda as at and for the three years ended 31 January 2003 and for the six months ended 31 July 2003; (ii) MEASAT as at and for the two years ended 31 January 2000; and (iii) Celestial Pictures as at and for the five years ended 31 January 2003 and for the six months ended 31 July 2003 have been prepared and presented on a consolidated basis and in accordance with IFRS which differs in certain material respects from MAAS. Refer to Section 12.6 of this Prospectus for the summary of differences between IFRS and MAAS.

AAAN BERMUDA

Overview

AAAN Bermuda is a leading integrated cross-media company in Malaysia, with a variety of businesses at different stages of their development. The multi-channel subscription television segment is the sole provider of DTH satellite multi-channel subscription television services in Malaysia and has achieved significant growth in its subscriber base since commencing operations in September 1996. The multi-channel subscription television segment contributed 91.6 per cent. and 92.1 per cent. of total revenues in fiscal 2003 and for the six months ended 31 July 2003 respectively. AAAN Bermuda currently generates a substantial majority of its revenues from multi-channel subscription television broadcasting services, and expects that a substantial majority of its revenues will continue from this source for the foreseeable future. AAAN Bermuda also operates the leading radio broadcasting business in Malaysia. The radio segment has achieved gross profits since fiscal 2000 and has consistently led the market in radio advertising sales. The radio broadcasting segment contributed 7.7 per cent and 7.2 per cent. of total revenues in fiscal 2003 and for the six months ended 31 July 2003 respectively. The film production, publication and multi-media interactive services businesses included in the "Others" segment have been in operation for a relatively short period of time and have not yet contributed substantially to the revenue or income of AAAN Bermuda.

As part of AAAN Bermuda's strategy to strengthen its capabilities in Asian language programming and to complete the consolidation of all the media businesses of the UT Group and its affiliates within AAAN Bermuda, on 20 August 2003, AAAN Bermuda acquired Celestial Pictures, which owns the Shaw Brothers' Library and has developed a Chinese movie channel, Celestial Movies, and PANV Group, an animation service provider located in the Philippines. As AAAN Bermuda integrates Celestial Pictures and PANV Group, AAAN Bermuda expects that it will constitute an additional business segment for these and other content related units.

13. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

Multi-channel Subscription Television

Since commencing broadcasting operations in September 1996, AAAN Bermuda has emerged as the dominant multi-channel subscription television broadcaster in Malaysia and has increased its residential subscriber base from 134,853 subscribers as at 31 January 1998 to 1,107,242 subscribers as at 31 July 2003. The rapid growth in the subscriber base reflects both the development of strong operational capabilities and the lack of effective competition for multi-channel subscription television in Malaysia.

As AAAN Bermuda has been developing the multi-channel subscription television business and continuing to build its subscriber base, the multi-channel subscription television segment did not achieve pre-tax profitability until the first quarter of fiscal 2004. The improving trend in the revenue performance of this segment is supported by the continued growth in residential subscribers with net additions of 47,935 in fiscal 1999, 114,135 in fiscal 2000, 244,478 in fiscal 2001, 236,346 in fiscal 2002, 206,562 in fiscal 2003 and 122,933 for the six months to 31 July 2003. In achieving this growth in the subscriber base, AAAN Bermuda has experienced moving annual total churn rate of approximately 7.8 per cent. in fiscal 1999, 3.7 per cent. in fiscal 2000, 5.4 per cent. in fiscal 2001, 7.9 per cent. in fiscal 2002, 6.9 per cent. in fiscal 2003 and 7.3 per cent. for the six months to 31 July 2003. See "Seasonality" in this Section. As AAAN Bermuda continues to grow its subscriber base, it expects that it will experience increasing upward pressure on its churn rate as it attracts more subscribers who may be more susceptible to economic churn.

Revenue. The multi-channel subscription television segment has achieved increasing revenue, recognising RM221.1 million in fiscal 1999, RM351.9 million in fiscal 2000, RM552.0 million in fiscal 2001, RM781.3 million in fiscal 2002, RM1,034.3 million in fiscal 2003 and RM585.6 million in the six months to 31 July 2003. The multi-channel subscription television segment recognises revenue principally from subscription fees, and to a lesser extent sales of advertising airtime, sales of programming rights, sales of set-top boxes and provision of interactive-television services.

Subscription fees are generally billed monthly in advance, with quarterly, semi-annually and annual prepaid packages being available and revenue recognised as services are provided. The preponderance of subscriptions is from residential subscribers, but AAAN Bermuda also provides subscription services to school and commercial establishments, such as bars, lounges and hotels. Pay-per-view fees are also included in subscription fee revenue. Revenue derived from subscription fees is a function of the number of subscribers, the number of subscriptions per subscriber, the mix of programming packages selected by subscribers, the volume of pay-per-view programmes taken up and the rates charged for these services. As AAAN Bermuda continues to grow its residential subscriber base, it expects that it will experience increasing downward pressure on its ARPU as residential subscribers who subscribe for basic packages comprise a larger percentage of its subscriber base. AAAN Bermuda intends to counter such downward pressure on ARPU by encouraging subscribers to upgrade to packages with more channels, to take up pay-per-view services and encourage multiple subscriptions.

AAAN Bermuda has also successfully grown revenue in the multi-channel subscription television segment from sales of advertising airtime on both locally packaged and turnaround channels, reaching RM21.4 million in fiscal 1999, RM29.8 million in fiscal 2000, RM44.5 million in fiscal 2001, RM60.3 million in fiscal 2002, RM83.1 million in fiscal 2003 and RM36.0 million in the six months to 31 July 2003. Revenue from airtime sales is a function of demand for airtime by advertisers, the spot rate at which AAAN Bermuda can sell available airtime and AAAN Bermuda's ability to attract audiences with demographics appealing to advertisers.

The multi-channel subscription television segment also derives revenue from the sale of programming rights related to in-house productions.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Each new subscriber of the multi-channel subscription television service must acquire a set-top box (including a satellite dish) capable of receiving and decoding the broadcast signal. Revenue from the sale of the set-top boxes is recognised at the time the set-top boxes are sold to subscribers or to third party retailers and distributors. In order to drive subscriber growth, the average revenue for each set-top box sold has been decreasing.

Cost of Sales. Cost of sales in the multi-channel subscription television segment comprises content and transmission costs including fees to content providers for the turnaround channels, depreciation and maintenance of broadcast and transmission assets, licences and copyright fees, programme guide printing costs as well as amortisation of film library and programme rights, cost of set-top boxes, and staff related costs.

Programme provider fees for turnaround channels have been the most significant cost for AAAN Bermuda's multi-channel subscription television segment. AAAN Bermuda must acquire programming relevant to its subscriber base in order to drive growth in subscribers and revenues, but must also control expenditure to acquire programming at reasonable prices in order to achieve profitability. The level of programming fees to content providers is dependent upon the number of channels acquired for broadcast and the structure of the fees for each of those channels. As some channels are obtained on a fixed fee basis, the fees do not fluctuate with increases in the subscriber base. In respect of channels obtained on a per subscriber fee basis, the fees have increased in line with the increase in the number of subscribers. AAAN Bermuda's growing residential subscriber base has enabled it to secure lower per subscriber rates or flat fees for acquisition of certain programming. As a result, turnaround channels programming costs have generally been declining on a per subscriber per month basis, from RM42.15 in fiscal 1999, RM37.21 in fiscal 2000, RM31.48 in fiscal 2001, RM28.53 in fiscal 2002 and RM28.60 in fiscal 2003 to RM 25.36 in the six months ended 31 July 2003.

Amortisation of programme rights is recognised from date of first transmission on an accelerated basis up to a maximum of five years and is dependent upon the cost of acquisition and timing of transmission of new programme rights.

The cost of set-top boxes has been a significant element affecting the cost of sales of the segment. The cost of set-top boxes is mainly dependent upon the number of new subscribers initiating service during each period and, to a lesser extent, upon the per unit price paid to AAAN Bermuda's two set-top box suppliers. AAAN Bermuda has been successful in decreasing its price per unit paid, and expects that such prices will continue to decrease in the short term.

Staff and maintenance costs vary from period to period based on the number of employees working in the business, the level of ongoing and special maintenance projects undertaken to assure the reliable function of the broadcasting equipment at the All Asia Broadcast Centre and on the satellite transponders. AAAN Bermuda also recognises expenses for the printing and distribution of programme guides, which are sent to subscribers free of charge on a monthly basis.

Radio

AAAN Bermuda's radio group is the leading radio broadcaster in Malaysia, capturing 43.0 per cent. of radio listeners and 67.7 per cent. of the radio advertising market according to the NMR Radio Listenership Survey for the 12 months ended 31 July 2003. The radio segment has been profitable since fiscal 2000.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

In addition to maintaining its leading market share in Malaysia, AAAN Bermuda also plans to selectively expand its radio business outside Malaysia. In July 2001, AAAN Bermuda established a sales and marketing consulting services business and FM radio broadcast studio facilities business in India through its subsidiary, AMSI. Together with local Indian partners, AMSI has entered into long term agreements with two Kolkata-based stations to provide a range of services that include airtime sales services and technical services.

Revenue. The radio segment has achieved increasing revenue with RM16.7 million in fiscal 1999, RM31.5 million in fiscal 2000, RM54.0 million in fiscal 2001, RM70.9 million in fiscal 2002, RM86.5 million in fiscal 2003 and RM45.5 million in the six months to 31 July 2003. The financial success of the radio segment is based in part on AAAN Bermuda's differentiation of its stations from others in the Malaysian market by adopting format-specific programming. Through this differentiation, AAAN Bermuda has captured a larger share of the radio advertising market relative to its share of the audience. Substantially all of the radio segment's revenue is derived from airtime sales on its five terrestrial FM channels. Airtime sales are often packaged so that multiple advertisements are sold to each advertiser on numerous radio channels and through Internet websites of the five terrestrial FM stations. Revenue is a function of demand for airtime by advertisers, the spot rate at which AAAN Bermuda can sell available airtime and AAAN Bermuda's ability to generate audiences with demographic elements that are attractive to advertisers. This revenue is enhanced by the sale of integrated promotions to clients in the form of on-air, on-the-street and on-line campaigns.

Cost of Sales. The radio segment's cost of sales includes staff related costs, licence and copyright fees, management and intellectual property fees, transmission carrier costs, promotions and marketing and music royalties.

Others**Real Estate**

AAAN Bermuda's other revenue is from the lease of land at the All Asia Broadcast Centre to its related company, Maxis Broadband Sdn Bhd. This segment incurs cost of sales arising from rental expenses on the land and depreciation on the All Asia Broadcast Centre.

Film Production

AAAN Bermuda produces feature movies through its in-house film production companies. The film production unit has released a total of five feature films since fiscal 1999 and derives income from box office revenues and sales of broadcast and licensing rights. The films released have generated box office revenue per film ranging from approximately RM180,000 to over RM2.5 million. Typically, 50 per cent. of AAAN Bermuda's box office revenue is given to exhibitors for their services. The production of feature films generates revenue primarily from box office receipts and the sale of broadcast rights to television broadcasters, including channels produced by AAAN Bermuda, and video companies who produce and distribute VCDs and DVDs. The fees for subsequent broadcast and video rights are generally on a flat fee basis, but the fees negotiated are typically higher for films that enjoyed better box office performance. The budgets established for film production have generally been approximately RM1.2 million per film.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

Publication

AAAN Bermuda publishes V Mag, a lifestyle periodical, through its publishing arm. V Mag has published the Chinese language edition since March 2002 and the English language edition since April 2003. The publishing business recognises revenue from the sale of advertisements in its flagship periodical, V Mag, and from subscription and newsstand sales. As V Mag was launched in early fiscal 2003, the revenue stream for this segment has been relatively small and mostly comprises advertising sales. The ability to generate significant advertisement sales will be dependent upon AAAN Bermuda's ability to increase circulation of both the Chinese and English editions of V Mag. The publishing business incurs cost of sales primarily from printing of magazines and staff related costs.

Multi-media Interactive Services

AAAN Bermuda's multi-media interactive services principally derive integration and transactional fees arising from electronic bill presentment services and content aggregation for the mobile interactive services based on the SIM Tool Kit-Wireless Application Protocol Platform ("STK-WAP Platform"). The multimedia interactive services incur cost of sales primarily from staff related costs, depreciation of property, plant and equipment and professional consultancy costs.

Marketing and Distribution Costs

Marketing and distribution costs fluctuate from period to period, reaching RM50.2 million in fiscal 1999, RM71.0 million in fiscal 2000, RM93.0 million in fiscal 2001, declining to RM75.8 million in fiscal 2002, then increasing to RM92.7 million in fiscal 2003 and was RM53.4 million in the six months to 31 July 2003. These costs comprised selling and distribution expenses, marketing and market research expenses and staff related costs. Selling and distribution expenses primarily comprised sales incentives to retailers and master distributors who sell set-top boxes to new subscribers and other promotional activities designed to attract new subscribers. The level of these expenses varies from period to period depending on the level of promotional activity undertaken during each period.

Administrative Expenses

Administrative costs have also fluctuated, increasing from RM137.8 million in fiscal 1999, RM156.3 million in fiscal 2000 to RM187.4 million in fiscal 2001 and declining to RM162.9 million in fiscal 2002 to RM143.6 million in fiscal 2003 and was RM62.1 million in the six months to 31 July 2003. Administrative costs comprised staff related costs, professional, consultancy and other fees, including legal and other advisory fees in respect of corporate matters and projects, depreciation of property, plant and equipment, insurance, office and other rental expenses, telecommunications, utilities, travel and allowance for bad and doubtful debts. Many of these expenses relate to the corporate administrative functions, including the accounting, finance and legal functions, which provide services across the various business segments. These costs fluctuate from period to period depending upon the level of staffing and activity requiring professional services. The allowance for bad and doubtful debts fluctuates based on the number of subscribers and the ongoing payment experience with those subscribers.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Factors Affecting AAAN Bermuda's Financial Condition and Results of Operations

AAAN Bermuda's results of operations are substantially dependent on the number of subscribers to its multi-channel subscription television service, the churn rate of subscribers, ARPU, the cost of acquiring new subscribers, the amount and terms of its indebtedness, the amount of capital expenditure and the ability to create or obtain programming and content relevant to subscribers or listeners that generate sufficient audience share to attract advertisers at sufficient advertising rates. In addition, AAAN Bermuda operates in a regulated environment, and its operations and financial performance are affected by the Government's regulation of, and policies regarding, the media and communications industry. AAAN Bermuda's financial performance is also affected by various other external factors, including the prevailing economic and financial conditions in the areas in which it operates, particularly in Malaysia and South East Asia.

During the five fiscal years ended 31 January 2003 and the six months ended 31 July 2003, AAAN Bermuda's financial condition and results of operations were affected by, among others, the principal factors set forth below.

Subscriber Growth and ARPU

AAAN Bermuda has been successful in attracting significant numbers of new subscribers to its multi-channel subscription television services. The number of residential subscribers has increased from 134,853 as at 31 January 1998 to 1,107,242 subscribers as at 31 July 2003. This growth in residential subscribers has been derived primarily from the Chinese ethnic population in Malaysia due to the high quality Chinese language programming being offered on AAAN Bermuda's multi-channel subscription television services. As AAAN Bermuda's penetration of this audience has increased, AAAN Bermuda has begun to implement strategies to target other ethnic groups, particularly the Malay-speaking audience, in order to sustain subscriber growth.

The growth in the subscriber base is further supported by relatively stable monthly ARPU at RM84 in fiscal 1999, RM80 in fiscal 2000, RM81 in fiscal 2001 and RM81 in fiscal 2002, increasing to RM83 in fiscal 2003 and RM81 in the first half of fiscal 2004. To increase penetration rates in the future AAAN Bermuda will focus on attracting more subscribers to its multi-channel subscription television service, which will increase downward pressure on ARPU, although AAAN Bermuda will encourage subscribers to upgrade to packages with more channels, to take up pay-per-view services and to acquire additional set-top boxes, thereby lessening the downward pressure on ARPU. AAAN Bermuda's ability to expand the number of channels offered and the number of channels dedicated to pay-per-view, however, are currently constrained by the limitations in transponder capacity which are not expected to be alleviated until the launch of MEASAT-3.

Churn

Churn is the difference between total subscriber disconnections (both for non-payment of subscription and other reasons) and total reconnections of previously disconnected subscribers, over a given period. AAAN Bermuda has been able to manage its churn rate through a combination of subscriber management, provision of a wide array of channels with quality content at attractive prices and flexible packages and the lack of strong competitive pressures or television entertainment alternatives. AAAN Bermuda's moving annual total churn rate was 7.8 per cent. in fiscal 1999, 3.7 per cent. in fiscal 2000, 5.4 per cent. in fiscal 2001, 7.9 per cent. in fiscal 2002, 6.9 per cent. in fiscal 2003 and 7.3 per cent. for the six months to 31 July 2003. The majority of AAAN Bermuda's churn is economic churn, where subscribers are involuntarily disconnected due to late payment of or inability to pay subscription fees.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

AAAN Bermuda's ability to limit churn in the future will be affected by its ability to compete with free-to-air television and any new entrants to the multi-channel subscription television sector, to obtain or create relevant content and to provide adequate service through its call centres, for which the telecommunication and customer relationship management systems are currently undergoing an upgrade.

Cost of Acquiring Subscribers

AAAN Bermuda incurs substantial expense in obtaining new subscribers, including marketing and promotional expenses, incentives to retailers and subsidies of set-top boxes. The average acquisition cost of each new residential subscriber was RM963 in fiscal 1999, RM940 in fiscal 2000, RM1,128 in fiscal 2001, RM1,069 in fiscal 2002, RM1,061 in fiscal 2003 and RM910 in the six months ended 31 July 2003. Of such subscriber acquisition costs, the average equipment subsidy per unit of set-top box sold was RM420 in fiscal 1999, RM499 in fiscal 2000, RM781 in fiscal 2001, RM850 in fiscal 2002, RM780 in fiscal 2003 and RM712 in the six months to 31 July 2003. For the six months ended 31 July 2003, AAAN Bermuda estimates that the recovery period for subsidies and incentives to attract new residential subscribers was approximately 18 months. Irrespective of the recovery period, the costs of acquiring subscribers are expensed when incurred. As AAAN Bermuda continues to grow its subscriber base, the set-top box subsidy per unit is expected to decrease as AAAN Bermuda expects that the price per unit that it pays its suppliers for set-top boxes will decrease more rapidly than the decrease in the average revenue per set-top box sold to subscribers.

Financing Arrangements

AAAN Bermuda has historically maintained substantial levels of indebtedness.

AAAN Bermuda has obtained favourable financing terms from its suppliers of set-top boxes that generally require the payment for those set-top boxes from one or two years after delivery. While this vendor financing has resulted in a significant increase in trade payables during fiscal 2003, it has also permitted AAAN Bermuda to better manage cashflows as payment to the vendors is now typically made after AAAN Bermuda has received payment from subscribers in respect of the set-top boxes and subscription fees. As at 31 January 2003 and 31 July 2003, the amount of payables arising from the purchases of set-top boxes was RM261.7 million and RM248.8 million respectively. For a description of the material financing arrangements, see Section 14 of this Prospectus.

Capital Expenditure and Programme Costs

The multi-channel subscription television service accounts for the majority of anticipated capital requirements of AAAN Bermuda's businesses. The anticipated expenditure in that segment is heavily focused on the acquisition of programming content, transponder lease costs and operating equipment. As AAAN Bermuda continues to grow its subscriber base, it intends to introduce more channels and pay-per-view services, which will likely cause its costs for acquisition of programming content and transponder lease expenses to increase. AAAN Bermuda anticipates meaningful capital expenditure for upgrading its information technology infrastructure and the broadcasting operations equipment in the future, including its telecommunications and customer relationship management systems in support of the billing and customer service functions and its planned full disaster recovery facility in Cyberjaya. AAAN Bermuda intends to invest capital in continually upgrading the platform for multi-media interactive technologies and to support the continued development of the radio operations. The ability to obtain sufficient financing or generate adequate sources of capital for these and other capital expenditure initiatives will impact AAAN Bermuda's ability to retain existing subscribers, listeners, advertisers and partners.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Malaysian Economy

As most of AAAN Bermuda's revenue and expenses are derived from and relate to its operations in Malaysia, its financial condition and results of operations have been, and are expected to continue to be, affected by fluctuations in the Malaysian economy. Malaysia had a population of approximately 24.5 million and a per capita gross national product up of RM13,716 in 2002. From the second half of 1999 and continuing into 2000, the economic environment in Malaysia generally continued to improve and Malaysian gross domestic product grew at a rate of 6.1 per cent. in 1999 and 8.3 per cent. in 2000. As economic production slowed throughout the world in 2001, coupled with economic uncertainty following the terrorist attacks on the United States in September 2001, the Malaysian economy, particularly the manufacturing sector which comprises a significant portion of Malaysia's exports, declined substantially, recording growth of 0.4 per cent. for 2001. In 2002, gross domestic product grew 4.2 per cent.

Regulation

AAAN Bermuda is subject to regulations and licensing requirements that significantly limit its business activities and ability to broadcast certain content through its systems and delivery platforms. Changes in these regulations and licensing requirements may expose AAAN Bermuda to increased competition or limit its ability to continue to conduct its businesses as they are currently conducted. For a further discussion of regulatory, licensing and related restrictions, see Section 9 of this Prospectus.

Results of Operations of AAAN Bermuda and MEASAT

The segment revenue, cost of sales and gross profit of (i) AAAN Bermuda for the three years ended 31 January 2001, 2002 and 2003 and (ii) MEASAT for the two years ended 31 January 2000 are set forth below:

	<---- MEASAT ---->		<----- AAAN Bermuda ----->		
	Year ended 31 January				
	1999	2000	2001	2002	2003
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue:					
Multi-channel subscription television	221,127	351,946	552,043	781,317	1,034,316
Radio	16,674	31,505	54,045	70,890	86,510
Others	693	1,339	2,616	3,041	8,564
Total revenue	238,494	384,790	608,704	855,248	1,129,390
Cost of sales:					
Multi-channel subscription television	394,366	555,724	714,817	803,712	1,002,724
Radio	15,892	15,285	21,621	30,290	34,492
Others	14,116	14,832	19,651	20,519	27,642
Total cost of sales	424,374	585,841	756,089	854,521	1,064,858
Gross (loss)/ profit:					
Multi-channel subscription television	(173,239)	(203,778)	(162,774)	(22,395)	31,592
Radio	782	16,220	32,424	40,600	52,018
Others	(13,423)	(13,493)	(17,035)	(17,478)	(19,078)
Total gross (loss)/profit	(185,880)	(201,051)	(147,385)	727	64,532

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Fiscal 2003 Compared to Fiscal 2002

Revenue

Revenue increased by RM274.2 million, or 32.1 per cent., from RM855.2 million in fiscal 2002 to RM1,129.4 million in fiscal 2003. This increase was mainly attributable to the increases in revenue from the multi-channel subscription television and radio businesses, which accounted for 91.6 per cent. and 7.7 per cent. of total revenue respectively in fiscal 2003.

Multi-channel Subscription Television. Total revenue for the multi-channel subscription television segment increased by RM253.0 million, or 32.4 per cent., from RM781.3 million in fiscal 2002 to RM1,034.3 million in fiscal 2003. This increase was mainly attributable to an increase in subscription fees, sales of advertising and sales of set-top boxes.

Subscription fees increased by RM228.9 million, or 35.1 per cent., from RM651.4 million in fiscal 2002 to RM880.3 million in fiscal 2003. Such increase was primarily due to the increase in the residential subscriber base with a net addition of 206,562 in fiscal 2003. The increase was primarily a result of campaigns that provided new subscribers with set-top boxes free of charge. In addition, an increase in ARPU, from RM81 per subscriber per month for fiscal 2002 to RM83 for fiscal 2003, reflects a higher rate of uptake of higher priced packages by subscribers after the introduction of new channel packages line-up in January 2002. Under the new packaging scheme, subscribers have the option to subscribe to a variable combination of packaged channels of their choice with differing subscription rates. Prior to this channel packages line-up, subscribers were offered only three packages of channels and would be charged according to the number of packages subscribed. As at the end of fiscal 2003, AAAN Bermuda had 984,309 residential subscribers, 29,151 multiple residential subscriptions and 56,409 non-residential subscriptions.

In addition, sales of advertising increased by RM22.8 million, or 37.8 per cent., from RM60.3 million in fiscal 2002 to RM83.1 million in fiscal 2003, reflecting increased advertising rates in the second quarter of fiscal 2003 and overall increase in demand for airtime from advertisers.

Revenue from the sale of set-top boxes also increased by RM5.7 million, or 10.8 per cent., from RM52.9 million in fiscal 2002 to RM58.6 million in fiscal 2003, reflecting the increase in the number of subscribers and the increase in the average revenue per set-top box from approximately RM171 per unit in fiscal 2002 to RM178 per unit in fiscal 2003. This increase was due to the lower number of set-top boxes given free-of-charge to new subscribers in fiscal 2003 than in fiscal 2002.

Radio. Total revenue from the radio segment increased by RM15.6 million, or 22.0 per cent., from RM70.9 million in fiscal 2002 to RM86.5 million for fiscal 2003. Inventory fill rate increased from approximately 68.0 per cent. in fiscal 2002 to 69.0 per cent. in fiscal 2003. Increased inventory fill was complemented by an increase in advertising rates of an average of 13.3 per cent. across the five FM stations in April 2002. As a result, AUR grew from RM125 in fiscal 2002 to RM149 in fiscal 2003. Sales of airtime accounted for 97.6 per cent of total radio segment revenue for fiscal 2003. The remaining revenue came from radio interactive services.

Others. Total revenue from other operating activities increased by RM5.6 million, or 186.7 per cent., from RM3.0 million in fiscal 2002 to RM8.6 million in fiscal 2003 reflecting increased revenues in the multi-media interactive services and publication business.

Cost of Sales

Total cost of sales increased by RM210.4 million, or 24.6 per cent., from RM854.5 million in fiscal 2002 to RM1,064.9 million in fiscal 2003 mainly as a result of increases in the cost of sales in the multi-channel subscription television segment.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Multi-channel Subscription Television. The cost of sales for the multi-channel subscription television segment increased by RM199.0 million, or 24.8 per cent., from RM803.7 million in fiscal 2002 to RM1,002.7 million in fiscal 2003. This increase in expenses was mainly attributable to increases in programme provider fees, amortisation of programme rights, cost of set-top box sales, staff related costs and a one-time provision of RM125.8 million made in July 2002.

Programme provider fees increased by RM71.7 million, or 31.0 per cent., from RM231.1 million in fiscal 2002 to RM302.8 million in fiscal 2003 as a result of the increasing subscriber base, and as a result of the introduction of new channels as part of the repackaging exercise in January 2002. Amortisation of programming rights increased by RM12.7 million, or 15.1 per cent., from RM84.0 million in fiscal 2002 to RM96.7 million in fiscal 2003, as a result of the accelerated amortisation due to expiry of useful life for some of the titles. Staff related costs increased by RM9.4 million or 20.2 per cent., from RM46.6 million to RM56.0 million, mainly due to the termination benefits provided in relation to the voluntary separation scheme initiated in fiscal 2003 and annual staff increment.

A one-time RM125.8 million provision was made in fiscal 2003 in relation to AAAN Bermuda's obligation to exchange, free of charge, approximately 172,000 first generation set-top boxes owned by existing subscribers for new second generation set-top boxes in order to enable those subscribers to use multi-media interactive services being introduced by AAAN Bermuda beginning in fiscal 2003. The number of set-top boxes that were replaced in fiscal 2003 was approximately 80,000 units.

The increases in cost of sales in multi-channel subscription television was partially offset by decrease in cost of set-top boxes sales by RM22.9 million, or 7.8 per cent. from RM294.2 million in fiscal 2002 to RM271.3 million in fiscal 2003 principally arising from the decrease in average price paid per unit of set-top box from RM1,021 in fiscal 2002 to RM958 in fiscal 2003, as well as a decrease in the programme guide printing costs, which decreased by RM4.6 million or 21.1 per cent. from RM21.8 million in fiscal 2002 to RM17.2 million in fiscal 2003, in line with the introduction of a reformatted and smaller sized guide in fiscal 2003.

Radio. The cost of sales for the radio segment increased by RM4.2 million, or 13.9 per cent., from RM30.3 million in fiscal 2002 to RM34.5 million in fiscal 2003. This increase was mainly due to an increase in costs scalable to advertising revenue such as music royalties, management and intellectual property fees, broadcast licence fees and staff-related costs as a result of annual salary increases.

Others. Other cost of sales expense increased by RM7.1 million or 34.6 per cent. from RM20.5 million in fiscal 2002 to RM27.6 million in fiscal 2003, primarily as a result of the professional consultancy fees in multi-media interactive services, the increase in the number of film productions released in fiscal 2003 and the launch of the Chinese edition of V Mag in fiscal 2003. AAAN Bermuda did not have any operating expenses for the publication business in the years prior to fiscal 2003.

Gross Profit

As a result of the foregoing, AAAN Bermuda's gross profit improved by RM63.8 million, or 9,114.3 per cent., from RM0.7 million in fiscal 2002 to RM64.5 million in fiscal 2003. This improvement was mainly attributable to the recognition of a gross profit in the multi-channel subscription television segment of RM31.6 million in fiscal 2003 from a gross loss of RM22.4 million in fiscal 2002; and an improvement in the gross profit of the radio segment to RM52.0 million in fiscal 2003, from RM40.6 million in fiscal 2002. These improvements were partially offset by a worsening of the gross losses in the others segment, from RM17.5 million in fiscal 2002 to RM19.1 million in fiscal 2003.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Other Operating Income

Other operating income decreased by RM55.2 million, or 49.2 per cent., from RM112.1 million in fiscal 2002 to RM56.9 million in fiscal 2003 as a result of a decrease in the gain realised on the dispute settlement, which was partially offset by an increase in other revenue in fiscal 2003 of RM3.9 million. The gain recognised on the dispute settlement declined by RM59.1 million from RM106.6 million in fiscal 2002 to RM47.5 million in fiscal 2003, reflecting the overall impact of the settlement of the dispute between AAAN Bermuda and a major supplier. Although the settlement was reached in fiscal 2002, a portion of the gain related thereto was recognised in fiscal 2003 because, as part of the settlement, 200,000 units of set-top boxes were provided at no cost to AAAN Bermuda over three years and the gain would only be recognised when the relevant decoders are sold. The gain from such settlement that was yet to be recognised as at the end of fiscal 2003 was RM24.0 million. Other income increased by RM3.9 million or 70.9 per cent., from RM5.5 million in fiscal 2002 to RM9.4 million in 2003 as a result of a gain on the disposal of certain broadcast equipment and motor vehicles and increased income from subtitling and dubbing fees.

Marketing and Distribution Costs

Total marketing and distribution costs increased by RM16.9 million, or 22.3 per cent., from RM75.8 million in fiscal 2002 to RM92.7 million in fiscal 2003. These increases were mainly attributable to increases in marketing and market research expenses, increases in selling and distribution expenses and increases in staff related costs.

Marketing and market research expenses increased by RM8.2 million, or 22.0 per cent., from RM37.3 million in fiscal 2002 to RM45.5 million in fiscal 2003 as a result of increased activity in advertising and promotions in line with the 2002 World Cup Soccer matches in June 2002 and AAAN Bermuda's sixth anniversary celebrations.

Selling and distribution expenses increased by RM6.9 million, or 65.1 per cent., from RM10.6 million in fiscal 2002 to RM17.5 million in fiscal 2003 as a result of promotional costs and incentives given to new subscribers in conjunction with AAAN Bermuda's sixth anniversary celebration, an increase in activation incentives to retailers and master distributors during the sixth anniversary celebration period and advertisement and promotional items in conjunction with the broadcast of 2002 World Cup Soccer matches.

Staff related costs increased by RM2.5 million, or 13.4 per cent., from RM18.7 million in fiscal 2002 to RM21.2 million in fiscal 2003 due to the impact of a voluntary separation scheme and annual salary increment.

Administrative Expenses

Total administrative expenses decreased by RM19.3 million, or 11.8 per cent., from RM162.9 million in fiscal 2002 to RM143.6 million in fiscal 2003 mainly due to decreases in professional and consultancy fees and depreciation expenses, partially offset by increased staff related expenses. The decrease in professional, consultancy and other fees of RM26.2 million or 56.0 per cent., from RM46.8 million in fiscal 2002 to RM20.6 million in fiscal 2003, is primarily attributable to the settlement of the dispute with one of AAAN Bermuda's major suppliers for the multi-channel subscription television business, during fiscal 2002. The decrease in depreciation expense of RM2.0 million, or 13.5 per cent., from RM14.8 million in fiscal 2002 to RM12.8 million in fiscal 2003, reflects certain assets becoming fully depreciated during fiscal 2002 and the disposal of certain fixed assets during fiscal 2003.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The increase in staff related expenses of RM6.5 million, or 16.2 per cent., from RM40.2 million in fiscal 2002 to RM46.7 million in fiscal 2003, reflects mainly the additional cost of the voluntary separation scheme initiated in fiscal 2003 and annual salary increment. The allowance for bad and doubtful debts was RM5.1 million in fiscal 2002 and RM6.3 million in fiscal 2003.

Net Finance Costs

Net finance costs increased by RM0.8 million, or 0.5 per cent., from RM155.0 million in fiscal 2002 to RM155.8 million in fiscal 2003 primarily as a result of increases in interest expense on corporate shareholder's advances, interest expense payable to vendors and interest expense for outstanding promissory notes. The increase in interest expense resulted in part from the full year interest impact of an additional RM125.0 million in corporate shareholder's advances during fiscal 2002 from UTES. Interest expense payable to vendors also increased with the introduction of vendor financing arrangements with set-top box suppliers for one and two years. Interest expense also increased due to interest on outstanding promissory notes payable.

The increases were partially offset by decreases in interest expense on bank borrowings which resulted from an overall decrease in outstanding bank indebtedness, lower interest expense in respect of finance leases, as well as an increase in interest income from interest earned on fixed deposits and repurchase agreements with local financial institutions, the balances of which increased in fiscal 2003.

Losses from Investment in Associates

Share of associates' results improved by RM1.1 million or 15.7 per cent., from a net loss of RM7.0 million in fiscal 2002 to a net loss of RM5.9 million in fiscal 2003. The improvement was attributable to TVB Publishing Holding Ltd's profit results for fiscal 2003 resulting in recognition of a share of profit in fiscal 2003 compared to a share of loss in fiscal 2002.

Taxation

Taxation reversed by RM613.0 million from an expense of RM0.2 million in fiscal 2002 to a credit of RM612.8 million in fiscal 2003 as a result of recognition of a deferred tax asset of RM613.0 million in fiscal 2003. The deferred tax asset arose principally from the recognition of brought forward tax losses and capital allowances as at 31 January 2003, on the expectation that taxable income will be generated in future years to utilise these tax losses and capital allowances.

Fiscal 2002 Compared to Fiscal 2001**Revenue**

Revenue increased by RM246.5 million, or 40.5 per cent., from RM608.7 million in fiscal 2001 to RM855.2 million in fiscal 2002. This increase was mainly attributable to the increases in revenue from the multi-channel subscription television and radio businesses, which accounted for 91.4 per cent and 8.3 per cent. of total revenue respectively in fiscal 2002.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

Multi-channel Subscription Television. Total revenue for the multi-channel subscription television segment increased by RM229.3 million, or 41.5 per cent., from RM552.0 million in fiscal 2001 to RM781.3 million in fiscal 2002. This increase was mainly attributable to the increases in subscription revenue and sales of advertising, which were partially offset by decreased revenue from the sale of set-top boxes.

Subscription revenue increased by RM243.1 million, or 59.5 per cent., from RM408.3 million in fiscal 2001 to RM651.4 million in fiscal 2002 as a result of the increase in the residential subscriber base with net additions of 236,346 in fiscal 2002. The growth in subscribers was substantially contributed by campaigns such as the Proton Free Box campaign. ARPU remained unchanged at RM81 per subscriber per month for fiscal 2001 and fiscal 2002. Sales of advertising increased by RM15.8 million, or 35.5 per cent., from RM44.5 million in fiscal 2001 to RM60.3 million in fiscal 2002 reflecting increased advertising rates and increased demand for airtime from advertisers. As at the end of fiscal 2002, AAAN Bermuda had 777,747 residential subscribers, 25,241 multiple residential subscriptions and 51,412 non-residential subscriptions.

These increases were partially offset by a decline in revenue from the sale of set-top boxes by RM33.5 million, or 38.8 per cent., from RM86.4 million in fiscal 2001 to RM52.9 million in fiscal 2002, reflecting the decrease in the average revenue per set-top box from approximately RM298 per unit in fiscal 2001 to RM171 per unit in fiscal 2002. In conjunction with aggressive marketing that resulted in a significant portion of new subscribers obtaining set-top boxes as part of give-aways such as the Proton Free Box campaign, this resulted in the decline in revenue from sales of set-top boxes, notwithstanding the increase in the number of subscribers.

Radio. Total revenue from the radio segment increased by RM16.9 million, or 31.3 per cent., from RM54.0 million in fiscal 2001 to RM70.9 million for fiscal 2002 reflecting both increased demand by advertisers and increased average spot rates across the five FM stations. Inventory fill rate increased from approximately 56.0 per cent. in fiscal 2001 to 68.0 per cent. in fiscal 2002. Increased inventory fill was complemented by an increase in advertising rates of an average of 13.2 per cent. across the five FM stations in April 2001. As a result, AUR grew from RM91 in fiscal 2001 to RM125 in fiscal 2002. Sales of airtime accounted for 98.5 per cent of total radio segment revenue for fiscal 2002. The remaining revenue came from radio interactive services.

Others. Total revenue from others segment increased by RM0.4 million, or 15.4 per cent., from RM2.6 million in fiscal 2001 to RM3.0 million in fiscal 2002 as a result of increased revenue in multi-media interactive services.

Cost of Sales

Total cost of sales increased by RM98.4 million, or 13.0 per cent., from RM756.1 million in fiscal 2001 to RM854.5 million in fiscal 2002 mainly as a result of increases in the cost of sales in the multi-channel subscription television and radio segments.

Multi-channel Subscription Television. The cost of sales for the multi-channel subscription television segment increased by RM88.9 million, or 12.4 per cent., from RM714.8 million in fiscal 2001 to RM803.7 million in fiscal 2002. This increase in cost of sales was mainly attributable to increases in programme provider fees, cost of set-top boxes, printing costs of ASTRO Guide and staff related costs. As a result of the growth in the residential subscriber base, programme provider fees increased by RM72.3 million, or 45.5 per cent., from RM158.8 million in fiscal 2001 to RM231.1 million in fiscal 2002, cost of sales of set-top boxes increased by RM9.0 million, or 3.2 per cent., from RM285.2 million in fiscal 2001 to RM294.2 million in fiscal 2002 and the printing costs of ASTRO Guide increased by RM8.1 million, or 59.1 per cent. from RM13.7 million to RM21.8 million. Staff related costs increased by RM4.8 million, or 11.5 per cent, from RM41.8 million in fiscal 2001 to RM46.6 million in fiscal 2002 as a result of increased headcount and annual salary increment.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Radio. The cost of sales for the radio segment increased by RM8.7 million, or 40.3 per cent., from RM21.6 million in fiscal 2001 to RM30.3 million in fiscal 2002. This increase was mainly due to costs which were variable and linked to advertising revenue and staff related costs in line with increased headcount and annual salary increment and transmission carrier costs.

Others. Other expenses increased by RM0.8 million, or 4.1 per cent., from RM19.7 million in fiscal 2001 to RM20.5 million in fiscal 2002, representing increased depreciation of property, plant and equipment.

Gross Loss

As a result of the foregoing, AAAN Bermuda's gross loss decreased by RM148.1 million, or 100.5 per cent., from a gross loss of RM147.4 million in fiscal 2001 to a gross profit of RM0.7 million in fiscal 2002. This improvement was mainly attributable to the narrowing of the gross loss in the multi-channel subscription television segment by RM140.4 million, or 86.2 per cent., from RM162.8 million in fiscal 2001 to RM22.4 million in fiscal 2002; the improvement in gross profit from the radio segment, which increased by RM8.2 million, or 25.3 per cent., from RM32.4 million in fiscal 2001 to RM40.6 million in fiscal 2002; partially offset by an increase in gross loss from the others segment of RM0.5 million, or 2.9 per cent. from RM17.0 million in fiscal 2001 to RM17.5 million in fiscal 2002.

Other Operating Income

Other operating income increased by RM106.7 million from RM5.4 million in fiscal 2001 to RM112.1 million in fiscal 2002 as a result of gains recognised in fiscal 2002 of RM106.6 million in conjunction with the settlement of a dispute claim against a major supplier.

Marketing and Distribution Costs

Total marketing and distribution costs decreased by RM17.2 million, or 18.5 per cent., from RM93.0 million in fiscal 2001 to RM75.8 million in fiscal 2002 as a result of decreases in selling and distribution expenses and marketing and market research expenses, partially offset by increases in staff related costs.

Marketing and market research expenses decreased by RM14.2 million, or 27.6 per cent., from RM51.5 million in fiscal 2001 to RM37.3 million in fiscal 2002, primarily as a result of lower advertising sales on media and production and lower than expected marketing and promotional activities during fiscal 2002. In fiscal 2001, there were higher advertising and promotional expenses mainly due to the Sydney 2000 Olympics.

Selling and distribution expenses decreased by RM3.6 million, or 25.4 per cent., from RM14.2 million in fiscal 2001 to RM10.6 million in fiscal 2002 as a result of reduced sales incentives paid to retailers and master distributors as a result of decreased focus on that sales channel to obtain new subscribers in fiscal 2002.

Staff related costs increased by RM1.7 million, or 10.0 per cent., from RM17.0 million in fiscal 2001 to RM18.7 million in fiscal 2002 as a result of increased headcount.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Administrative Expenses

Total administrative expenses decreased by RM24.5 million, or 13.1 per cent., from RM187.4 million in fiscal 2001 to RM162.9 million in fiscal 2002, primarily as a result of decreases in professional consultancy and other related expenses, other administrative expenses, depreciation and office and general expenses, partially offset by increased staff related costs. Professional, consultancy and other related expenses and other administrative expenses declined by RM30.8 million, or 38.7 per cent., from RM79.5 million in fiscal 2001 to RM48.7 million in fiscal 2002, resulting from the dispute settlement with a major supplier in mid-fiscal 2002 and a write-off of a one-off expenditure related to a proposed listing on NASDAQ in fiscal 2001. Depreciation expense decreased by RM5.7 million, or 27.8 per cent., from RM20.5 million in fiscal 2001 to RM14.8 million in fiscal 2002, as a result of certain assets becoming fully depreciated and due to the disposal of other assets during fiscal 2001. Office and general expenses decreased by RM4.2 million, or 33.6 per cent., from RM12.5 million in fiscal 2001 to RM8.3 million in fiscal 2002, as AAAN Bermuda deferred major expenses which reduced the utilisation of maintenance contracts and related expense.

The decreases were partially offset by increases in staff related costs by RM6.3 million, or 18.6 per cent., from RM33.9 million in fiscal 2001 to RM40.2 million in fiscal 2002, as a result of average annual staff salary increases and increased headcount, increases in maintenance costs by RM4.6 million, or 73.0 per cent., from RM6.3 million in fiscal 2001 to RM10.9 million in fiscal 2002 mainly due to computer system upgrade and increases in allowance for bad and doubtful debt by RM2.6 million, or 104.0 per cent., from RM2.5 million in fiscal 2001 to RM5.1 million in fiscal 2002, as a result of the growth in subscriber base. In addition, bad debts of RM3.1 million were written-off in fiscal 2002.

Net Finance Costs

Net finance costs increased by RM34.8 million, or 29.0 per cent., from RM120.2 million in fiscal 2001 to RM155.0 million in fiscal 2002, primarily as a result of increases in interest expense on bank borrowings, finance costs with respect to the "A Series" RCPS and the "B Series" RCPS both issued during fiscal 2001, interest expense for promissory notes payable and interest expense on corporate shareholder's advances. The increase in interest expense in bank borrowings in fiscal 2002 resulted from the full year's finance cost arising from the PDS and ECA facilities which were drawn down during fiscal 2001, interest from additional shareholder's advances of RM125.0 million from UTES in fiscal 2002, the full year's interest impact arising from the "A Series" RCPS and "B Series" RCPS which were issued during fiscal 2001, and the full year's interest impact on notes payable which were outstanding for the whole fiscal 2002 but were issued in December of fiscal 2001.

These increases were partially offset by decreases in interest expenses on rescheduled lease payments and finance leases. There were no vendor financing costs in fiscal 2002. In addition, finance costs in fiscal 2002 were offset by increased interest income, decreased realised foreign exchange loss and improvement in unrealised foreign exchange losses.

Losses from Investment in Associates

AAAN Bermuda's share of results in associates improved by RM73.3 million, or 91.3 per cent., from a net loss of RM80.3 million in fiscal 2001 to a net loss of RM7.0 million in fiscal 2002. This improvement was attributable to the impairment of AAAN Bermuda's investments in Hsin-Chi Broadcast Co. Ltd. in Taiwan of RM9.6 million and TVB Publishing Holding Ltd. of RM32.3 million in fiscal 2001, and recognition of share of losses in associates of RM24.0 million loss in Hsin-Chi Broadcast Co. Ltd., RM8.5 million loss in TVB Publishing Holding Ltd. and RM2.4 million in Kristal-ASTRO Sdn. Bhd. in fiscal 2001. No impairment charges were recognised in fiscal 2002.

13. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

Fiscal 2001 Compared to Fiscal 2000

Revenue

Revenue increased by RM223.9 million, or 58.2 per cent., from RM384.8 million in fiscal 2000 to RM608.7 million in fiscal 2001. This increase was mainly attributable to the increases in revenue from the multi-channel subscription television and radio businesses which accounted for 90.7 per cent. and 8.9 per cent. of total revenue respectively in fiscal 2001.

Multi-channel Subscription Television. Total revenue for the multi-channel subscription television segment increased by RM200.1 million, or 56.9 per cent., from RM351.9 million in fiscal 2000 to RM552.0 million in fiscal 2001. This increase was mainly attributable to the increase in subscription revenue and sales of advertising, which were partially offset by decreased revenue from the sale of set-top boxes.

Subscription revenue increased by RM201.4 million, or 97.3 per cent., from RM206.9 million in fiscal 2000 to RM408.3 million in fiscal 2001 as a result of the increase in the residential subscriber base with net addition of 244,478 in fiscal 2001. The growth in subscribers was substantially contributed by marketing campaigns such as the Proton Free Box campaign. In addition, an increase in ARPU, from RM80 per subscriber per month for fiscal 2000 to RM81 for fiscal 2001, reflects a full year impact from higher rate of uptake of higher priced packages by subscribers after the introduction of channel packaging line-up in November 1999. Under the new packaging, subscribers were offered three new packages of channels and were charged according to the number of packages subscribed. Prior to this new packaging, subscribers were offered a single basic package. As of fiscal 2001, AAAN Bermuda had 541,401 residential subscribers, 22,812 multiple residential subscriptions and 43,217 non-residential subscriptions.

Sales of advertising increased by RM14.7 million, or 49.3 per cent., from RM29.8 million in fiscal 2000 to RM44.5 million in fiscal 2001, reflecting increased advertising rates and increased demand for airtime from advertisers, particularly during the 2000 Sydney Olympics games in September 2000.

These increases were partially offset by a decline in revenue from the sale of set-top boxes by RM18.1 million, or 17.3 per cent., from RM104.5 million in fiscal 2000 to RM86.4 million in fiscal 2001, reflecting the decrease in the average revenue per set-top box from approximately RM662 per unit in fiscal 2000 to RM298 per unit in fiscal 2001 due to introduction of marketing campaigns that resulted in a significant portion of new subscribers obtaining set-top boxes as part of give-aways such as the Proton Free Box campaign, notwithstanding the increase in the number of subscribers.

Radio. Total revenue from the radio segment increased by RM22.5 million, or 71.4 per cent., from RM31.5 million in fiscal 2000 to RM54.0 million for fiscal 2001, as a result of increased demand for airtime by advertisers and higher average spot rates across the FM stations. Inventory fill rate increased from approximately 32.0 per cent. in fiscal 2000 to 58.0 per cent. in fiscal 2001. Increased inventory fill was complemented by an increase in advertising rates of an average of 35 per cent. across the five FM stations in April 2001. AUR experienced a drop from RM96 in fiscal 2000 to RM91 in fiscal 2001. Sales of airtime accounted for 98.1 per cent of total radio segment revenue for fiscal 2001. The remaining revenue came from radio interactive services.

Others. Total revenue from others segment increased by RM1.3 million, or 100.0 per cent., from RM1.3 million in fiscal 2000 to RM2.6 million in fiscal 2001 as a result of increased revenue in multi-media interactive services.