

Half-year Report 2006

ACROSS ASIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code 8061)

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This report, for which the Directors of AcrossAsia Limited (the “Company”) (namely, executive Director: Mr. Marshall Wallace COOPER; non-executive Directors: Dr. Cheng Wen CHENG and Mr. Bunjamin Jonatan MAILLOL; and independent non-executive Directors: Mr. Albert Saychuan CHEOK, Mr. Kwok Ming CHEUNG and Dr. Boh Soon LIM) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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For the six months ended 30th June 2006

HIGHLIGHTS

- AcrossAsia Group's turnover rose by 25.8% to HK\$3,335.4 million for the Half-year Period from HK\$2,650.5 million for the same period in 2005.
- Gross profit increased by 17.0% to HK\$914.4 million from HK\$781.4 million for the corresponding period in 2005. Gross profit margin decreased by 2.1% to 27.4% from 29.5% for the same period in 2005.
- Profit from operations increased by 35.6% to HK\$164.3 million from HK\$121.2 million for the same period in 2005.
- Total operating expenses (excluding other income and expenses) increased by 11.6% to HK\$799.7 million compared to HK\$716.6 million for the same period in 2005.
- EBITDA (excluding other income and expenses) increased by 30.3% to HK\$244.9 million from HK\$188.0 million for the same period in 2005.
- AcrossAsia Group recorded a loss attributable to the shareholders of the Company of HK\$5.6 million, a 34.9% decrease from the HK\$8.6 million for the same period in 2005.

HALF-YEAR RESULTS (UNAUDITED)

The Directors of AcrossAsia Limited (the “Company”) announce the unaudited condensed consolidated financial statements (the “Financial Statements”) of the Company and its subsidiaries (collectively “AcrossAsia Group”) for the six months ended 30th June 2006 (the “Half-year Period”) together with comparative figures for the corresponding period ended 30th June 2005, as follows:

Condensed Consolidated Income Statement

	Notes	Six months ended 30th June		Three months ended 30th June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	3,335,440	2,650,509	1,735,032	1,355,348
Cost of sales and services rendered		(2,421,021)	(1,869,082)	(1,257,436)	(967,042)
Gross profit		914,419	781,427	477,596	388,306
Other operating income and gains		49,587	56,301	15,374	28,645
Selling and distribution costs		(258,309)	(265,748)	(148,571)	(126,413)
General and administrative expenses		(541,399)	(450,819)	(265,438)	(227,071)
Profit from operations		164,298	121,161	78,961	63,467
Finance costs		(137,107)	(100,869)	(72,717)	(50,047)
Share of results of associates		3,180	1,276	2,895	(1,684)
Profit before income tax		30,371	21,568	9,139	11,736
Income Tax expense	5	(11,480)	(4,616)	(8,383)	(8,072)
Profit for the period		18,891	16,952	756	3,664
Profit/(loss) attributable to:					
Shareholders of the Company	6	(5,627)	(8,548)	(9,852)	(9,462)
Minority interests		24,518	25,500	10,608	13,126
		18,891	16,952	756	3,664
Loss per share attributable to shareholders of the Company (HK cents)	6				
Basic		(0.11)	(0.17)	(0.19)	(0.19)
Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet

	<i>Notes</i>	(Unaudited) As at 30th June 2006 HK\$'000	(Audited) As at 31st December 2005 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	7	2,054,102	1,818,728
Investment properties		114,001	107,055
Interests in associates		35,374	31,333
Long term investments		168,027	129,105
Goodwill		212,921	201,079
Intangible assets		33,558	24,024
Deferred tax assets		18,957	17,530
Non-current prepayments, deposits and receivables		997,150	973,859
Due from related companies		39,317	30,062
		3,673,407	3,332,775
Current assets			
Inventories		721,117	580,152
Trade receivables	8	130,188	119,090
Prepayments, deposits and other current assets		269,162	230,135
Short term investments		375,088	179,453
Pledged bank deposits		5,624	4,679
Cash and bank deposits		452,556	555,272
		1,953,735	1,668,781
TOTAL ASSETS		5,627,142	5,001,556

	<i>Notes</i>	(Unaudited) As at 30th June 2006 HK\$'000	(Audited) As at 31st December 2005 HK\$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		506,462	506,462
Accumulated losses		(790,338)	(784,710)
Reserves	9	842,337	819,722
		558,461	541,474
Minority interests		1,499,650	1,421,668
Total equity		2,058,111	1,963,142
Non-current liabilities			
Provisions		72,635	66,293
Interest-bearing borrowings		553,493	428,055
Notes payable		23,209	93,443
Bonds payable		694,920	653,660
Due to related companies		4,000	4,000
Non-current trade and other payables		42,324	86,100
Deferred tax liabilities		10,517	6,531
		1,401,098	1,338,082
Current liabilities			
Provisions		45,883	43,707
Interest-bearing borrowings		967,782	560,040
Notes payable		87,107	51,188
Due to related companies		23,335	7,428
Trade payables	10	599,866	512,661
Receipts in advance		52,337	23,129
Other payables and accruals		334,113	424,642
Tax payable		57,510	77,537
		2,167,933	1,700,332
TOTAL EQUITY AND LIABILITIES		5,627,142	5,001,556

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	129,661	(364,472)
Net cash outflow from investing activities	(673,962)	(298,925)
Net cash inflow from financing activities	408,727	148,517
Net decrease in cash and cash equivalents	(135,574)	(514,880)
Cash and cash equivalents, beginning of period	555,272	950,453
Effect of foreign exchange rate changes	32,858	(41,422)
Cash and cash equivalents, end of period	452,556	394,151
Analysis of balances of cash and cash equivalents		
Cash and bank deposits	452,556	394,151

Condensed Consolidated Statement of Changes in Equity

	Six months ended 30th June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
At the beginning of the period – Total equity	1,963,142	1,855,344
Income for the period recognised directly in reserves		
– Currency translation differences	22,615	1,643
Loss for the period	(5,627)	(8,548)
	1,980,130	1,848,439
Add: Minority interest	77,981	(26,472)
At the end of the period – Total equity	2,058,111	1,821,967

Notes:

1. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS") IAS 34 "Interim Financial Reporting" and the disclosure requirements set out in the GEM Listing Rules. The accounting policies used in the preparation and presentation of the Financial Statements are consistent with those used in the audited consolidated financial statements for the year ended 31st December 2005 (the "2005 Financial Statements").

The Financial Statements shall be read in conjunction with the 2005 Financial Statements.

The audit committee has reviewed the Financial Statements.

2. Turnover, revenue and gains

Turnover represents fees/revenue earned for the provision of retail, broadband services and IT solutions.

An analysis of AcrossAsia Group's turnover, other revenue and gains is as follows:

	Six months ended 30th June		Three months ended 30th June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover				
Retail	2,947,824	2,291,061	1,532,877	1,178,986
Broadband Services	163,277	143,362	83,891	74,357
IT Solutions	224,339	216,086	118,264	102,005
	3,335,440	2,650,509	1,735,032	1,355,348
Other revenue and gains				
Interest income	19,720	22,831	10,808	10,036
Gain on short-term investments	5,916	16,871	–	6,677
Rental income	18,153	8,452	4,566	3,177
Others	5,798	8,147	–	8,755
	49,587	56,301	15,374	28,645
Total	3,385,027	2,706,810	1,750,406	1,383,993

3. Segment information

- (a) (i) An analysis of AcrossAsia Group's revenue and results for the Half-year Period by business segment is as follows:

	Retail HK\$'000	Broadband Services HK\$'000	IT Solutions HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	2,947,824	163,277	224,339	-	-	3,335,440
Intersegment sales	-	1,239	18,326	-	(19,565)	-
Total	2,947,824	164,516	242,665	-	(19,565)	3,335,440
Segment results	112,567	12,747	21,494	(1,163)	(1,067)	144,578
Interest income						19,720
Profit from operations						164,298
Finance costs						(137,107)
Share of results of associates	-	-	-	3,180	-	3,180
Profit before income tax						30,371
Income tax expense						(11,480)
Profit for the period						18,891

- (a) (ii) An analysis of AcrossAsia Group's revenue and results for the corresponding period in 2005 by business segment is as follows:

	Retail HK\$'000	Broadband Services HK\$'000	IT Solutions HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	2,291,061	143,362	216,086	-	-	2,650,509
Intersegment sales	-	5,285	18,258	-	(23,543)	-
Total	2,291,061	148,647	234,344	-	(23,543)	2,650,509
Segment results	75,451	5,042	25,937	(7,172)	(928)	98,330
Interest income						22,831
Profit from operations						121,161
Finance costs						(100,869)
Share of results of associates	-	-	-	1,276	-	1,276
Profit before income tax						21,568
Income tax expense						(4,616)
Profit for the period						16,952

(b) Geographical segments

Over 90% of AcrossAsia Group's revenue, results, assets and capital expenditure are attributable to its operations in Indonesia. Accordingly, no analysis by geographical segment is presented.

4. Loss from operations

AcrossAsia Group's loss from operations is arrived at after charging:

	Six months ended 30th June		Three months ended 30th June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Cost of sales and services rendered	2,421,021	1,869,082	1,257,436	967,042
Depreciation of property and equipment	156,476	110,862	80,786	57,033
Depreciation of investment properties	1,373	592	826	296
Amortisation of intangible assets	579	3,370	252	1,657
Bad debt expense/provision for doubtful debts	906	189	900	160
Net loss/(gain) on disposal of property and equipment	55	(48)	(392)	(22)

5. Income tax expense

No Hong Kong profits tax has been provided, as AcrossAsia Group had no assessable profits arising in Hong Kong during the Half-year Period (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which AcrossAsia Group operates, based on existing legislation, interpretations and practices in respect thereof.

AcrossAsia Group's subsidiaries and associates incorporated and operating in Indonesia are subject to Indonesian income tax at a maximum rate of 30% (2005: 30%) of the individual entities' respective assessable profits in accordance with Indonesian income tax law.

	Six months ended 30th June		Three months ended 30th June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
AcrossAsia Group				
Current income tax *	6,656	5,070	4,303	1,801
Deferred income tax/(tax benefits) *	4,824	(454)	4,080	6,271
	11,480	4,616	8,383	8,072

* Imposed outside Hong Kong

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to the shareholders of the Company for the Half-year Period of HK\$5,627,000 (2005: HK\$8,548,000) and 5,064,615,385 (2005: 5,064,615,385) ordinary shares in issue during the Half-year Period.

Diluted loss per share for the Half-year Period and the corresponding period in 2005 are not disclosed as there were no dilutive potential ordinary shares.

7. Property and equipment

During the Half-year Period, AcrossAsia Group spent approximately HK\$209,900,000 (2005: HK\$287,700,000) on acquisition of property and equipment.

8. Trade receivables

AcrossAsia Group's trading terms with its customers are mainly on credit. AcrossAsia Group allows an average general credit period ranging from 30 to 90 days to its customers, except for certain well-established customers, where the terms are extended beyond 90 days. AcrossAsia Group seeks to maintain strict control over its outstanding receivables. Senior management reviews overdue balances regularly.

An aged analysis of the trade receivables, based on invoice date, is as follows:

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Within 3 months	116,719	113,089
3 to 6 months	3,985	3,084
Over 6 months	11,416	3,897
	132,120	120,070
Less: Provision for doubtful debts	(1,932)	(980)
	130,188	119,090

As at 30th June 2006, trade receivables included those due from certain related companies totalling HK\$8,356,000 (as at 31st December 2005: HK\$11,653,000) which were unsecured, interest-free and repayable principally in accordance with normal trading terms.

9. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Equity transactions of associates <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2005	32,877	1,464,802	3,531	(662,760)	838,450
Currency translation differences	–	–	–	1,643	1,643
Total income for the period recognised directly in reserves	–	–	–	1,643	1,643
At 30th June 2005 and 1st July 2005	32,877	1,464,802	3,531	(661,117)	840,093
Net loss on available-for-sale financial assets of associates	–	–	4,128	–	4,128
Currency translation differences	–	–	–	(24,499)	(24,499)
Total income/(expense) for the period recognised directly in reserves	–	–	4,128	(24,499)	(20,371)
At 31st December 2005 and 1st January 2006	32,877	1,464,802	7,659	(685,616)	819,722
Currency translation differences	–	–	(3,731)	26,346	22,615
Total income/(expenses) for the period recognised directly in reserves	–	–	(3,731)	26,346	22,615
At 30th June 2006	32,877	1,464,802	3,928	(659,270)	842,337

10. Trade payables

An aged analysis of the trade payables, based on invoice date, is as follows:

	As at 30th June 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>
Within 3 months	569,676	472,095
3 to 6 months	9,622	15,452
6 to 12 months	20,568	25,114
	599,866	512,661

As at 30th June 2006, the trade payables included those due to certain related companies totalling HK\$532,000 (as at 31st December 2005: HK\$262,000) which were unsecured, interest-free and payable principally in accordance with normal trading terms.

11. Commitments

As at 30th June 2006, AcrossAsia Group had material capital commitments of HK\$157,217,000 (as at 31st December 2005: HK\$181,557,000) in respect of the acquisition of property and equipment.

12. Contingent liabilities

As at 30th June 2006, the Company had a contingent liability in respect of a guarantee of HK\$100,200,000 (as at 31st December 2005: HK\$113,600,000) given to a bank to secure a facility granted to a subsidiary.

AcrossAsia Group did not have contingent liabilities not provided for in the financial statements as at 30th June 2006 (as at 31st December 2005: Nil).

13. Material changes

There were no material changes in status to the information relating to liquidity and financial resources, capital structure, charges on assets and exposure to fluctuations in exchange rates of AcrossAsia Group disclosed in the Annual Report 2005 of the Company, save as mentioned in this Report.

14. Related party transactions

Significant related party transactions of AcrossAsia Group are summarised as follows:

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Service fees from distribution and maintenance of hardware equipment and software packages and service fees for technology solutions rendered to:		
– PT Bank Lippo Tbk	–	21,413
– PT AIG Lippo	–	92
Subscription fee income for fast speed Internet access:		
– PT Bank Lippo Tbk	–	595
Operating Lease rentals charged by:		
– PT Lippo Cikarang Tbk	1,384	1,935
Insurance expense charged to:		
– PT Lippo General Insurance Tbk	1,361	–
Marketing expenses to:		
– Avel Pty. Limited	3,669	3,479
– PT Cosmopolitan Indonesia	4,086	–

The above related party transactions were conducted in the ordinary course of business, and were made according to terms similar to those offered to the major customers of AcrossAsia Group or those offered by the related parties to their major customers, or based on mutually agreed terms.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Half-year Period (2005: Nil).

FINANCIAL REVIEW

AcrossAsia Group reports its results in three business segments, namely Retail, Broadband Services and IT Solutions.

Turnover

AcrossAsia Group posted a growth of 25.8% in turnover to HK\$3,335.4 million from HK\$2,650.5 million for the same period in 2005. Retail's turnover rose by 28.7% to HK\$2,947.8 million from HK\$2,291.1 million for the same period in 2005. The rise was mainly driven by continuous improvement of its core retail businesses, especially the supermarket and hypermarket divisions. Broadband Services' turnover increased by 13.9% to HK\$163.3 million from HK\$143.4 million for the same period in 2005, mainly as a result of increased subscription rates for cable TV and Internet services. IT Solutions recorded a revenue of HK\$224.3 million, 3.8% higher than the HK\$216.1 million for the same period in 2005. The increase was mainly contributed by new outsourcing services offered for data centre maintenance and Business Process Outsourcing ("BPO").

Gross Profit

AcrossAsia Group's gross profit increased by 17.0% to HK\$914.4 million from HK\$781.4 million for the corresponding period in 2005. Gross profit margin decreased by 2.1% to 27.4% from 29.5% for the corresponding period in 2005 mainly due to a reduction in profit margin in exchange for an increase in sales volume.

Profit from Operations

AcrossAsia Group's profit from operations increased by 35.6% to HK\$164.3 million from HK\$121.2 million for the comparison period in 2005.

Other operating income and gains decreased by 11.9% to HK\$49.6 million from HK\$56.3 million for the comparison period in 2005 mainly due to a decrease in gains on short-term investments.

Total operating expenses (excluding other income and expenses) increased by 11.6% to HK\$799.7 million from HK\$716.6 million for the same period in 2005. The increase in operating costs was in line with the number of new stores and hypermarkets opened during the Half-year Period.

EBITDA (excluding other income and expenses) increased by 30.3% to HK\$244.9 million from HK\$188.0 million for the same period in 2005.

Share of Results of Associates

AcrossAsia Group's share of the results of associates increased to HK\$3.2 million from HK\$1.3 million for the corresponding period in 2005.

Loss attributable to Shareholders

AcrossAsia Group recorded a loss attributable to the shareholders of the Company of HK\$5.6 million, a 34.9% decrease from the loss of HK\$8.6 million for the comparison period in 2005.

BUSINESS REVIEW

AcrossAsia Group continued to focus on its core business operations so as to enhance its leading position as a consumer-oriented service provider through the following major subsidiaries:

Matahari

PT Matahari Putra Prima Tbk ("Matahari", an indirect subsidiary of the Company listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in which the Company has a 25.6% effective interest), the flagship of Retail, is the largest publicly listed modern retailer with a nationwide retail network consisting of department stores, hypermarkets and supermarkets complimented by family entertainment centres and specialty stores in Indonesia. As of 30th June 2006, Matahari Department Stores operated 80 stores, whereas Matahari Supermarkets operated 35 supermarkets, 20 compact hypermarkets under the brand name "Hypermart", 5 soft discount stores under the brand name "Cut Price" and 32 Boston Health and Beauty Center outlets, and TimeZone family entertainment centres had 108 outlets throughout Indonesia.

During the Half-year Period, Matahari continued to expand its successful new hypermarket business through the opening of 3 new Hypermart stores. Hypermart with its concept of "Clean, Bright, Fresh, Quality and Low Price" is expected to become an integral part of daily shopping experience of the population in Indonesia. With continuous enhancement of its operational and business processes including better produce procurement strategy, shrinkage control and promotion, Matahari was able to attain growth in its turnover and profitability. TimeZone, which is the market leader in family entertainment centres in Indonesia, offers the family entertainment business within clean, smoke-free premises with the latest addition of video games along with conventional mechanical games to capture the growing base of children and young adult consumers.

Matahari has been pursuing various alternatives to strengthen its capital base for ongoing growth. In May 2006, Matahari announced a proposed 4-for-5 rights issue for a total subscription price of approximately Rp1,003 billion (approximately HK\$838 million) mainly for its store network expansion.

Broadband Multimedia

PT Broadband Multimedia Tbk (“Broadband Multimedia”, a subsidiary of the Company listed on the Surabaya Stock Exchange in which the Company has a 66.34% effective interest), the flagship of Broadband Services, operates the largest two-way HFC (Hybrid Fibre Coaxial) network in Indonesia, offering digital cable and satellite TV, data communication, Internet access, leased line and VPN (Virtual Private Network) services. As of 30th June 2006, the network reached over 2,762 km, passing more than 240,519 homes and covering major residential and central business districts in prime cities in Indonesia.

Broadband Multimedia is the largest cable TV operator in Indonesia offering 24-hour on-air national and international channels of programming with 63 channels under the brand name “Kabelvision” and 88 channels under the brand name “Digital 1”. Channels are categorized under education, entertainment, international, kids, news, local terrestrial, sports and premium channels. It also provides a high-speed broadband Internet access service called “MyNet”. As at 30th June 2006, the number of cable TV subscribers was approximately 129,261 with penetration reaching 54.9%, and the total number of broadband Internet consumer subscribers was approximately 17,488. Broadband Multimedia is migrating to a full digital platform that is expected to be completed in 2007. The digitisation of its cable network has commenced with phase 1 focusing on 120,000 homes in new areas.

In May 2006, Broadband Multimedia announced a proposed 10-for-11 rights issue for a maximum subscription price of approximately Rp170 billion (approximately HK\$142 million) mainly for business development and capital expenditure.

Multipolar

PT Multipolar Corporation Tbk (“Multipolar”, a 51.15% owned subsidiary of the Company listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange), the flagship of IT Solutions, is one of the prominent IT solutions providers in Indonesia which offers total solutions ranging from hardware, software to consultancy for small, medium and large enterprises. Multipolar has three major units each with its own business focus: system integration, business solutions and consulting services. The system integration unit managed to achieve revenue growth, while still facing gross margin squeeze and keen competition. The business solutions and the consulting services units lagged behind the system integration unit in terms of performance due to market conditions.

Multipolar, through its wholly-owned subsidiary, offers new outsourcing services for data centre maintenance and BPO ranging from Electronic Data Centre (“EDC”) to Automatic Teller Machine (“ATM”). It also provides shared services for various applications such as core system, delivery system (EDC & ATM), document management, facilities management and HR management. Recently, Multipolar has been engaged by a big private bank in an outsourcing EDC project.

In May 2006, Multipolar announced a proposed 41-for-40 rights issue for a total subscription price of approximately Rp540 billion (approximately HK\$451 million) mainly for subscriptions of the aforesaid proposed rights issues of Matahari and Broadband Multimedia.

PROSPECTS

The economies of Indonesia and other Asia countries in general appeared to have kept their momentum in spite of the continually surging oil prices. AcrossAsia Group is prudently expanding its businesses. Matahari plans to boost its market share through the opening of new Matahari Department Stores, Hypermart stores and TimeZone entertainment centres in Indonesia in the second half of 2006 and beyond.

Broadband Multimedia is expanding its new digital cable TV network and other value-added Internet services to capture the potential market.

Multipolar will continue to improve the performance of its business solutions and consulting services units which will focus on the potential banking sector. With Multipolar's in-depth experience in Cisco advanced technology, latest solutions will be offered to customers including IP telephony projects.

At the same time, AcrossAsia Group is also seeking strategic investors and partners for its operations to foster their development and competitiveness and to explore new markets.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

AcrossAsia Group primarily financed its operations with its internally generated cash flows and borrowings during the Half-year Period. As at 30th June 2006, AcrossAsia Group had cash and bank balances and short-term investments of HK\$833.3 million and net assets of HK\$2,058.1 million. It had net current liabilities of HK\$214.2 million (as at 31st December 2005: net current liabilities of HK\$31.6 million). The total borrowings increased to HK\$2,243.5 million (as at 31st December 2005: HK\$1,653.2 million) and were mainly denominated in Indonesian Rupiah and United States Dollars, with interest generally chargeable at market rates and maturity dates ranging from less than a year to 5 years. Part of the borrowings was secured by certain current assets, land use rights and buildings, machinery and equipment, and long-term investments of AcrossAsia Group. During the Half-year Period, AcrossAsia Group implemented and is continuing to implement the following management plan to further improve its financial position: restructuring of current liabilities into non-current liabilities; reduction of operating expenses and improvement of operational efficiency; procurement of long term debt/equity financing; identification and securing of strategic investors as business partners and exploring new business opportunities that will enhance/implement existing operations. AcrossAsia Group's gearing ratio, representing total borrowings divided by shareholders' funds, was 4 times as at 30th June 2006.

As a result of significant operations in Indonesia, AcrossAsia Group has foreign currency exposure mainly in transaction and conversion risks. During the Half-year Period, the foreign currency exposure had no material adverse impact on AcrossAsia Group's results. AcrossAsia Group will continue to take measures to minimize its foreign exchange exposure.

EMPLOYEES

As at 30th June 2006, AcrossAsia Group had approximately 14,200 employees. For the Half-year Period, the staff costs (including Directors' emoluments) were approximately HK\$265.7 million. The remuneration, promotion and salary review of the employees are assessed based on job responsibilities, work performance, professional experiences and prevailing industry practices. AcrossAsia Group's employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other benefits include share option granted or to be granted under the share option schemes, incentive bonus and training schemes.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors and Chief Executive

As at 30th June 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange under Rule 5.46 of the GEM Listing Rules or as otherwise required by Rule 23.07 of the GEM Listing Rules were as follows:

Long Position in Shares and Debentures of the Company and Associated Corporations

Mr. Albert Saychuan CHEOK was interested in 2,600,000 shares of the Company (representing approximately 0.05% of the issued share capital thereof).

Saved as disclosed herein, none of the Directors or the chief executive of the Company were interested in any long position in the shares or debentures of the Company or any of its associated corporations.

Long Position in Underlying Shares of the Company and Associated Corporations

(i) Physically settled equity derivatives

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 a subscription price of HK\$3.28 per share as follows:

Name	Number of underlying shares			Percentage of enlarged issued share capital
	Granted	Lapsed	Outstanding as of 30th June 2006	
Dr. Cheng Wen Cheng	13,150,000	–	13,150,000 <i>(Note 1)</i>	0.25
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 <i>(Note 2)</i>	0.04
Mr. Marshall Wallace Cooper	355,000	–	355,000 <i>(Note 3)</i>	0.01
Total	15,869,000	–	15,869,000	

Notes:

- 1,330,000 shares became exercisable from 14th January 2001 and 2,364,000 shares from each of 1st June 2001, 1st June 2002, 1st June 2003, 1st June 2004 and 1st June 2005.*
- 236,400 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 472,800 shares from each of 1st April 2002, 1st April 2003, 1st April 2004 and 1st April 2005.*
- 35,500 shares became exercisable from each of 14th January 2001 and 1st April 2001 and 71,000 shares from each of 1st April 2002, 1st April 2003, 1st April 2004 and 1st April 2005.*
- The exercise period for all such shares shall end 10 years from the Grant Date (the "Expiry Date").*

(ii) Cash settled and other equity derivatives

None of the Directors or the chief executive of the Company were interested in any long position in cash settled or other equity derivatives of the Company or any of its associated corporations.

Short Position in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

None of the Directors or the chief executive of the Company were interested in any short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders

As at 30th June 2006, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in Shares of the Company

Name	Number of shares	Percentage of issued share capital
Grandhill Asia Limited	500,000,000	9.87
Lippo Cayman Limited	3,669,576,788	72.45
Lanius Limited	3,669,576,788	72.45
Dr. Mochtar Riady	3,669,576,788	72.45
Madam Lidya Suryawaty	3,669,576,788	72.45

Note:

The shares of the Company were held by direct and indirect wholly-owned subsidiaries (including Cyport Limited and its wholly-owned subsidiary, Grandhill Asia Limited) of Lippo Cayman Limited ("Lippo Cayman") and Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30% interest. Lanius Limited ("Lanius") was the registered shareholder of the entire issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.

Long Position in Underlying Shares of the Company

None of the substantial shareholders of the Company were interested in any long position in the underlying shares of the Company.

Short Position in Shares and Underlying Shares of the Company

None of the substantial shareholders of the Company were interested in any short position in the shares or underlying shares of the Company.

Other Persons

As at 30th June 2006, no other persons had any interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company according to the registers required to be kept by the Company under the SFO.

SHARE OPTIONS

As at 30th June 2006, options granted on the Grant Date to 11 participants (other than the Directors of the Company) to subscribe for an aggregate of 12,766,000 shares of the Company at a subscription price of HK\$3.28 per share were outstanding. 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

The following options under the Pre-IPO Plan were outstanding during the Half-year Period:

Participant	Number of underlying shares		
	As at 1st January 2006	Lapsed during the period	As at 30th June 2006
Directors	19,415,000	–	19,415,000
Others	12,766,000	–	12,766,000
Total	32,181,000	–	32,181,000

The Company also has a share option scheme adopted on 14th May 2002 (the “2002 Scheme”) under which employees of AcrossAsia Group (including the Directors of the Company) and other persons may be granted on or after 15th May 2002 options to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2002 Scheme. No options had been granted under the 2002 Scheme as at 30th June 2006.

COMPETING INTERESTS

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) might have had or developed interests in businesses in Hong Kong and other parts in Asia similar to those of AcrossAsia Group during the Half-year Period. There was a chance that such businesses might have competed with AcrossAsia Group during the Half-year Period.

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 have competed or may compete with the business of AcrossAsia Group and any other conflicts of interests which any such person had or may have with AcrossAsia Group.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") on 23rd June 2000 with written terms of reference in accordance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are, inter alia, to review and monitor the financial reporting and audit matters as well as the financial control, internal control and risk management systems of AcrossAsia Group. The Audit Committee has met three times this year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Half-year Period, there was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has implemented measures to meet the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules (the "CG Code"). To the knowledge of the Directors, they consider that the Company has applied the principles of the CG Code and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the CG Code during the Half-year Period.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Half-year Period.

By Order of the Board
Marshall Wallace Cooper
Director and Chief Executive Officer

Hong Kong, 11th August 2006