

ACROSSASIA MULTIMEDIA LIMITED

(光亞科技有限公司)*

(Incorporated in the Cayman Islands with limited liability)

Half-year Report 2000



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

HIGHLIGHTS

- A 28.4% increase in turnover attributable to doubling of Broadband Connectivity revenue, new revenue stream from E-commerce, Multimedia Channels and Content and increased contribution from IT and Internet Solutions
- Continued expansion in Asia with over HK\$117 million invested in new technology companies in Hong Kong, Taiwan, Singapore, Malaysia and the Philippines
- Further expansion of wired broadband network, including increased access to commercial buildings for launch of corporate broadband services
- Successful launch of LinkNet, the Group's first ISP operation which is now the largest ISP in Indonesia with a 20% market share
- Successful listing on GEM on 13th July, 2000

HALF-YEAR RESULTS (UNAUDITED)

The Directors of AcrossAsia Multimedia Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months (the “Half-year Period”) and three months ended 30th June, 2000 together with comparative figures for the corresponding periods in 1999, as follows:

	Notes	Six months ended 30th June		Three months ended 30th June	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	191,542	149,125	107,112	98,435
Cost of sales and services rendered		(144,504)	(99,536)	(88,436)	(61,666)
Gross profit		47,038	49,589	18,676	36,769
Other revenues		41,126	1,496	36,928	674
Distribution and selling expenses		(10,044)	(2,049)	(7,962)	(1,265)
General and administrative expenses		(62,238)	(24,579)	(33,889)	(14,107)
Write-off and loss on disposals of investments		-	(59,514)	-	(59,514)
Profit/(Loss) from operations		15,882	(35,057)	13,753	(37,443)
Interest income		1,787	3,213	957	2,132
Interest expenses		(25,058)	(4,280)	(11,960)	(1,723)
Profit/(Loss) before share of profit of associated companies and profit/(loss) attributable to discontinued operations		(7,389)	(36,124)	2,750	(37,034)
Share of profit of associated companies		64,539	72,118	26,748	34,767
Profit / (Loss) attributable to discontinued operations	3	-	(14,169)	-	9,318
Profit before taxation		57,150	21,825	29,498	7,051
Taxation	4	(31,478)	(12,646)	(9,672)	(16,041)
Profit/(Loss) after taxation but before minority interests		25,672	9,179	19,826	(8,990)
Minority interests		(28,915)	(4,819)	(21,415)	4,597
Profit/(Loss) attributable to shareholders		(3,243)	4,360	(1,589)	(4,393)
Earnings/(Loss) per share	5				
- Basic		(0.07) cents	0.12 cents	(0.03) cents	(0.12) cents

Notes:

1. Basis of presentation

The Company was incorporated in the Cayman Islands on 6th March, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. During the Half-year Period, the Company has not carried on any business since its incorporation, except that in May 2000 it acquired a 50.13% equity interest in PT Multipolar Corporation Tbk, a 57.62% equity interest in PT Broadband Multimedia Tbk ("Broadband Multimedia"), a 85.60% equity interest in PT Natrindo Global Telekomunikasi, a 85.24% equity interest in PT Natrindo Kartu Panggil, and a 100% equity interest in Cyberworks Group Limited through a series of share exchanges and loan capitalizations. Consequently, the Company became the holding company of the Group.

The shares of the Company were listed on GEM on 13th July, 2000.

The consolidated results included the results of the companies comprising the Group as if the structure of the Group had been in existence throughout the periods covered by this Report or since their respective dates of incorporation when that was a shorter period.

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

2. Turnover

An analysis of the Group's turnover during the periods is set out below:

	Six months ended		Three months ended	
	30th June		30th June	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Broadband Connectivity	25,321	12,151	12,997	9,018
E-commerce	978	—	791	—
Multimedia Channels and Content	2,761	—	2,761	—
IT and Internet Solutions	141,260	113,690	83,534	72,177
Others	21,222	23,284	7,029	17,240
	<u>191,542</u>	<u>149,125</u>	<u>107,112</u>	<u>98,435</u>

3. Profit/(Loss) attributable to discontinued operations

Profit/(Loss) attributable to discontinued operations represents the net results of PT Multipolar Pratama and its subsidiaries, PT Cipta Anekatronika and PT Gema Anekatronika. The investments in these subsidiaries were disposed of in December 1999. Therefore, the accounting for such subsidiaries no longer qualified for consolidation and their results of operations were deconsolidated. The net results are shown as profit/(loss) attributable to discontinued operations.

4. Taxation

Taxation charges consisted of:

	Six months ended		Three months ended	
	30th June		30th June	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for (Write-back of) current taxation:				
The Company and its subsidiaries	5,982	7,356	(3,928)	5,741
Associated companies	21,397	8,313	9,501	6,428
	<u>27,379</u>	<u>15,669</u>	<u>5,573</u>	<u>12,169</u>
Provision for (Write-back of) deferred taxation:				
The Company and its subsidiaries	(10,248)	(15,647)	(10,248)	(6,463)
Associated companies	14,347	12,624	14,347	10,335
	<u>4,099</u>	<u>(3,023)</u>	<u>4,099</u>	<u>3,872</u>
	<u>31,478</u>	<u>12,646</u>	<u>9,672</u>	<u>16,041</u>

During the periods covered by this Report, substantially all of the Group's profit was derived from subsidiaries and associated companies incorporated and operated in Indonesia. These subsidiaries and associated companies were subject to Indonesian income tax at a maximum of 30% of profit after deduction of allowable expenses and losses.

No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in or derived from Hong Kong.

5. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders during the respective periods and on the weighted average number of approximately 3,629,599,000, 3,629,599,000, 4,884,615,000 and 4,755,385,000 shares in issue during the three months ended 30th June, 1999, the six months ended 30th June, 1999, the three months ended 30th June, 2000 and the six months ended 30th June, 2000, respectively, by reference to the approximately 4,884,615,000 shares in issue as at 13th July, 2000 resulting from the reorganization described in Note 1 above.

Diluted earnings/(loss) per share are not presented because there were no dilutive potential shares in existence during the periods.

FINANCIAL REVIEW

The Group's operations span four synergistic business units namely (1) Broadband Connectivity, (2) E-commerce, (3) Multimedia Channels and Content and (4) IT and Internet Solutions.

Turnover

The unaudited consolidated turnover of the Group for the Half-year Period was approximately HK\$191,542,000, representing a 28.4% increase over that achieved in the corresponding period in 1999.

Turnover from the Broadband Connectivity unit was approximately HK\$25,321,000, an increase of 108.4% over the corresponding period in 1999. The Broadband Connectivity unit also increased its contribution to the Group's turnover from 8.1% to 13.2% during the Half-year Period. This resulted mainly from an increase in the number of cable TV subscribers from 13,717 as at 30th June, 1999 to 23,807 as at 30th June, 2000 of Broadband Multimedia and service connections revenue from PT Natrindo Global Telekomunikasi, the Group's wireless operation. The Group also launched its internet service provider ("ISP") service, LinkNet, in May 2000 and enjoyed contribution of internet subscription fees and advertising fees.

The Group's IT and Internet Solutions unit, PT Multipolar Corporation Tbk ("Multipolar"), enjoyed a robust 24.3% growth in turnover over the corresponding period in 1999, representing 73.7% of the Group's turnover, as a result of increased demand for its products and services.

The Group began its e-commerce and multimedia channels and content operations during the Half-year Period. Contributions from these new business units accounted for 1.9% of the Group's turnover.

Other turnover generated by share administration service was HK\$21,222,000.

Gross Profit

The unaudited gross profit of the Group was HK\$47,038,000 for the Half-year Period, in comparison to HK\$49,589,000 over the corresponding period in 1999.

The gross profit from the Broadband Connectivity unit for the Half-year Period was HK\$6,319,000 compared to HK\$6,841,000 for the corresponding period in 1999. This was due to increased depreciation of the fast expanding wired network, which under the Group's current accounting policy, was charged to the cost of goods sold (from HK\$968,000 to HK\$9,423,000), higher programming costs related to the introduction of new channels, and the introduction of free dial-up ISP services to individual subscribers as part of the launch of LinkNet.

The Group's IT and Internet Solutions unit generated gross profit of HK\$20,647,000 and the gross profit margin was 14.6% as compared to 18.5% in the corresponding period in 1999. This was due to a higher proportion of sales of hardware which typically attract lower margins compared to IT services.

The Group's E-commerce and Multimedia Channels and Content units registered an aggregate gross profit of HK\$959,000 and gross profit from the share administration service was HK\$19,113,000.

Net Profit/(Loss)

The unaudited consolidated net loss of the Group for the Half-year Period was approximately HK\$3,243,000, compared to the unaudited combined net profit of approximately HK\$4,360,000 for the corresponding period in 1999.

The Group's Broadband Connectivity unit undertook aggressive marketing and recruitment activities to promote its new internet access and cable TV services. In addition, the Group employed substantial resources in the introduction and development of its e-commerce and multimedia channels and content businesses. As a result, the Group incurred a substantial increase in operating expenses.

Taxation increased from HK\$12,646,000 to HK\$31,478,000 due to stronger earnings generated by Multipolar, and its associated company, PT Matahari Putra Prima Tbk (“Matahari”), a publicly listed retailer in Indonesia.

The Group’s share of profit from Matahari and two associated companies of HK\$76,255,000 offset losses of HK\$11,716,000 incurred by other associated companies which are primarily start-ups in enabling technologies.

The Group generated other revenue of HK\$41,126,000 mainly from an insurance claim.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2000 (1999 - nil), in line with the statement in the Company’s Prospectus dated 6th July, 2000 (the “Prospectus”).

BUSINESS REVIEW

Broadband Connectivity

The Group has embarked on the accelerated rollout of its HFC broadband network connecting key commercial and residential districts in Greater Jakarta and hotels in Bali and commenced construction in Surabaya, the second largest city in Indonesia. As part of its growing focus on business customers, the Group’s Broadband Connectivity unit has secured right of access to 1,700,000 square metres of commercial and institutional buildings in Jakarta’s Central Business District. LinkNet was successfully launched in early May 2000 and has quickly established itself as the largest ISP in Indonesia by number of subscribers with an unprecedented subscriber base of over 100,000, representing a 20% market share.

E-commerce

The Group’s E-commerce unit, PT LippoShop.com (“LippoShop”), acquired DialMart in February, 2000 which provides household and office supplies, fulfilment and delivery services through phone and catalog. DialMart’s enlarged subscriber base (which has increased from 3,500 to 37,000 since the said acquisition) and fulfilment capabilities will complement LippoShop’s development of its e-commerce operation, which is progressing as scheduled.

Multimedia Channels and Content

The Group has made good progress in the development of its horizontal portal namely LippoStar.com to be launched in the third quarter this year by PT Lippo On Line.

The Group through MediaManager Pte. Ltd. has rolled out 100 digital in-store TVs that offer advertisements and info-commercials in convenience stores and retail outlets in Singapore.

IT and Internet Solutions

During the Half-year Period, the Group's IT and Internet Solutions unit, Multipolar, consolidated its position as the leading provider of system integration services for the banking sector. Multipolar has also penetrated other market segments and has won tenders for provision of system integration services to the oil & exploration and telecommunication sectors.

Multipolar established a new e-Community division to target the rapidly growing internet solution services segment. It has been appointed the sole representative in Indonesia of BroadVision, a leading global provider of application software solutions for e-commerce and has commenced several projects in the implementation of BroadVision solutions.

PROSPECTS

The Group continues its strategy to secure "last mile" access and capture "last mile" relationship through delivery of a range of Internet offerings. To capitalize on its "first mover advantage", the Group continues to increase its market penetration through rapid expansion of its wired broadband network and commencement of marketing activities to corporate and residential customers. In particular, the Group intends to focus on capturing the corporate broadband market by providing the fastest, most cost effective and largest array of services to corporate clients. To reinforce the Group's success in securing right of access to commercial and institutional buildings, Broadband Multimedia will intensify sales and marketing efforts to establish a sizeable corporate client base.

The Group's development of its e-commerce applications and internet content offerings is progressing well. The launch of these value-added services which is expected later this year will further enable the Group to capture the benefits of the full internet value chain.

The Board of Directors is pleased to announce the successful listing of the Company on GEM on 13th July, 2000. The international placing raised gross proceeds of approximately HK\$590 million and valued the Company at HK\$16.6 billion, making it the largest listed company on GEM in terms of market capitalization on listing.

DISCLOSURE OF INTERESTS IN SECURITIES

The shares of the Company were only listed on GEM on 13th July, 2000. Accordingly, prior to that date and on 30th June, 2000, the Company was not required to keep a register under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"). The disclosures set out below are therefore based on the interests of the relevant persons as at 13th July, 2000.

(1) DIRECTORS AND CHIEF EXECUTIVE

(i) *Interests in Shares of the Company and Associated Corporations*

As at 13th July, 2000, the interests of the Directors and the chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange under Rule 5.40 of the GEM Listing Rules were as follows:—

The Company

Name	Number of shares			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Dr. Mochtar Riady	—	—	—	4,170,018,000

(Note 1)

Note 1: An aggregate of 3,950,418,000 shares were held by Cyport Limited (“Cyport”) and Lippo Assets (International) Limited which were wholly-owned subsidiaries of Lippo Cayman Limited (“Lippo Cayman”). 219,600,000 shares were held by Mideast Strategic Pacific Holdings Limited (“Mideast”) of which Lippo Cayman was entitled to nominate the majority of the directors on the Board. The sole shareholder of Lippo Cayman was Lanius Limited (“Lanius”) which is the trustee of a discretionary trust, the beneficiaries of which included Dr. Mochtar Riady and his family.

Associated Corporations

In addition to the above, Dr. Mochtar Riady was also deemed to be interested in the associated corporations of the Company. Lippo Cayman is the ultimate holding company of Lippo Limited (“Lippo”), Lippo China Resources Limited (“LCR”), The HKCB Bank Holding Company Limited (“HKCB Holding”) and The Hong Kong Building and Loan Agency Limited (“HKBLA”), whose shares are listed on the Stock Exchange. Lippo Cayman indirectly through its subsidiaries had interests in the shares of Maxipo International Limited (“Maxipo”), an associated corporation of LCR. By virtue of his interests in Lippo Cayman as referred to in Note 1, Dr. Mochtar Riady was deemed to be interested in 248,297,776 shares of Lippo; 3,862,063,736 shares and 666,925,545 units of warrants in LCR; 794,487,743 shares of HKCB Holding; 143,068,755 shares of HKBLA and 8,190,798 shares of Maxipo and their associated corporations (Note 2).

Note 2: The above additional disclosure in relation to associated corporations (the “Information”) arose as a result of the deeming provisions in the SDI Ordinance and the definition of “associated corporations” in the SDI Ordinance which includes the subsidiaries of a listed company’s holding company. Such definition differs from the accounting definition of “associated companies”. The Information generally is already in the public domain by virtue of the listing status of Lippo, LCR, HKCB Holding and HKBLA on the Main Board of the Stock Exchange. The relationship of Dr. Mochtar Riady with the Lippo Group has also been disclosed on pages 4, 21, 22, 79, 136, 139 and 145 of the Prospectus. The Information was unintentionally left out

in the Prospectus. However, the Information was, promptly after the Company's listing, disclosed under the prescribed notice pursuant to the SDI Ordinance. Taking into account the above and the legal advice to the Company, the Directors consider that the Information as already disclosed has satisfactorily supplemented the disclosure in the Prospectus and there is no material effect on the Company.

Save as disclosed herein, as at 13th July, 2000, none of the Directors or the chief executive of the Company were interested in any equity or debt securities of the Company or any of its associated corporations.

(ii) **Right to Acquire Shares of the Company**

Pursuant to the Pre-IPO Share Option Plan of the Company (the "Pre-IPO Plan"), the Directors and the chief executive were granted on 23rd June, 2000 (the "Grant Date") options to subscribe for a total of 56,760,000 shares of the Company at an exercise price of HK\$3.28 per share as follows:—

Name	Number of underlying shares
Dr.Cheng Wen Cheng	13,150,000 (Note 1)
Lak Chuan Ng	9,850,000 (Note 2)
Dr. Mochtar Riady	8,273,000 (Note 3)
Canning Kin Ning Fok	7,091,000 (Note 4)
Richard Arthur Woolcott	3,546,000 (Note 5)
Luis Augusto De Abreu Monteiro De Aguiar	3,030,000 (Note 6)
Davy Kwok Fai Lee	2,364,000 (Note 7)
Stephen Hung	2,364,000 (Note 7)
Gerard Joseph McMahon	2,364,000 (Note 7)
Christopher James Williams	2,364,000 (Note 7)
Kwok Ming Cheung	2,364,000 (Note 7)

Note 1: 1,330,000 shares shall become exercisable from 14th January, 2001; 2,364,000 shares shall become exercisable from each of 1st June, 2001, 1st June, 2002, 1st June, 2003, 1st June, 2004 and 1st June, 2005.

Note 2: 1,577,270 shares shall become exercisable from 14th January, 2001; 1,654,546 shares shall become exercisable from each of 1st April, 2001, 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 3: 827,300 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 1,654,600 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 4: 709,100 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 1,418,200 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 5: 354,600 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 709,200 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 6: 656,570 shares shall become exercisable from 14th January, 2001; 474,686 shares shall become exercisable from each of 1st April, 2001; 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 7: 236,400 shares shall become exercisable from each of 14th January, 2001 and 1st April, 2001; 472,800 shares shall become exercisable from each of 1st April, 2002, 1st April, 2003, 1st April, 2004 and 1st April, 2005.

Note 8: The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").

The Company also has a share option scheme (the "Post-IPO Scheme") under which the Directors may be granted on or after 13th July, 2000 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Post-IPO Scheme. No options had been granted to the Directors and chief executive under the Post-IPO Scheme as at 13th July, 2000.

Save as disclosed herein, as at 13th July, 2000, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age was granted or had exercised any right to subscribe for any equity or debt securities of the Company.

(2) SUBSTANTIAL SHAREHOLDERS

As at 13th July, 2000, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the persons (other than a Director or chief executive of the Company) who were, directly or indirectly, interested in 10 per cent. or more of the issued share capital of the Company were as follows:—

Name	Number of shares	Approximate percentage
Cyport Limited	3,949,506,000	77.98
Lippo Cayman Limited (<i>Note</i>)	4,170,018,000	82.33
Lanius Limited (<i>Note</i>)	4,170,018,000	82.33

Note: The sole shareholder of Cyport was Lippo Cayman and the sole shareholder of Lippo Cayman was Lanius. The shares in which Lippo Cayman and Lanius were indirectly interested included the shares held by Cyport.

(3) MANAGEMENT SHAREHOLDERS

Save for the substantial shareholders and Mideast as disclosed herein, the Directors are not aware of any persons who, as at 13th July, 2000, were entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company and were able, as a practical matter, to direct or influence the management of the Company.

SHARE OPTIONS

Pursuant to the Pre-IPO Plan, 23 employees of the Group (other than the Directors of the Company) were granted on the Grant Date options to subscribe for an aggregate of 17,499,000 shares of the Company at an exercise price of HK\$3.28 per share. The highest number of shares underlying the outstanding options granted to any one participant under the Pre-IPO Plan as at 13th July, 2000 is 1,182,000. The option for each grantee is exercisable in accordance with the Pre-IPO Plan at any time during a period commencing from the respective commencement dates and ending on the Expiry Date in accordance with the following schedule:

Commencement date	Percentage of underlying shares
14th January, 2001	10
1st April, 2001	10
1st April, 2002	20
1st April, 2003	20
1st April, 2004	20
1st April, 2005	20

All the options granted under the Pre-IPO Plan in respect of a total of 74,259,000 shares of the Company, representing approximately 1.4% of the enlarged issued share capital thereof, were outstanding as at 13th July, 2000.

The maximum number of shares subject to the Pre-IPO Plan and the Post-IPO Scheme must not exceed 30% of the total issued shares of the Company from time to time.

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

SPONSOR'S INTEREST

As disclosed in the Prospectus, as at 6th July, 2000, neither BNP Paribas Peregrine Capital Limited (formerly known as BNP Prime Peregrine Capital Limited) (the "Sponsor") nor its associates was expected to obtain any material benefit as a result of the successful outcome of the placing, other than the following: (i) by way of underwriting commissions to be paid to its associate, BNP Paribas Peregrine Securities Limited (formerly known as BNP Prime Peregrine Securities Limited) ("BNP Securities"), for acting as one of the underwriters pursuant to a Placing and Underwriting Agreement dated 6th July, 2000; (ii) the advisory and documentation fees to be paid to the Sponsor as sponsor of the placing; (iii) by way of a Sponsor Agreement dated 6th July, 2000 between the Sponsor and the Company pursuant to which the Sponsor was appointed as the sponsor of the Company for the remainder of the financial year of the Company ending 31st December, 2000 and for the period of two years commencing from 1st January, 2001 and the Company shall pay an agreed fee to the Sponsor for its provision of such services; and (iv) certain associates of the Sponsor and BNP Securities, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities of the Company.

COMPETING INTERESTS

Mr. Canning Kin Ning Fok, a non-executive Director, is also the group managing director of Hutchison Whampoa Limited ("Hutchison"), a company whose shares are listed on the Main Board of the Stock Exchange. Hutchison is the holding company of a group of companies which carry on a diverse range of businesses including telecommunications and e-commerce, owning and operating internet and telecommunications infrastructure, and offering or planning to offer related services. With the regional expansion plan of the Group in Asia to become one of Asia's leading broadband access, content, e-commerce, IT services and internet solutions providers, the Group will have a higher degree of competition with Hutchison in the future than it has now.

Dr. Mochtar Riady, a non-executive Director, is also a director of Lippo Cayman and a number of other members of the Lippo Group. The Lippo Group may have or may develop interests in other technology related business, including telecommunications in Hong Kong and other parts in Asia. There is a risk that such businesses may compete with the Group.

Save as disclosed herein, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

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

Since the shares of the Company were only listed on 13th July, 2000, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Half-year Period.

By Order of the Board
Richard Arthur Woolcott
Chairman

Hong Kong, 12th August, 2000