
5. RISK FACTORS

Before investing in the Shares, prospective investors should pay particular attention to the fact that ASTRO, and to a large extent its activities, are governed by the legal, regulatory and business environment in Malaysia, which may in some respects differ from that which prevail in other countries. The business of ASTRO is subject to a number of factors, many of which are outside the control of ASTRO. Prior to making an investment decision, prospective investors should carefully consider, along with the other matters set forth herein, the risks and investment considerations set forth below. The risks and investment considerations set forth below are not an exhaustive list of the challenges currently facing ASTRO or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on ASTRO or the Shares.

5.1 Risks Relating to the Business and Operations of ASTRO

5.1.1 ASTRO faces significant challenges that make evaluating its business difficult and may limit its ability to achieve its strategic objectives

Since ASTRO began commercial operations in September 1996 it has faced numerous risks and uncertainties, some of which are set out in more detail below. For instance, ASTRO's ability to generate profits and to sustain profitability is highly dependent upon its continued success in:

- executing its business strategies;
- retaining a subscriber base large enough to generate revenues sufficient for profitability;
- maintaining key performance indicators (such as ARPU, subscriber acquisition cost and churn) at projected levels;
- integrating its acquired businesses into ASTRO; and
- generating sufficient advertising and non-subscriber revenue.

If ASTRO is unsuccessful in addressing the challenges and related risks and uncertainties facing its operations, its business, results of operations and financial condition will be materially adversely affected.

ASTRO believes that it is uniquely positioned to derive significant growth in its Malaysian and regional businesses due to its competitive advantages. For further discussion on ASTRO's competitive strengths, refer to Section 7.3 of this Prospectus.

5.1.2 ASTRO has a history of losses and negative shareholders' equity

AAAN Bermuda incurred losses from ordinary activities before taxation of RM276.6 million in fiscal 2003 and achieved its first profit from ordinary activities before taxation of RM6.3 million in the six months ended 31 July 2003. As at 31 July 2003, AAAN Bermuda had accumulated losses of RM2,359.8 million and a negative shareholders' equity of RM1,051.0 million. Celestial Pictures incurred losses from ordinary activities before taxation of RM44.5 million and RM31.3 million in fiscal 2003 and the six months ended 31 July 2003, respectively. As at 31 July 2003, Celestial Pictures had accumulated losses of RM90.2 million and a negative shareholders' equity of RM77.9 million.

5. RISK FACTORS (*Cont'd*)

Since it began commercial operations, ASTRO has incurred substantial expenditures to:

- construct, launch and deploy ASTRO's digital broadcast system;
- introduce the ASTRO multi-channel subscription television services to consumers;
- offer equipment subsidies for new subscribers; and
- expand the library of available content for broadcast.

ASTRO anticipates that it will continue to incur substantial expenditures over the next few years as it incurs increased sales and marketing expenses, programming costs and technology costs relating to the continued growth of its subscriber base in Malaysia.

For cost controlling steps, refer to Section 7.4 of this Prospectus – Focusing on Cost Management and Section 13, page 203 of this Prospectus – Multi-Channel Subscription Television (Cost of Sales).

5.1.3 The conditions of ASTRO's licence to provide direct broadcast satellite subscription television services in Malaysia could be varied, modified or revoked at any time

MBNS currently possesses an exclusive licence to provide direct broadcast satellite television services in Malaysia until 2017, and on a non-exclusive basis until 2022. However, the Minister may at any time in his discretion take action to vary, modify, revoke or impose conditions on that licence, including termination of the exclusivity of MBNS's licence. MBNS must be given at least 14 days notice of the Minister's intention to vary, modify, revoke or impose new conditions and MBNS has the right to appeal such action. As ASTRO's business is subject to extensive regulation and supervision by the Government, changes in laws and regulations affecting ASTRO could adversely affect ASTRO. For a discussion of the regulatory environment in which ASTRO operates, see Section 9 of this Prospectus.

5.1.4 ASTRO is heavily indebted

ASTRO is heavily indebted. AAAN Bermuda had total borrowings owed to banks, finance lease liabilities and advances from corporate shareholders of RM1,295.6 million as at 31 July 2003, comprising current debt of RM261.4 million and non-current debt of RM1,034.2 million. As at 31 July 2003, Celestial Pictures had advances from corporate shareholders of RM346.7 million under current debt. In addition, as at 31 July 2003, AAAN Bermuda had total payables of RM642.5 million, of which RM608.5 million is current debt and RM34.0 million is non-current debt, while Celestial Pictures had current payables of RM15.1 million. Certain of ASTRO's credit facilities, as described in Section 14 of this Prospectus, contain covenants which may limit ASTRO's operating and financing activities and grant liens over certain of ASTRO's properties. ASTRO's ability to meet its payment obligations will depend on the success of its business strategy, and its ability to generate sufficient revenues to refinance its obligations, which are subject to many uncertainties and contingencies beyond its control.

5. RISK FACTORS (*Cont'd*)

In addition, a significant portion of ASTRO's borrowings is denominated in currencies other than Ringgit Malaysia. Refer to Section 5.1.22 of this Prospectus for risks on foreign exchange and Section 14 of this Prospectus for details on the borrowings denominated in foreign currency.

The Board believes that, after taking into consideration the expected proceeds from the Initial Public Offering and banking facilities currently available to it, ASTRO has adequate liquidity and capital resources for its present requirements and the requirements for 12 months following the date hereof. For details, refer to Section 13, page 228 of this Prospectus – Working Capital, Commitments and Contingent Liabilities (Working Capital).

5.1.5 ASTRO's operations and future investments may require significant capital investment

Historically, ASTRO's operations have been capital intensive in nature. In order to continue to provide competitive services and technologies to its subscribers, ASTRO must continue to expand and improve its technological infrastructure, which involves significant ongoing capital investment. ASTRO may need to raise capital in the future if its cash flow from operations is not adequate to meet liquidity requirements or if ASTRO pursues new projects. Depending on capital requirements, market conditions and other factors, including contractual restrictions to which ASTRO is subject, ASTRO may raise additional funds through debt or equity offerings. In the event that such financing cannot be obtained, ASTRO may not be able to upgrade its technology as necessary and may be compelled to scale back its plans for future business expansion.

5.1.6 ASTRO's rights to the land underlying the All Asia Broadcast Centre may be compromised

Through Digicast, ASTRO currently has a 30-year agreement to lease the land underlying the All Asia Broadcast Centre ("Lease"). The Lease will be executed and registered under the National Land Code 1965 upon issuance of the separate Issue Document of Title of the land in favour of the Federal Lands Commissioner ("FLC"). Subsequently, the FLC will issue a principal lease to TPM. Currently, Digicast does not have a registered interest in the land but has a contractual interest pursuant to the agreement by TPM to lease the said land to Digicast. Although ASTRO believes that the registration of the Lease to give full effect to the current agreement with TPM is a formality, ASTRO cannot guarantee the registration of the Lease under the National Land Code 1965. Non-registration of the Lease may consequently result in third parties having a competing interest in the Lease if such interest was obtained bona fide and without notice of Digicast's prior interest.

For the legal opinion on Digicast's interest on the abovementioned land, refer to Section 25 of this Prospectus.

5. RISK FACTORS *(Cont'd)*

5.1.7 **ASTRO subsidises the cost of set-top boxes for subscribers**

Since 1997, ASTRO has subsidised the cost to subscribers of acquiring set-top boxes. ASTRO expects that, in order to continue to increase the subscriber base in Malaysia, it will need to reduce the entry costs in the future. Depending upon the cost ASTRO pays its suppliers for set-top boxes, this may translate into higher subsidies, which are recorded as part of cost of sales in the period in which the subsidy is provided. In addition, ASTRO's financing arrangements with its set-top box vendors permit it to defer payment for the set-top boxes for periods of one and two years. As a result, continued or increased subsidies of set-top boxes in the future or an adverse change in the terms of vendor financing arrangements could have a material adverse effect on ASTRO's earnings and financial condition.

For further discussion on the cost of set-top boxes, refer to Section 13, page 207 of this Prospectus – Cost of Acquiring Subscribers.

5.1.8 **ASTRO is dependent on a single satellite and may not be able to locate another satellite prior to expiry of the design life of MEASAT-1**

ASTRO is dependent on the MEASAT-1 satellite, which currently broadcasts ASTRO's television signal in Malaysia, and has a design life expiring in early 2008. ASTRO is in the process of securing further transponder leases on a new co-located satellite, MEASAT-3, that will cover its broadcast service area from expected launch in mid-2005. Few Ku-band satellites currently in service can satisfy ASTRO's power requirements. Should MEASAT-1 service levels significantly degrade or become unavailable before MEASAT-3 is in service, ASTRO may not be able to secure any replacement capacity of Ku-band to provide an acceptable level of service to its subscribers. Even if alternative Ku-band capacity is available, it would need to be re-positioned to be co-located with MEASAT-1 and if it could not be co-located with MEASAT-1, ASTRO would be required to re-point subscribers' satellite dishes. Accurate re-pointing requires specialist tools and expertise and, in the event of a failure of MEASAT-1, it has been estimated that the time required to accurately re-point all existing subscribers' dishes to an alternative satellite will be approximately nine months. Should MEASAT-3 fail to launch successfully, there is a risk that MEASAT-1 will reach its end of life before another satellite can be procured and launched even if MEASAT-1 suffers no in-orbit degradation or failure prior to this time. Among other things, satellite broadcasts may be disrupted for various reasons, including:

- transponder failure or other degradation of satellite electronics;
- exhaustion of fuel for satellite station keeping;
- premature ageing of the solar cells which power the satellite;
- malfunctions in ground control stations that cause the satellite to drift off its station and therefore become unable to transmit signals to the designated area;
- damage from space debris;
- faulty systems, software, mechanical devices or latent faults in construction; and
- faulty operation or other causes.

5. RISK FACTORS (*Cont'd*)

A failure of the MEASAT-1 satellite, or the failure or delay of the launch of MEASAT-3 could have a material adverse effect on ASTRO's results of operations and financial condition.

5.1.9 The satellite television system is dependent upon a single uplink facility to a single satellite

At present, ASTRO has only one full service uplink facility located at its All Asia Broadcast Centre. Any damage to or interference with that uplink facility could disrupt the ASTRO satellite signal. A disaster recovery uplink facility has been operational since July 2003 in the island of Langkawi, Malaysia although it will only be capable of providing a limited number of television and radio services until a full service back-up uplink facility is completed in early 2005. Any disruption of the uplink signal would impact both the television and radio operations in Malaysia and Brunei. Any ongoing interruption could result in loss of subscribers and advertisers and damage to ASTRO's image as a quality provider of multi-channel subscription television and radio programming in Malaysia and Brunei.

ASTRO is considering a proposal to retain BSS to develop a new facility in Cyberjaya. For further discussion on the disaster recovery facilities of ASTRO, refer to Section 7.16 of this Prospectus – Technology (Disaster Recovery Facilities).

5.1.10 System failures could disrupt ASTRO's operations

ASTRO's broadcast system is vulnerable to damage or cessation of operations from fire, earthquakes, severe storms, power loss, telecommunications failures, network software flaws, transponder failure, acts of terrorism and other catastrophic events. ASTRO may experience failures or shutdowns relating to individual components of the system or even catastrophic failure of its entire broadcast system. Any failure of ASTRO's system, including the MEASAT-1 satellite or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise, may result in serious disruption or even suspension of ASTRO's operations for a prolonged period. ASTRO's insurance may be inadequate to cover losses associated with such events.

The All Asia Broadcast Centre is equipped with full emergency backup power generating equipment and an uninterruptible power supply to allow operations to continue without disruption in the event of a short or long-term power failure. For further discussion on risk management measures, refer to Section 7.20 of this Prospectus.

5.1.11 ASTRO's broadcast infrastructure is vulnerable to security breaches, piracy and hacking

Despite the implementation of security measures, ASTRO's network infrastructure may be vulnerable to computer viruses, piracy, hacking or similar disruptive problems. Computer viruses or problems caused by third parties could lead to interruptions, delays or termination of ASTRO's service to ASTRO's subscribers. Fixing problems caused by computer viruses or security breaches may require interruptions, delays or termination of ASTRO's services, which could result in lost of revenues and disgruntled subscribers and business customers. To the extent ASTRO stores and transmits proprietary information, such as credit card or bank account numbers, computer viruses or security breaches could damage ASTRO's reputation and expose it to possible liability.

5. RISK FACTORS (*Cont'd*)

Breaches of ASTRO's broadcast infrastructure, including through piracy or hacking of conditional access software, may result in unauthorised access to ASTRO's content. Recently, third parties have obtained access to the proprietary encryption software used by ASTRO (CANAL+ Technologies' Mediaguard) permitting those third parties to steal ASTRO's on-air content. Although MBNS has negotiated with CANAL+ Technologies for an updated conditional access software on terms favourable to MBNS, similar or other such piracy, hacking and signal theft in the future may have a materially adverse effect on ASTRO's earnings and financial condition. It may also require ASTRO to incur further expenditures to put in place more advanced security systems to prevent unauthorised access to ASTRO's network.

For further discussion on set-top boxes and information technology infrastructure, refer to Section 7.16 of this Prospectus under the respective headings.

5.1.12 Complex technology used in ASTRO's business could fail or become obsolete

New applications and adaptations of existing and new technology, such as compression, conditional access, on-screen guides and significant software development, are integral to ASTRO's broadcast system and may, at times, not function as expected. Technology in the satellite television industry is in a rapid and continuing state of change. ASTRO and its service suppliers may not be able to keep pace with technological developments or any urgent need to replace obsolete technology. In addition, delays in the delivery of components or other unforeseen problems in ASTRO's broadcast system may occur that could adversely affect performance or operation of ASTRO's broadcast system and could have an adverse effect on its business. Future technological changes may require ASTRO to make greater than expected capital expenditures in order to remain competitive.

For further discussion on ASTRO's information technology infrastructure, refer to Section 7.16 under the same heading and for discussion on capital expenditure and programme costs, refer to Section 13, page 207 of this Prospectus under the same heading.

5.1.13 ASTRO may be subjected to additional political, economic and regulatory risks as it expands its operations to other countries in Asia

ASTRO intends to further expand into other Asia Pacific markets over the next several years. As a result, its results of operations and future growth depend, in part, on the performance of the overall economies in these markets. Currency fluctuations, higher interest rates and political tensions have, and may continue to, materially and adversely affect the economies of most of these countries from time to time.

In addition, other countries in Southeast Asia where ASTRO may expand its business have barriers to entry and various limitations on foreign ownership, cross-ownership and other restrictions. ASTRO might not be able to fully comply with local law requirements, or compliance with these requirements may mean that ASTRO could not exercise control over these operations, thus adversely affecting its interest in these operations. For example, most of ASTRO's expansion into other Asian countries involves joint ventures with local partners in those countries, which, combined with foreign ownership restrictions limiting ASTRO's interest to less than 50 per cent. mean that ASTRO would not be able to control the joint ventures in those countries to the extent that ASTRO is able to do so with MEASAT.

5. RISK FACTORS (*Cont'd*)

5.1.14 Competition from cable television and other developing technologies may erode ASTRO's market share

There is currently no other company providing multi-channel subscription television services in Malaysia, although there are three other subscription television licences currently issued in addition to the one issued to MBNS. As the multi-channel subscription television market develops, ASTRO could face competition from new entrants using cable or other emerging state-of-the-art technology not commercially available at present. In addition, joint ventures and alliances among cable television and telecommunication providers may result in their bundling services together in competition with ASTRO. These potential new competitors may have significantly greater financial and marketing resources than ASTRO and, if successful, may erode ASTRO's market share for multi-channel subscription television services.

For further discussion on competition and ASTRO's competitive strengths, refer to Sections 7.17 and 7.3 of this Prospectus respectively.

5.1.15 ASTRO's ARPU and its profitability may decline as its subscriber base grows

ASTRO's growth in the number of subscribers and subsequent revenues has been derived primarily from the affluent population in urban areas in Malaysia. As ASTRO seeks to increase its penetration rate in other demographics, particularly in attempting to gain new subscribers from relatively less affluent households in line with its business strategy, ASTRO's ARPU may decline and its churn rate may increase, either or both of which could result in lower margins, slower growth and lower profitability.

For further discussion on ASTRO's ARPU, refer to Section 13, page 206 of this Prospectus – Subscriber Growth and ARPU and Section 7.3 of this Prospectus.

5.1.16 Control by principal shareholder

Upon the completion of the Initial Public Offering, companies controlled by Usaha Tegas along with companies controlled by Ananda Krishnan Tatparanandam will in aggregate own 819,082,908 Shares representing approximately 42.80 per cent. of the enlarged issued and paid-up share capital of AAAN. Usaha Tegas is ultimately controlled by the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam and foundations including those for charitable purposes. For further information on Usaha Tegas, refer to Section 10.5 of this Prospectus. By virtue of their respective deemed substantial shareholdings interest in AAAN, Usaha Tegas and Ananda Krishnan Tatparanandam therefore will have the ability to indirectly exercise control over AAAN and its affairs and businesses, including the election of directors and the approval of most actions requiring the approval of its shareholders. However, the interests of Usaha Tegas and Ananda Krishnan Tatparanandam may differ from or conflict with the interests of other shareholders of AAAN.

5. RISK FACTORS *(Cont'd)*

5.1.17 There may be conflicts of interest between ASTRO and its related parties

ASTRO has entered into various transactions with companies directly or indirectly controlled by or affiliated with Usaha Tegas, as well as companies or entities directly or indirectly controlled by or affiliated with Ananda Krishnan Tatparanandam or in which he is deemed to have an interest, both of whom are deemed substantial shareholders of ASTRO. These transactions include those described in Section 18 of this Prospectus. In addition, ASTRO expects that it will in the future enter into other transactions with related parties. These transactions may involve conflicts of interest which may be detrimental to ASTRO.

Some of AAAN's directors are also officers, directors and/or shareholders of related parties and, with respect to the related party transactions, may, individually or in aggregate, have conflicts of interest.

The Company believes that the services offered by the UT Group and its affiliates (other than ASTRO) and the services offered by ASTRO are not in competition with each other. However, there can be no assurance that competition between the businesses of the UT Group and its affiliates (other than ASTRO) and those of ASTRO will not arise or that there will not be any other direct or indirect competition and conflicts of interests between ASTRO and the UT Group, as well as companies affiliated with the UT Group. Also, there can be no assurance that direct or indirect competition will not arise in the future amongst ASTRO, the UT Group and other companies affiliated with the UT Group in any other areas of business.

Related party transactions and conflict of interest situation are reviewed by the Audit Committee of the Company. For further information, refer to Section 18.2 of this Prospectus.

5.1.18 ASTRO's ability to compete effectively will depend on the availability of a skilled workforce

As media, broadcasting and telecommunications industries become increasingly competitive and liberalised, both in Malaysia and elsewhere, ASTRO's success will depend to a significant extent upon, among other factors, its ability to continue to attract and retain qualified personnel. ASTRO has been successful to date in attracting qualified and experienced personnel. However, the competition for qualified employees is significant and the loss of the services of key personnel or the inability to attract new qualified personnel or to retain existing personnel could have a material adverse effect on the businesses, prospects, financial condition and results of operations of ASTRO.

ASTRO recognises the need to ensure continuity in its management in order to maintain ASTRO's competitive edge over its competitors. ASTRO has in place human resource strategies which include competitive compensation, fit-for-purpose recruitment and succession. For further information, refer to Section 7.21 of this Prospectus.

5. RISK FACTORS (Cont'd)

5.1.19 ASTRO may be liable for information disseminated through ASTRO's network

ASTRO may be subjected to claims for defamation, negligence, copyright or trademark infringement, personal injury or other legal claims relating to the information ASTRO publishes on its websites or disseminates through its network, including claims and actions under the censorship and national security laws of Malaysia, Brunei and other countries in which ASTRO operates. ASTRO could also be subjected to claims and enforcement actions based upon the content accessible from its websites through links to other websites or through content and materials that may be posted by members in chat rooms or bulletin boards. ASTRO also offers e-mail services to its multi-channel subscription television subscribers, which may subject it to potential risks, such as liabilities or claims resulting from unsolicited e-mails, lost or misdirected messages, illegal or fraudulent use of e-mail or interruptions or delays in e-mail services.

ASTRO carries insurance for professional liability, public liability and directors and officers liability.

ASTRO will also rely on legal defences such as disclaimers and "take-down" procedures and policies to control and limit potential liability for information disseminated through ASTRO's network.

5.1.20 ASTRO has provided only limited interactive, multi-media and Internet-related services to subscribers and may be unsuccessful in expanding or providing more complex services

ASTRO has begun to expand into interactive, multi-media and Internet-related services as part of its growth strategy. ASTRO has limited experience with operations in these services and may not be able to successfully expand its existing business into these areas or compete successfully in these areas. In addition, ASTRO's expansion into interactive transactional services may subject it to liability for damages suffered by users as a result of encryption security breaches, breach of privacy claims, system failures due to computer viruses and other causes, credit card fraud and other transaction-based claims by merchants and consumers.

For further discussion on ASTRO's interactive, multi-media and Internet-related services, refer to Section 7.5, page 76 of this Prospectus – Interactive Services and Section 7.6, page 84 of this Prospectus – AMP Interactive.

5.1.21 ASTRO may be unable to adequately protect its intellectual property or may face intellectual property claims that may be costly to resolve or may limit its ability to exploit its intellectual property in the future

ASTRO relies on a combination of trademark, service mark and domain name registrations, common law, copyright protection and contractual restrictions to establish and protect its brand names and logos, marketing designs and Internet domain names and programme rights. There can be no assurance that the steps taken by ASTRO in this regard will adequately protect its intellectual property.

5. RISK FACTORS (*Cont'd*)

Third parties or persons may challenge ASTRO's exclusive right to use its brand names and logos and ASTRO could incur substantial costs in defending any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there is no assurance that disputes will not arise or that any disputes in relation to ASTRO's intellectual property will be resolved in ASTRO's favour.

5.1.22 ASTRO is exposed to foreign exchange risks

Substantially all of ASTRO's revenues and ASTRO's functional currency for financial reporting purposes are denominated in Ringgit Malaysia. ASTRO has incurred, and expects to continue to incur, significant expenses and liabilities in currencies other than the Ringgit Malaysia, primarily the U.S.\$ and HK\$. At present there are no material fluctuations in the exchange rate for U.S.\$ as a result of the pegging of the Ringgit Malaysia to the U.S.\$ at the official fixed rate of U.S.\$1.00 to RM3.80. However, ASTRO is exposed to Ringgit Malaysia fluctuations against other currencies.

No assurance can be given that the official peg between the Ringgit Malaysia and the U.S.\$ will be maintained in the future, and if the peg is removed, that the Ringgit Malaysia will not depreciate against the U.S.\$ and have a material adverse effect on the financial performance of ASTRO.

For financial risk management, refer to Part IV of the Accountants' Report – Financial Risk Management.

5.2 Risks Relating to the Shares

5.2.1 There has been no prior market for the Shares

The Shares comprise a new issue of securities for which there is currently no public market. There can be no assurance as to the liquidity of any market that may develop for the Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. Application will be made to list the Shares on the Main Board of KLSE. There can be no assurance that the Shares will be accepted for listing and trading. In the event that the Shares are not admitted to the Official List by 4 December 2003, AAAN will withdraw its application for Admission and the Company will endeavour to return the monies paid in respect of any application for Shares to applicants without interest, within 14 days after the Company becomes liable to do so. For discussion on risks related to delay or failure in trading of the Shares, refer to Section 5.2.8 of this Prospectus.

The Shares could trade at prices that may be lower than the Final Retail Price depending on many factors, including prevailing economic and financial conditions in Malaysia, ASTRO's operating results and the markets for similar securities. AAAN and the Underwriters have no obligation to make a market in the Shares or to maintain the listing of the Shares on the Main Board of KLSE.

5. RISK FACTORS (*Cont'd*)

5.2.2 Like other companies in the media, broadcasting and telecommunications industries, AAAN's share price may be volatile

The price of the Shares may fluctuate as a result of variations in its operating results. If the trading volume of the Shares is low, the price fluctuations may be exacerbated. Since ASTRO's prospects are linked with technology, and ASTRO and its businesses are to a great extent driven by technology, the price of the Shares may rise and fall in tandem with announcements of technological or competitive developments, acquisitions or strategic alliances by ASTRO or its competitors. The price of the Shares, as are typical of those of companies in media, broadcasting and telecommunications sectors, are also prone to news regarding the gain or loss of significant customers or key personnel, as well as changes in securities analysts' estimates of its financial results or recommendations.

5.2.3 AAAN may not be able to pay dividends to its shareholders

AAAN conducts all of its operations through its subsidiaries. Accordingly, an important source of AAAN's income, and consequently an important factor in AAAN's ability to pay dividends on the Shares, is dividends and other distributions received from its subsidiaries, in particular MBNS. MBNS' ability to pay dividends or make other distributions to it are subject to restrictions contained in its loan agreements which limit dividends without the prior written consent of the lenders as well as to its having sufficient funds which are not needed to fund their operations, other obligations or business plans. As AAAN is a shareholder of its subsidiaries, its claims as such will generally rank junior to all other creditors and claimants against its subsidiaries. In the event of a subsidiary's liquidation, there may not be sufficient assets for AAAN to recoup its investment. AAAN's ability to pay dividends is also limited by the terms of the Facilities. Refer to Section 14 of this Prospectus for descriptions of material indebtedness. 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.

The negative covenant restricting MBNS from declaring and making a dividend distribution was permanently waived.

For information on the Company's dividend policy and forecast, refer to Section 15.2 of this Prospectus.

5.2.4 Investors in the Initial Public Offering will suffer immediate dilution in NTA

The Initial Public Offering price per Share is higher than the NTA per Share of RM0.55 (based on Maximum Subscription) after the issuance of the new Shares pursuant to the Initial Public Offering and the Conversion of RCPS. Investors subscribing for Shares in the Initial Public Offering will therefore incur immediate dilution on a NTA basis. The issuance of further ordinary shares (or any other securities pursuant to the Schemes) at prices lower than the then existing NTA per ordinary share would result in further dilution. Refer to in Section 4.13 of this Prospectus.

5. RISK FACTORS (*Cont'd*)

5.2.5 The sale or the possible sale of a substantial number of the Shares in the public market following this Initial Public Offering could adversely affect the price of the Shares

Following the issue of 508,400,000 Shares (being the maximum number of Shares that may be issued pursuant to the Initial Public Offering), AAAN will have 1,913,817,799 issued and paid-up Shares, of which 508,400,000 Shares, or approximately 26.56 per cent., will be publicly held by investors participating in the Initial Public Offering, and 1,405,417,799 Shares, or approximately 73.44 per cent., will be held by AAAN's existing shareholders. The Shares sold in the Initial Public Offering will be tradable on the Main Board of KLSE without restriction following listing. If existing shareholders of AAAN sell or are perceived as intending to sell a substantial amount of Shares, the market price for the Shares would be adversely affected.

To defer this risk, certain existing shareholders of AAAN and WTSB, an affiliate of Usaha Tegas, will enter into a lock-up agreement under which they will undertake not to transfer or dispose of, directly or indirectly, any Shares for a period commencing from the date of the lock-up agreement until 180 days from the Listing date and AAAN will agree not to issue any Shares or any securities convertible into or exercisable or exchangeable for Shares (except pursuant to the Initial Public Offering, the Conversion of the RCPS and the Schemes) from the date of the lock-up agreement until 180 days from the Listing Date, subject to certain exceptions. However, certain existing shareholders of AAAN, who will collectively own 5.64 per cent. of the issued and paid-up share capital of AAAN following the Initial Public Offering, will not be subject to any lock-up arrangements. Further, Khazanah has an option pursuant to an agreement entered into with WTSB to require WTSB to ensure placement upon the expiry of the lock-up period described above, of 93.67 per cent. of the Shares issued by the Company to Khazanah upon conversion of the "Series II" RCPS which, based on the indicative Institutional Price of RM4.22 per Share, comprises 97,367,500 Shares representing approximately 5.09 per cent. of the share capital of the Company following the Initial Public Offering for a total purchase price which should not be less than approximately RM390,000,000. In addition, Khazanah has also given WTSB an option to purchase from Khazanah 6.33 per cent. of the Shares issued by the Company to Khazanah upon conversion of the "Series II" RCPS which, based on the indicative Institutional Price of RM4.22 per Share, comprises 6,579,868 Shares representing approximately 0.34 per cent. of the share capital of the Company following the Initial Public Offering for a total purchase price of RM25 million. Such option is exercisable at any time during the period of one year from the date of closing of the Initial Public Offering. The Shares to be acquired by WTSB pursuant to the options granted by Khazanah will also be subject to such lock-up agreement. Transfers or disposal by such shareholders can be made sooner with the prior written consent of the Joint Bookrunners and Joint Lead Managers. For a description of the lock-up arrangements to be entered into by AAAN and certain shareholders with the Underwriters, see Section 4.16 of this Prospectus.

Further, pursuant to the SC Guidelines, certain shareholders are not allowed to sell, transfer or assign their shareholdings in AAAN amounting in total to 45 per cent. of the issued and paid-up share capital of AAAN for one year from the date of Admission. For further details on the abovementioned moratorium, see Section 4.15 of this Prospectus.

5. RISK FACTORS (*Cont'd*)

5.2.6 Shareholders' rights under English law may differ from those in other jurisdictions

The corporate affairs of AAAN are governed by the law of England and Wales and its Memorandum and Articles of Association and certain principles of law applicable to AAAN may differ from those found under the laws and constitution of other jurisdictions. In addition, the shareholders of AAAN may have different rights protecting their interests under English law from those which they might have as shareholders of a corporation governed by the laws of other jurisdictions.

After completion of the Initial Public Offering, Usaha Tegas along with companies controlled by Ananda Krishnan Tatparanandam will hold, collectively 819,082,908 Shares representing approximately 42.80 per cent. of the issued and paid-up share capital of AAAN. Consequently, they will be able to exercise control over matters requiring shareholders' approval, including the election of Directors, approval of significant corporate transactions and approval of final dividend payments. The obligations under English law of majority shareholders and directors in respect of minority shareholders may differ from those in certain other countries.

5.2.7 Enforceability of judgements against AAAN in Malaysia

AAAN is incorporated in England and Wales with limited liability. Therefore, it may not have assets in Malaysia against which a judgement of the Malaysian courts could be enforced. Accordingly, it could be necessary to take steps outside Malaysia, particularly in England and Wales, to enforce a judgement of the Malaysian courts or to bring an action directly against AAAN in England and Wales.

AAAN's English legal advisers, Clifford Chance Limited Liability Partnership, have advised as follows:

- (a) In principle, a money judgment from a court in Malaysia would be enforceable in England and Wales subject to and in accordance with the requirements of the Administration of Justice Act 1920 and applicable procedural rules. Whether any particular judgment would be enforced by the English courts would depend on the nature of the judgment and the circumstances of the case.
- (b) In a direct action before an English court, whether the court would apply Malaysian law to determine the company's liability would also depend on the circumstances and the nature of the case (including the nature of the laws relied on).

5.2.8 There may be a delay or failure in trading of the Shares

The occurrence of any one or more of the following events may cause a delay in or abortion of the listing of the Shares on the Main Board of KLSE:

- (a) the identified investors failing to subscribe to the portion of Shares to be placed to them;
- (b) the Institutional Underwriters or the Retail Underwriters exercising their rights pursuant to the International Placement Agreement, the Malaysian Placement Agreement or Underwriting Agreement, as the case may be, to discharge themselves from their obligations thereunder; or

5. RISK FACTORS (*Cont'd*)

- (c) AAAN being unable to meet the public spread requirement as determined by the KLSE, including a minimum of 1,000 public shareholders holding not less than 100 shares each upon completion of the Initial Public Offering and at the point of the Listing.

After the Shares have been allocated to investors' CDS Accounts in the MCD, which would occur at least three clear Market Days prior to the anticipated date for Admission, it may not be possible to recover monies paid in respect of these Shares from AAAN in the event the Admission and the commencement of trading on the Main Board of KLSE do not occur. Delays in the Admission and the commencement of trading in shares on the KLSE have occurred previously. In order for AAAN to return monies to investors in respect of Issue Shares following their allotment, a return of monies to all holder of Shares could be achieved by way of a (i) reduction of AAAN's share capital, which would require a special resolution of AAAN and the approval of U.K. courts, (ii) repurchase of its own shares funded out of distributable profits or from the cash proceeds of a new issue of shares, which would also require a special resolution of AAAN, or (iii) dividend funded out of distributable profits. AAAN does not have any distributable profits. There can be no assurance that monies can be recovered within a short period of time or at all. If the KLSE does not admit the Shares onto the KLSE, the market for the Shares will be illiquid and it may not be possible to trade the Shares. This may also have a material adverse effect on the value of the Shares.

5.3 Other Risks

5.3.1 Developments in Asia may negatively impact ASTRO

In mid-1997, following the substantial depreciation of the Thai Baht, many countries in Asia experienced a significant economic downturn and related economic, financial and social difficulties. As a result of the decline in the value of a number of the region's currencies, many Asian governments and companies had difficulty servicing foreign-currency denominated debt and many corporate borrowers defaulted on their debt repayments. As the economic crisis spread across the region, governments raised interest rates to defend weakening currencies, which adversely impacted domestic growth rates. In addition, liquidity was substantially reduced as foreign investors withdrew or reduced investment in the region and domestic banks restricted additional lending activity. The currency fluctuations, as well as higher interest rates and other factors, have materially and adversely affected the economies of many countries in Asia. Further adverse economic developments in Asia could have a material adverse effect on ASTRO's financial condition and results of its operations.

5.3.2 Political, economic and social developments in Malaysia may adversely affect ASTRO

ASTRO's business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in Malaysia. Other political and economic uncertainties include, but are not limited to, the risks of war, terrorism, riots, expropriation, nationalism, renegotiations or nullification of existing contracts, changes in interest rates and methods of taxation.

5. RISK FACTORS (*Cont'd*)

5.3.3 The Ringgit Malaysia may be subject to exchange rate fluctuations

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit and has, since 2 September 1998, maintained a fixed exchange rate of RM3.80 to U.S.\$1.00. However, there can be no assurance that BNM will, or would be able to so intervene or maintain the fixed exchange rate in the future or that any such intervention or fixed exchange rate would be effective. Changes in the current exchange rate policy may result in significantly higher domestic interest rates, liquidity shortages, capital or further exchange controls.

There can be no assurance that the Government will not impose more restrictive or other foreign exchange controls. Any imposition, variation or removal of exchange controls may adversely affect the value of the Shares and the ability of shareholders to liquidate the Shares or repatriate the proceeds from the liquidation of such Shares out of Malaysia.

5.3.4 Forward-looking statements contained in this Prospectus may not be accurate

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding ASTRO's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of ASTRO, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding ASTRO's present and future business strategies and the environment in which ASTRO will operate in the future.

Among the important factors that could cause ASTRO's actual results, performance or achievements to differ materially from those in the forward-looking statements include the state of the Malaysian media industry, the state of competition and liberalisation of the Malaysian media industry, the reliability of ASTRO's network infrastructure, the ability of ASTRO to respond quickly to technological changes, the ability of ASTRO to obtain adequate financing and the state of the Malaysian economy. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in Section 5 of this Prospectus. These forward-looking statements are made only as at the date of this Prospectus. ASTRO expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in ASTRO's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Various forward-looking statements included in this Prospectus can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "forecast", "estimate", "plan", "continue", "believe" or other similar words. ASTRO may make forward-looking statements with respect to the following, among others:

- goals and strategies;
- expansion strategies;
- pace of change in the media market and technology;

5. RISK FACTORS (*Cont'd*)

- financial matters;
- use of proceeds; and
- demand for media services.

These statements are forward-looking and reflect ASTRO's current expectations. These statements are subject to a number of risks and uncertainties, including, but not limited to, changes in the economic and political environment in Malaysia and Asia, changes in technology and changes in the media industry. ASTRO can give no assurance that the forward-looking statements made in this Prospectus will be realised.

5.3.5 ASTRO's actual results may vary significantly from the profit forecast set forth herein

In accordance with the requirements of the SC, a forecast of ASTRO's consolidated profit after tax for the year ending 31 January 2004 is set out in Section 15.1 of this Prospectus. The profit forecast is based on the assumptions made by the Board and management of ASTRO and is presented on a basis consistent with the accounting policies adopted by ASTRO. Furthermore, it reflects the current judgement of the Board and management regarding expected conditions and AAAN's expected course of action, which is subject to change.

The profit forecast is based on a number of assumptions which are inherently subject to significant uncertainty due to factors including, but not limited to, those identified in Section 5.3.3 of this Prospectus. Many of these factors are not within ASTRO's control and some of the assumptions with respect to future business decisions and strategies are subject to change. ASTRO's actual results will differ from such forecast and such differences may be material and may affect the market price of the Shares. In addition, as described in the forecast, in the event that ASTRO exceeds the forecasted number of additional subscribers during the forecast period it will likely not achieve the forecasted profit after tax due to the set-top box subsidies ASTRO provides to subscribers. There can be no assurance that ASTRO's actual results will not vary significantly from the profit forecast set forth herein.

ASTRO does not intend to provide any updated or otherwise revised profit forecast.

The profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and the other material contained in the Prospectus, including the information set forth in Section 5 of this Prospectus.

6. RESTRUCTURING AND LISTING SCHEME

As an integral part of the Listing, the Company implemented a restructuring exercise which was approved by the SC on 19 September 2003. The salient terms of the restructuring exercise are as follows:

6.1 Acquisition of AAAN Bermuda Ltd

On 20 September 2003, the Company entered into a share sale agreement with the holders of ordinary shares and the holder of "B Series" and "C Series" RCPS in AAAN Bermuda Ltd for the acquisition of all the issued and paid-up share capital in AAAN Bermuda Ltd (except for 75,000,000 "A Series" RCPS of U.S.\$0.01 each) in return for the Company issuing Shares and RCPS of 1p each in AAAN on a one-for-one basis to the holders of ordinary shares and the holder of RCPS in AAAN Bermuda Ltd. The details of the share exchange are as follows:

- (a) acquisition of 1,185,548,556 ordinary shares of U.S.\$0.10 each in AAAN Bermuda Ltd in exchange for the issuance of 1,185,548,556 Shares credited as fully paid-up;
- (b) acquisition of 53,947,368 "B Series" RCPS of U.S.\$0.01 each in AAAN Bermuda Ltd in exchange for the issuance of 53,947,368 "Series I" RCPS of 1p each in AAAN; and
- (c) acquisition of 103,947,368 "C Series" RCPS of U.S.\$0.01 each in AAAN Bermuda Ltd in exchange for the issuance of 103,947,368 "Series II" RCPS of 1p each in AAAN.

Upon completion of the Acquisition of AAAN Bermuda Ltd on 20 September 2003, AAAN held all of the shares in AAAN Bermuda Ltd other than the 75,000,000 "A Series" RCPS.

The exchange ratio of one share in AAAN Bermuda Ltd to one share in AAAN was arrived at on a willing-buyer willing seller basis.

All the ordinary shares and RCPS in AAAN Bermuda Ltd were acquired free from all claims, charges, liens, encumbrances whatsoever together with all rights attached thereto.

The 1,185,548,556 new Shares issued pursuant to the Acquisition of AAAN Bermuda Ltd rank pari passu in all respects with the existing Shares and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of AAAN Bermuda Ltd, the issued and paid-up ordinary share capital of AAAN increased from £2 comprising 20 ordinary shares of 10p each to £118,554,857.60 comprising 1,185,548,576 Shares.

6.2 Conversion of RCPS

The "Series I" RCPS and "Series II" RCPS will be converted into Shares at the closing of the Initial Public Offering, in accordance with the terms of the Articles of Association of AAAN, the details of which are as follows:

- (i) The 53,947,368 "Series I" RCPS of 1p each in AAAN will be converted into 105,646,612 new Shares at a conversion price of approximately RM1.94 per RCPS;
- (ii) The 103,947,368 "Series II" RCPS of 1p each in AAAN will be converted into 103,947,368 new Shares at a conversion price of RM3.80 per RCPS, being 90 per cent. of the indicative Institutional Price of RM4.22 per Share; and

6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

- (iii) In addition, pursuant to the provisions of the Articles of Association of AAAN, the yield of 8.0 per cent. per annum (compounded annually) on the "Series I" RCPS will be converted into 10,275,243 new Shares at an indicative conversion price of RM4.22 per RCPS, which is the indicative Institutional Price and assuming the Listing is on 28 October 2003.

The issue of 105,646,612 new Shares mentioned in (i) above was arrived at in accordance with the Articles of Association of AAAN whereby the "Series I" RCPS holder is given the right to convert the "Series I" RCPS into such number of new Shares that will give an equity interest equal to 5.55 per cent. of the enlarged share capital of AAAN 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 excluding the shares which have been issued as a result of the conversion of the amount that corresponds to the "yield" on the "Series I" RCPS, the details as set out in (iii) above.

Per the provisions of the Articles of Association of AAAN, the "Series II" RCPS holder is given the right to convert the "Series II" RCPS into new Shares at a conversion price that is equivalent to a 10 per cent. discount to the Institutional Price on the closing of the Initial Public Offering which is stipulated as the Price Determination Date. For illustrative purposes, an indicative Institutional Price of RM4.22 is used.

In accordance with the Articles of Association of AAAN, the "Series I" RCPS holder is given the right to convert the accumulated yield on "Series I" RCPS up to the Listing date into new Shares on the closing of the IPO which is stipulated as the Price Determination Date at a conversion price that is equivalent to the Institutional Price. For illustrative purposes, an indicative Institutional Price of RM4.22 is used, and the Listing date is assumed to be on 28 October 2003.

The 219,869,223 new Shares to be issued pursuant to the Conversion of RCPS was arrived at based on an indicative Institutional Price of RM4.22 per Share and assuming the Listing date is on 28 October 2003. In the event the Institutional Price is not RM4.22 per Share and the Listing date is not on 28 October 2003, the number of Shares to be issued to Khazanah pursuant to the Conversion of RCPS may change.

The 219,869,223 new Shares issued pursuant to the Conversion of RCPS shall, upon issue and allotment, rank *pari passu* in all respects with the existing Shares and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Based on the indicative Institutional Price of RM4.22 and assuming the Listing date is on 28 October 2003, upon completion of the Conversion of RCPS, the issued and paid-up ordinary share capital of AAAN will increase from £118,554,827.60 comprising 1,185,548,576 Shares to £140,541,779.90 comprising 1,405,417,799 Shares.

6.3 Initial Public Offering

AAAN is now making a public issue of up to 508,400,000 new Shares pursuant to the Initial Public Offering, the details of which are as follows:

- (a) Up to 83,400,000 of the Issue Shares, subject to clawback and reallocation, representing approximately 4.36 per cent. of the enlarged issued share capital of the Company are available for application by eligible Directors, employees, subscribers, retailers, distributors and installers of ASTRO, eligible directors and employees of UT Group and Khazanah, Malaysian citizens, companies, co-operatives, societies and institutions at a Retail Price of RM3.80; and

6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

- (b) Up to 425,000,000 of the Issue Shares, subject to clawback and reallocation, representing approximately 22.21 per cent. of the enlarged issued share capital of the Company are being offered (i) to Malaysian institutional and selected investors; (ii) to QIBs in the U.S. in reliance on Rule 144A; and (iii) in transactions outside the U.S. in reliance on Regulation S, at an Institutional Price determined by way of bookbuilding.

The completion of the Retail Offering and the Institutional Offering are interconditional and are subject to occurrence of both of the following events:

- (a) all Issue Shares under the Retail Offering having been subscribed for; and
- (b) at least 250,000,000 Issue Shares under the Institutional Offering having been subscribed for.

The minimum subscription amount to be raised from the Initial Public Offering is estimated at RM1,371.9 million, calculated based on all Issue Shares from the Retail Offering at RM3.80 per Share being fully subscribed and 250,000,000 Issue Shares from the Institutional Offering at the indicative Institutional Price of RM4.22 per Share having been subscribed for.

6.4 Schemes

On 19 September 2003, AAAN obtained the approval of the SC to establish the Schemes to promote ownership of shares by eligible employees of the Company and its subsidiaries, thereby reinforcing a mutuality of interest among security holders and to enable the Company and its subsidiaries to attract, retain and motivate employees by permitting them to share in its growth.

The number of Shares comprised in the Options to be offered 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 enlarged issued and paid-up share capital of AAAN, upon completion of the Initial Public Offering, of £191,381,779.90 comprising 1,913,817,799 Shares, the number of new Shares to be issued pursuant to the Schemes is 191,381,779.

The Company intends to make an initial grant of Options over 35,546,000 new Shares to 1,781 Eligible Employees pursuant to the Schemes prior to the Listing, at an exercise price which will be the Final Retail Price. Such Options shall become exercisable on each of the first three anniversaries of the date of the grant.

Shares issued upon the exercise of an Option shall rank *pari passu* in all respects with the then existing issued Shares save that they will not entitle the holders thereof to receive any rights and bonus issues which entitlement date precedes the date of the exercise of the Option or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the Option and will be subject to all the provisions of the memorandum and articles of association of the Company.

In accordance with the SC Guidelines on Employee Share Option Schemes, the Schemes can be launched or implemented upon receipt of relevant approvals from the SC, KLSE and shareholders, the fulfilment of all conditions attached thereto and upon the principal adviser for the Schemes submitting to the SC the following:

- (i) a final copy of the Bye-Laws; and
- (ii) a confirmation letter from the principal adviser that AAAN has:

6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

- (a) fulfilled the SC's conditions of approval for the Schemes and that its Bye-Laws do not contravene any of the provisions of the SC Guidelines on Employees Share Option Schemes; and
- (b) obtained other relevant approvals for the Schemes and has fulfilled any conditions imposed therein.

An application will be made to the KLSE within three market days from the date of this Prospectus, to procure the KLSE's approval-in-principle for the listing of the new Shares that may be issued upon the exercise of the Options together with the application for admission of Shares to the Official List and for permission to deal in and for the listing of and quotation for the entire issued and paid-up share capital of AAAN.

The exercise/conversion price of any options or convertibles that are intended to be issued as part of the listing scheme should be set at a price not lower than the issue price of the ordinary shares of the Company. Accordingly, where the Options are granted before the Company is listed on the KLSE, the Schemes' subscription price shall not be less than the Final Retail Price. Where the Options are granted on or after the Company is listed on the KLSE, the Schemes subscription price shall be at the higher of:

- (i) the weighted average market price of the Shares as shown in the daily Official List of the KLSE for the five market days immediately preceding the date at which Options are granted to an Eligible Employee to participate in the Schemes by the option committee administering the Schemes with an allowance for a discount of not more than ten per cent. subject to adjustments in accordance with the Bye-Laws; or
- (ii) the par value of the Shares.

6.5 Listing and Quotation

An application will be made for the Admission and for the listing of and quotation for the entire issued and paid-up share capital of AAAN pursuant to the Acquisition of AAAN Bermuda Ltd, Conversion of RCPS, Initial Public Offering and the new Shares to be issued upon exercise of the Options granted pursuant to the Schemes on the Main Board of KLSE.

6.6 Proposed Issuance of DRs

In line with the strategy of ASTRO to develop an internationally diversified media business, the Company will continue to pursue acquisitions and joint venture opportunities outside of Malaysia. To meet the funding requirements for such acquisitions and joint ventures, the Company may raise funding via, inter-alia, the issuance of depository receipts ("DRs") in the international equity market.

A DR is a security that gives the holder the rights of underlying securities, i.e. ordinary shares in AAAN, that are deposited in a collective manner with a depository bank that has been approved by the relevant authorities. In this regard, the SC has indicated its willingness to consider the proposal to issue foreign listed DRs with full two-way fungibility between the DRs and the underlying ordinary shares of AAAN for up to 30 percent. of the enlarged issued and paid-up share capital of AAAN ("Proposed Issuance of DRs") subject to the following conditions:

6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

- (i) the Proposed Issuance of DRs is for the purpose of fund-raising for AAAN; and
- (ii) detailed evaluation by the SC on the Proposed Issuance of DRs. In this connection, AAAN is to furnish further details of the proposal for the SC's consideration once such details are finalised.

At the relevant time, the Company intends to submit an application to seek the approvals of all relevant authorities for the Proposed Issuance of DRs.

AAAN is also required to seek approval from the Controller of Foreign Exchange on its proposed additional capital raising by way of issuance of foreign DRs when it has finalised its business plan in this regard.

The above is not a statement of any current intention of ASTRO to issue new equity in the form of DRs in the near term.

Internal Restructuring

At the closing of the Initial Public Offering, the Company will redeem the RPS at a price which does not exceed £1 per RPS. Further, AAAN Bermuda will novate the rights and obligations that it has under certain agreements to the Company ("original agreements"). In this connection, the Company and AAAN Bermuda Ltd together with the various counterparties to the original agreements have entered into a number of novation agreements which are conditional upon the Shares being admitted to the Official List.

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