

ACROSSASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)



Half-year Report 2001

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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.

For the six months ended 30th June 2001

HIGHLIGHTS

- The Group's turnover increased by a substantial 80% to HK\$345 million compared to the same period in 2000 despite a 34% depreciation of Rupiah.
- Revenue from Fixed Line Broadband Communication Services doubled to HK\$43 million. Revenue from the newly launched Cellular Communication Services increased by 182% to HK\$12 million and revenue from Internet Enabling Services increased by 60% to HK\$265 million, when compared to the same period in 2000. The Commerce business contributed HK\$25 million in turnover for the Half-year Period.
- Fixed Line Broadband Communication Services business continued its expansion. Broadband Multimedia's cable TV subscribers reached 68,889 and broadband Internet subscribers reached 3,689.
- LinkNet continued its transition into a sustainable ISP business model with subscription fee-paying customers comprising 10,300 individuals and 395 corporations at the end of June 2001.
- Natrindo, the Group's Cellular Communication Services unit, officially launched its GSM 1800 cellular service in East Java with an initial capacity of 70,000 subscribers under the brand name "Lippo Telecom" in late April 2001. Number of subscribers was over 41,000 at the end of June 2001.
- The Group's wireless ASP, Asia MobileNet, launched its new products "WISEstreamer" (wireless data streaming application for the financial market) and "WISEsms" (web-to-SMS message handler) in May 2001.
- The Group's e-payment service provider, AsiaPay partnered with The Hongkong Chinese Bank, Limited and launched B2C e-payment services via its portal "paydollar.com" in Hong Kong in June 2001.
- Matahari continued to show strong results with revenue totalling HK\$1.6 billion and net profit of HK\$86.3 million for the Half-year Period.

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 ended 30th June 2001 (the "Half-year Period") and three months ended 30th June 2001 together with comparative figures for the corresponding periods ended 30th June 2000, as follows:

	Notes	Six months ended 30th June		Three months ended 30th June	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	345,395	191,542	225,204	107,112
Cost of sales and services rendered		(272,042)	(144,504)	(181,384)	(88,436)
Gross profit		73,353	47,038	43,820	18,676
Other revenue		3,686	41,126	3,521	36,928
Selling and distribution expenses		(31,318)	(10,044)	(17,431)	(7,962)
General and administrative expenses		(155,671)	(62,238)	(74,573)	(33,889)
(Loss) Profit from operations		(109,950)	15,882	(44,663)	13,753
Interest income		4,868	1,787	1,756	957
Interest expense		(8,275)	(25,058)	(4,544)	(11,960)
(Loss) Profit before share of profit of associates		(113,357)	(7,389)	(47,451)	2,750
Share of profit of associates		41,889	64,539	21,497	26,748
(Loss) Profit before taxation		(71,468)	57,150	(25,954)	29,498
Taxation	3	(13,843)	(31,478)	(11,117)	(9,672)
(Loss) Profit after taxation but before minority interests		(85,311)	25,672	(37,071)	19,826
Minority interests		(8,641)	(28,915)	(3,815)	(21,415)
Loss attributable to shareholders		<u>(93,952)</u>	<u>(3,243)</u>	<u>(40,886)</u>	<u>(1,589)</u>
Loss per share- Basic	4	(1.86)	(0.07)	(0.81)	(0.03)
		<u>HK cents</u>	<u>HK cents</u>	<u>HK cents</u>	<u>HK cents</u>

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. The Company's shares have been listed on the GEM of the Stock Exchange since 13th July 2000.

On 22nd May 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation"). The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the comparative figures for the corresponding periods have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout that period, rather than from the date on which the Reorganisation was completed.

The unaudited consolidated results are prepared in accordance with International Accounting Standards issued by International Accounting Standards Committee. 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	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed Line Broadband				
Communication Services	43,353	20,986	21,652	11,682
Cellular Communication Services	12,216	4,335	10,633	1,315
Internet Enabling Services	264,891	165,243	176,336	93,324
Commerce	24,935	978	16,583	791
	<u>345,395</u>	<u>191,542</u>	<u>225,204</u>	<u>107,112</u>

3. Taxation

Taxation consisted of:

	Six months ended 30th June		Three months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(Provision for) Write-back of current taxation				
– The Company and its subsidiaries	(4,232)	(5,982)	(1,344)	3,928
– Associates	(10,127)	(21,397)	(6,386)	(9,501)
	<u>(14,359)</u>	<u>(27,379)</u>	<u>(7,730)</u>	<u>(5,573)</u>
(Provision for) Write-back of deferred taxation				
– The Company and its subsidiaries	3,028	10,248	(3,930)	10,248
– Associates	(2,512)	(14,347)	543	(14,347)
	<u>516</u>	<u>(4,099)</u>	<u>(3,387)</u>	<u>(4,099)</u>
	<u>(13,843)</u>	<u>(31,478)</u>	<u>(11,117)</u>	<u>(9,672)</u>

During the periods covered by this Report, substantially all of the Group's profit was derived from subsidiaries and associates incorporated and operating in Indonesia. These subsidiaries and associates were subject to Indonesian income tax at a maximum of 35% of the individual entities' respective assessable profits in accordance with the Indonesian income tax law.

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

4. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the respective periods and on the weighted average number of 5,064,615,000, 5,064,615,000, 4,755,385,000 and 4,884,615,000 shares deemed to be in issue during the six months ended 30th June 2001, three months ended 30th June 2001, six months ended 30th June 2000 and three months ended 30th June 2000 respectively, on the assumption that the Reorganisation had been completed on 1st January 1999.

Diluted loss per share for the period ended 30th June 2001 is not presented because the effect was anti-dilutive. Diluted loss per share for the period ended 30th June 2000 is not presented because there were no dilutive shares in existence.

FINANCIAL REVIEW

Turnover

The Group's turnover grew by a substantial 80% to HK\$345 million for the Half-year Period, from HK\$192 million during the corresponding period in 2000 despite a 34% Rupiah depreciation.

Fixed Line Broadband Communication Services contributed 13% to the Group's turnover. Revenue from PT Broadband Multimedia Tbk ("Broadband Multimedia") more than doubled to HK\$43 million for the Half-year Period from HK\$21 million for the same period in 2000. Broadband Multimedia's revenue from Internet access service has grown to HK\$5 million for the Half-year Period from HK\$3 million for the same period in 2000.

Cellular Communication Services have started to generate revenue from the GSM 1800 cellular service in addition to the existing prepaid calling card business. PT Natrindo Telepon Seluler ("Natrindo") officially launched its GSM cellular service in East Java in April 2001. Revenue from this line of business increased to HK\$11 million for the Half-year Period from HK\$4 million for the corresponding period of 2000.

Revenue from Internet Enabling Services increased by 60% to HK\$265 million for the Half-year Period from HK\$165 million for the same period in 2000. The major contributor was PT Multipolar Corporation Tbk ("Multipolar") with its revenue growing from HK\$163 million to HK\$248 million. PT Link Net ("LinkNet"), the Group's ISP (Internet Services Provider), increased its revenue to HK\$15 million for the Half-year Period with its subscription fee-based services.

The Commerce business in Indonesia, PT Lippo Shop ("LippoShop"), contributed HK\$25 million in revenue for the Half-year Period.

Gross Profit

The Group's gross profit increased by 56% to HK\$73 million for the Half-year Period as compared to HK\$47 million for the corresponding period in 2000.

LinkNet's one-year free Internet access campaign ended in May 2001, Natrindo's cellular service pre-launch expenses and Broadband Multimedia's higher programming cost (which was denominated in foreign currency) lowered the gross margin for the Half-year Period.

Net Loss

Operating expenses increased as the Group underwent expansion in such businesses as cable TV, cellular communication and Internet services. The Group incurred substantial development and start-up costs related to these new initiatives, as well as significant expenses in marketing and recruitment. Also, a 34% depreciation of the Indonesian Rupiah impacted earnings as certain expenses were denominated in foreign currency.

By taking stringent measures, the Group managed to successfully reduce operating expenses and capital expenditures as well as its cash burn rate in the second quarter of 2001 compared to the first quarter. Total operating loss narrowed to HK\$45 million in the second quarter of 2001 from HK\$65 million in the first quarter.

Net loss widened to HK\$94 million for the Half-year Period compared to a net loss of HK\$3 million for the same period of 2000. However, the net loss for the same period of 2000 included a non-recurring income of HK\$34 million from an insurance claim.

PT Matahari Putra Prima Tbk ("Matahari"), the largest publicly listed retailer in Indonesia and a 43% owned associate of the Group, was the main contributor to the share of profit from associates. Matahari continued performing well with total revenue of HK\$1.6 billion and net profit of HK\$86.3 million for the Half-year Period. Matahari recently made a record 30% cash dividend payment as a result of higher than expected profit achieved for the year 2000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Half-year Period (2000 – nil), in line with the statement in the Company's Prospectus dated 6th July 2000 (the "Prospectus").

BUSINESS REVIEW

Fixed Line Broadband Communication Services

During the Half-year Period, Broadband Multimedia continued to shift its focus towards building “last mile” broadband connections to high-value corporate customers. Its two-way HFC (Hybrid Fibre Coaxial) broadband network now totals 2,264 km in length connecting over 303 office buildings and passing over more than 193,000 homes.

Broadband Multimedia’s cable TV subscribers have increased to 68,889 during the Half-year Period. Apart from being a pioneer in cable TV services with more than 60 channels in 12 different languages under the brand name “K@belvision”, Broadband Multimedia is also preparing to roll out its corporate access network for business customers. Broadband Multimedia already offers broadband Internet access in cooperation with six ISPs, allowing it to tap the growing Internet users market. During the Half-year Period, total individual and corporate broadband Internet subscribers increased by 124% to 3,689 demonstrating good impetus in Broadband Multimedia’s broadband Internet strategy.

Cellular Communication Services

Natrindo launched its GSM 1800 cellular service in East Java with an initial capacity of 70,000 subscribers under the brand name “Lippo Telecom” in late April 2001. Natrindo’s subscriber base has grown rapidly to 41,048 at the end of June 2001.

Internet Enabling Services

Multipolar maintained its position as the leading provider of system integration and information technology services to the financial services sector and further strengthened its grip on other market segments such as oil & exploration and telecommunication. It has also started to implement the ASP (Application Service Provider) model in cooperation with Oracle to complement its service offerings.

LinkNet is focusing on providing subscription fee-based quality Internet access and value-added services. It also offers web hosting, server co-location and online advertising services to corporate customers. PT Lippo On Line offers a top information and entertainment website, LippoStar, with 9 channels and 42 sub-channels. It has increased the number of subscribers to 465,000 during the Half-year Period.

Asia MobileNet (HK) Limited (“Asia MobileNet”), the Group’s wireless ASP, launched its new products “WISEstreamer”, the first Java-based wireless data streaming application for the financial market and “WISEsms”, a web-to-SMS message handler in May 2001. Asia MobileNet is teaming up with Compaq Computer Ltd. in providing ASP services for financial sector via multiple wireless devices.

AsiaPay (HK) Limited, the Group’s e-payment service and solutions provider, partnered with The Hongkong Chinese Bank, Limited and launched its secure and convenient B2C e-payment services via its portal “paydollar.com” in Hong Kong in June 2001. It also launched “e-Xpression”, e-greeting card with online cash gift payment and developed charity online payment by acceptance of credit card and PayDollar to drive customers’ usage.

Commerce

LippoShop offers its services through channels ranging from pure online ordering to telephone, fax and catalogue supported by an in-house fulfilment system and logistics and distribution centre.

Matahari is the largest retail company in Indonesia with 79 department stores including 63 supermarkets in operation. Offering one stop shopping to the middle and uppermiddle-income classes, Matahari dominates with its nationwide coverage in over 35 cities. Through joint promotion programs with Matahari, Natrindo’s launch of its Lippo Telecom cellular service in East Java was successful.

PROSPECTS

The Group continues building on its vision to be a leading provider of wired and wireless broadband communication services to consumer and business communities in Asia, focusing on the four core lines of business: Fixed Line Broadband Communication Services, Cellular Communication Services, Internet Enabling Services and Commerce.

In the wired broadband communication services, the Group is exploring avenues for Broadband Multimedia and LinkNet joining forces to enhance service offerings for corporate access business. In wireless broadband communication services, Natrindo has gained significant market share in its start-up phase and is now concentrating on increasing revenue per subscriber. In Commerce, LippoShop is increasingly shifting its focus towards the fast-developing B2B market in Indonesia, starting with office supplies

and equipment. Matahari continues to strengthen its professional management team to facilitate further growth. The Group is also introducing world-class management practices to further improve its operations.

The Group aims to increase its market penetration through ongoing expansion of its broadband wired and cellular networks, and effective joint marketing activities with bundled service offerings to residential and corporate customers.

The Company continues to be the largest listed company in terms of market capitalisation on the GEM. The Company has been added as a constituent stock of the Hang Seng IT Index and the Hang Seng IT Portfolio Index of HSI Services Limited in Hong Kong with effect from 1st June 2001.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress to the business objectives set out in the Prospectus for the period from 1st January 2001 to 30th June 2001:

Business Objectives	Actual Business Progress
1. Fixed Line Broadband Communication Services	
<i>(i) Technology Development</i>	
Continue broadband network expansions, acquisitions and upgrades	Total number of homes-passed reached 193,000 and connected hotel rooms increased from 4,839 to 18,723
Deploy VPN networks	In progress
Upgrade Internet backbone/bandwidth	Completed
Develop commercial Internet exchange system	Deferred due to market response
Expand VSAT capacity by circa 10 cities with 3-10 nodes in every city	VSAT terminals have been installed at 17 cities throughout Indonesia

(ii) Market and Business Development

Expand corporate network services offerings	In progress; 395 corporate subscribers at the end of June 2001
Expand prepaid telephony to new markets	Deferred due to market response
Begin marketing of bundled services package	Ongoing
Marketing of broadband Internet services through VSAT and cellular networks	VSAT broadband Internet services introduced
Continued expansion of telemarketing centre by one sales person for every additional 2,000 homes passes	Telemarketing is operational and focusing on premium programming; acquisition of new customer is shifting to more effective door-to-door sales
Advertising and marketing campaign activities	Ongoing; direct door-to-door sales for fixed line broadband communication services is strengthened
Deploy VPN services	In preparation
Pursue alliance & investment opportunities	In progress

2. Cellular Communication Services*(i) Technology Development*

Begin WAP connectivity development	Deferred due to market response
Joint GRIC (Global Roaming International Co-operation) for global roaming	A membership for GSM MOU was signed to join a de facto international body

(ii) Market and Business Development

Introduce WAP ISP connectivity	Deferred due to market response
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3. Internet Enabling Services

(i) *Technology Development*

Continue to develop new web applications to support introduction of new content and features	Completed Two features: e-mail and directory are ready to roll out
Enhance content and CRM technology applications	In progress
Develop further technology ideas & alliance	In progress
Source & review technology based investment opportunities	In progress

(ii) *Market and Business Development*

Expand essential content and features for targeted market segments	The portal is continuously being repositioned in response to market preferences
Identify and invest in up and coming content providers with unique topics	Completed Current content providers include AP, AFX, Antara and IMQ. New content group is being set up for the purpose
Enhance the sophistication of community and value-added value features via offerings such as personal home page hosting, multi-language translation, etc.	The portal is continuously being repositioned in response to market preferences
Continue to deepen localized news and content	In progress
Commence syndication of proprietary content to other sites as additional revenue	Ongoing with Lycos Asia

Partnership for with global regional companies in providing e-content program management Internet certificate authentication	Completed Partnership with Aretae for WEB & WEB content development and partnership with KeyTrend for secured Internet transaction technology (PKI, SSL, SET, CA, etc.)
Partnership with global services, companies in providing disaster recovery services, quality assurance services, outsourcing services	In progress
Develop market for outsourcing services	In progress (with focus on banking industry, distribution industry and manufacturing industry market development)
Introduce advanced Internet security solutions and e-payment system	Partnership with KeyTrend (PKI, SSL, SET, CA, etc.), CISCO (VPN, VLAN) and OASIS (e-payment system). Launch C2C online payment products and B2C payment acceptance in Hong Kong
Roll-out software management services which cover maintenance, enhancement & modification	Partnership with ALDON and TestBench/400 to provide integrated S/W management services covering S/W enhancement, modification development, automated testing factory, and automated S/W distribution continue to improve to be certified Integrated S/W Development Centre
Introduce contact-centre outsourcing services	Completed
Development of Internet exchange centre	Completed
Access to CRM solution and service provider	Completed Partnership with ORACLE e-business suite to provide integrated CRM solution and provide consultancy, implementation, S/W management and facility management outsourcing

4. Commerce

(i) *Technology Development*

Add advanced commerce features such as improved payment and data security & fulfillment capabilities

Completed

Actively look out for regional B2B & B2C technology and idea opportunities

In progress

(ii) *Market and Business Development*

Launch electronic bill presentment and payment over TV (Internet access through Set Top Box and displayed on TV)

Deferred due to market response

Continued expansion of offerings in terms of variety and value

Completed

Refine B2B & B2C target market focus & product offerings

Ongoing efforts concentrated on increasing B2B market

Continue to expand quantity/variety with new partnership and in-house developed offerings, and enhance quality of on-line stores

Completed
Category expansion has taken place in order to add variety to the offering. Partnerships and quality enhancements of stores is on-going

Actively look out for regional B2B ideas, opportunities and partnership

In progress

DISCLOSURE OF INTERESTS IN SECURITIES

(1) DIRECTORS AND CHIEF EXECUTIVE

As at 30th June 2001, the interests of the Directors and the chief executive of the Company in the securities of the Company and its

associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (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:-

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

As at 30th June 2001, 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) *Rights 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 of the Company were granted on 23rd June 2000 (the “Grant Date”) options to subscribe for shares of the Company at an exercise price of HK\$3.28 per share as follows:-

Name	Number of underlying shares		
	Granted	Lapsed	Outstanding as at 30th June 2001
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 (Note 1)
Mr. Lak Chuan Ng	9,850,000	–	9,850,000 (Note 2)
Dr. Mochtar Riady	8,273,000	6,618,400 (Note 3)	1,654,600 (Note 3)
Mr. Canning Kin Ning Fok	7,091,000	–	7,091,000 (Note 4)
Mr. Richard Arthur Woolcott	3,546,000	–	3,546,000 (Note 5)
Mr. Davy Kwok Fai Lee	2,364,000	–	2,364,000 (Note 6)
Mr. Stephen Hung	2,364,000	–	2,364,000 (Note 6)
Mr. Gerard Joseph McMahon	2,364,000	–	2,364,000 (Note 6)
Mr. Christopher James Williams	2,364,000	–	2,364,000 (Note 6)
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 (Note 6)
Total	53,730,000	6,618,400	47,111,600

Notes:

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.
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. Mr. Lak Chuan Ng resigned as a Director of the Company with effect from 1st August 2001. As a result, his option to subscribe for 6,618,184 shares lapsed with effect from 1st August 2001 and his remaining option to subscribe for 3,231,816 shares shall lapse on 1st February 2002.
3. Dr. Mochtar Riady resigned as a Director of the Company with effect from 14th May 2001. As a result, his option to subscribe for 6,618,400 shares lapsed and his remaining option to subscribe for 1,654,600 shares shall lapse on 14th November 2001.
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.
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.
6. 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.
7. The exercise period for all such shares (except those mentioned in Notes 2 and 3) 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 and employees of the Group 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 the chief executive of the Company under the Post-IPO Scheme as at 30th June 2001.

Save as disclosed herein, as at 30th June 2001, 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 30th June 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the persons (other than the Directors or the chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the issued share capital of the Company were as follows:-

Name	Number of shares	Approximate percentage
Cyport Limited	3,753,485,724	74.11
Lippo Cayman Limited (<i>Note</i>)	3,973,997,724	78.46
Lanius Limited (<i>Note</i>)	3,973,997,724	78.46

Note:

The sole shareholder of Cyport Limited ("Cyport") was Lippo Cayman Limited ("Lippo Cayman") and the sole shareholder of Lippo Cayman was Lanius Limited ("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 Pacific Strategic Holdings Limited which held 219,600,000 shares of the Company as at 30th June 2001, the Directors are not aware of any persons who, as at 30th June 2001, were entitled to exercise or control the exercise of 5% 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

(1) Pre-IPO Plan

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 (other than the Directors of the Company) under the Pre-IPO Plan as at 30th June 2001 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

(2) Post-IPO Scheme

Pursuant to the Post-IPO Scheme, 7 employees of the Group (other than the Directors of the Company) were granted options to subscribe for an aggregate of 6,120,258 shares of the Company on the respective dates of grant as shown in the following schedule. The highest number of shares underlying the outstanding options granted to any one participant (other than the Directors of the Company) under the Post-IPO Scheme as at 30th June 2001 is 2,411,576. The options for such grantees are exercisable in accordance with the Post-IPO Scheme at

any time during the relevant periods commencing from the respective commencement dates and ending on 21st June 2010 at the respective exercise prices in accordance with the following schedule:

Date of grant	No. of employees	Commencement date	Exercise price (HK\$)	Approximate percentage of underlying shares
17th January 2001	1	1st July 2001	3.11	33.4
		1st July 2002		33.3
		1st July 2003		33.3
17th January 2001	5	17th January 2002	3.11	50
		17th January 2003		50
11th May 2001	1	10th April 2002	2.42	30
		10th April 2003		30
		10th April 2004		40

The options granted under the Pre-IPO Plan and the Post-IPO Scheme in respect of 64,610,600 shares and 6,120,258 shares of the Company respectively (totalling 70,730,858 shares and representing approximately 1.37% of the enlarged issued share capital thereof) were outstanding as at 30th June 2001. Options granted under the Pre-IPO Plan to subscribe for an aggregate of 9,648,400 shares were lapsed as at 30th June 2001.

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 at 30th June 2001, neither BNP Paribas Peregrine Capital Limited (the "Sponsor") nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Pursuant to a Sponsor Agreement dated 6th July 2000 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 13th July 2000 to 31st December 2002.

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 fixed line broadband communication services, cellular communication services, Internet enabling services and Commerce providers, the Group will have a higher degree of competition with Hutchison in the future than it has now.

The Lippo Group (a general reference to the companies (including Lippo Cayman) in which Dr. Mochtar Riady and his family have a direct or indirect interest; the Lippo Group is not a legal entity and does not operate as one; each of the companies in the Lippo Group operates within its own legal, corporate and financial framework) may have or may develop interests in other technology related business, including telecommunications in Hong Kong and other parts in Asia. There is a chance 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 (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 23rd June 2000 with written terms of reference in accordance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

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

During the six months ended 30th June 2001, there was no purchase, sale or redemption of securities of the Company by the Company or any of its subsidiaries.

By Order of the Board
Richard Woolcott
Chairman

Hong Kong, 13th August 2001