

ACROSSASIA MULTIMEDIA LIMITED

(光亞科技有限公司)*

(Incorporated in the Cayman Islands with limited liability)

**Third Quarterly
Report 2000**



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

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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 identification purpose only

HIGHLIGHTS

- Group turnover increased 23.2% to HK\$242,661,000 as compared to the same period in 1999.
- Broadband Connectivity revenue was more than doubled as compared to the corresponding period in 1999. Revenue from new operations of E-commerce and Multimedia Content reached HK\$9,972,000 in the nine months. IT and Internet Solutions revenue increased 16.9%.
- Broadband Multimedia, the Group's fixed line unit, continues its network rollout programs for both cable TV and Internet access services. Cable TV subscribers have doubled to more than thirty thousand over the Nine-month Period. For corporate service, it has wired up to 1.9 million square metres of commercial buildings in Jakarta's Central Business District.
- Natrindo, the Group's cellular unit, completed the network planning and procurement of equipment and system is in progress.
- LinkNet, the Group's ISP, launched in May is now the largest ISP in Indonesia and has achieved a market share of more than 25%.
- Lippo Shop, the Group's E-commerce unit for multi-channel retailing, has soft launched its office supplies B2B and home essentials B2C services in September.

QUARTERLY 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 nine months (the "Nine-month Period") and three months ended 30th September, 2000 together with comparative figures for the corresponding periods in 1999, as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	242,661	196,969	51,119	47,844
Cost of sales and services rendered		(185,337)	(123,788)	(40,833)	(24,252)
Gross profit		57,324	73,181	10,286	23,592
Other revenues		43,401	1,469	2,275	(27)
Distribution and selling expenses		(24,010)	(3,922)	(13,966)	(1,873)
General and administrative expenses		(134,062)	(51,978)	(71,824)	(27,399)
Write-off and loss on disposals of investments		0	(48,957)	0	10,557
Profit /(Loss) from operations		(57,347)	(30,207)	(73,229)	4,850
Interest income		8,950	5,421	7,163	2,208
Interest expenses		(35,955)	(16,364)	(10,897)	(12,084)
Loss before share of profit of associated companies and loss attributable to discontinued operations		(84,352)	(41,150)	(76,963)	(5,026)
Share of profit of associated companies		89,198	87,257	24,659	15,139
Loss attributable to discontinued operations	3	0	(43,824)	0	(29,655)
Profit / (Loss) before taxation		4,846	2,283	(52,304)	(19,542)
Taxation	4	(44,725)	(22,271)	(13,247)	(9,625)
Loss after taxation but before minority interests		(39,879)	(19,988)	(65,551)	(29,167)
Minority interests		(20,597)	9,133	8,318	13,952
Loss attributable to shareholders		(60,476)	(10,855)	(57,233)	(15,215)
Loss per share	5				
– Basic		HK cents (1.25)	HK cents (0.30)	HK cents (1.13)	HK cents (0.42)

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 Nine-month 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, 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 loans capitalization. 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:

	Nine months ended		Three months ended	
	30th September		30th September	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Broadband Connectivity	43,339	21,555	18,018	9,404
E-commerce	2,075	0	1,097	0
Multimedia Content	7,897	0	5,136	0
IT and Internet Solutions	161,046	137,797	19,786	24,107
Others	28,304	37,617	7,082	14,333
	<u>242,661</u>	<u>196,969</u>	<u>51,119</u>	<u>47,844</u>

3. Loss attributable to discontinued operations

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 loss attributable to discontinued operations.

4. Taxation

Taxation charges consisted of:

	Nine months ended		Three months ended	
	30th September		30th September	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for (Write-back of) current taxation:				
The Company and its subsidiaries	4,991	11,213	(991)	3,857
Associated companies	5,760	3,198	(15,637)	(5,115)
	<u>10,751</u>	<u>14,411</u>	<u>(16,628)</u>	<u>(1,258)</u>
Provision for (Write-back of) deferred taxation:				
The Company and its subsidiaries	6,969	594	17,217	16,241
Associated companies	27,005	7,266	12,658	(5,358)
	<u>33,974</u>	<u>7,860</u>	<u>29,875</u>	<u>10,883</u>
	<u>44,725</u>	<u>22,271</u>	<u>13,247</u>	<u>9,625</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. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders during the respective periods and on the weighted average number of approximately 3,629,599,000, 3,629,599,000, 5,064,615,000 and 4,850,982,000 shares in issue during the three months ended 30th September, 1999, the nine months ended 30th September, 1999, the three months ended 30th September, 2000 and the nine months ended 30th September, 2000, respectively.

Diluted loss per share are not presented because the effect was anti-dilutive.

FINANCIAL REVIEW

The Group continues its focus to build a leading regional broadband service company in Asia offering convergent services in Broadband Connectivity, E-commerce, Multimedia Content and IT and Internet Solutions.

Turnover

The unaudited consolidated turnover of the Group for the Nine-month Period was approximately HK\$242,661,000 representing an increase of 23.2% over the Group's turnover in the corresponding period in 1999.

Revenue from the Broadband Connectivity unit, PT Broadband Multimedia Tbk ("Broadband Multimedia"), was approximately HK\$43,339,000, an increase of 101.1% over the corresponding period in 1999. The Broadband Connectivity operation increased its contribution to the Group's turnover from 10.9% to 17.9%. This trend is reflective of the Group's strategy to build a strong regional broadband communication service operation focusing on "last mile" access. PT Link Net ("LinkNet"), the Group's Internet service provider (the "ISP"), commenced operation in May 2000 and started contributing to revenue.

The Group's recently launched E-commerce and Multimedia Content units started to generate revenue. Total revenue reached HK\$9,972,000 in the first nine months, accounting for 4.1% of the Group's total revenue.

The Group's IT and Internet Solutions unit, PT Multipolar Corporation Tbk ("Multipolar"), enjoyed a robust 16.9% growth in turnover over the corresponding period in 1999 as a result of increased demand for its products and services. Multipolar's revenue accounted for 66.4% of the Group's turnover compared to the 70% in the same period of 1999.

Turnover generated by other businesses, e.g. share administration service, was approximately HK\$28,304,000.

The Group generated other revenue of HK\$43,401,000 mainly from an insurance claim that was of a non-recurring nature.

Gross Profit

The unaudited gross profit of the Group was approximately HK\$57,324,000 for the Nine-month Period, compared to HK\$73,181,000 for the corresponding period in 1999.

The Group's gross margin was affected by increased depreciation charges arising from the fast expansion of the wired HFC broadband network and higher programming costs. Under the Group's current accounting policy, such depreciation charges amounting to approximately HK\$11,368,000 (compared to HK\$2,402,000 for the corresponding period in 1999) were charged to the cost of goods sold. The launch of new ISP service of LinkNet and the soft launch of LippoStar, the Group's horizontal portal, contributed to lower gross margin.

Net Loss

The unaudited consolidated loss of the Group for the Nine-month Period was HK\$60,476,000, compared to approximately HK\$10,855,000 for the corresponding period in 1999. In 1999, there were only 3 operating entities in the Group compared to more than 10 operating entities today. The Group has expanded into new lines of businesses this year to capture the full value of the Internet value chain. Hence, the Group incurred substantial development and start-up expenses relating to the ISP service of LinkNet, cellular service of Natrindo and, E-commerce and Multimedia Content businesses. Significant expenses on marketing and recruitment activities were also incurred to promote the Group's new businesses.

Taxation increased from HK\$22,271,000 to HK\$44,725,000 due to stronger earnings generated by Multipolar and its associated company, PT Matahari Putra Prima Tbk ("Matahari"), a public listed retailer in Indonesia.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 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's strategy continues to focus on offering integrated broadband communication services to both homes and corporations through "last mile" access of wired and wireless connections.

The Group through its subsidiary, Broadband Multimedia, has activated approximately 1,800 km of its two-way HFC broadband network (the only one in Indonesia) covering commercial and residential areas in Jakarta, Surabaya and Bali. The Group's cable TV subscribers have doubled to 31,034 over the Nine-month Period. Broadband Multimedia, in addition to its existing 52 channels programming, provided an exclusive 6-channel 24-hour live coverage of the Sydney Olympics to further promote its cable TV services. Meanwhile, the unit has started to introduce its fast Internet access service for homes and offices via its HFC network, providing another source of revenue. Broadband Multimedia continues its effort to promote its "last mile" broadband communication service to corporate customers and has currently wired up 1.9 million square metres of office and commercial buildings in Jakarta's Central Business District.

LinkNet is the largest ISP in Indonesia by number of subscribers with a subscriber base exceeding 150,000, representing over 25% market share. More importantly, LinkNet starts to cross-sell the Group's other service offerings. LinkNet has started to penetrate the corporate market and currently provides customers an array of services from Internet connections to web hosting and server co-location.

The Group's cellular operation unit, Natrindo, has finalised preparations to execute the Group's cellular rollout plan in East Java covering a population of 35 million. An experienced management team which has previously developed and operated a network with more than one million subscribers is responsible for the rollout of the cellular services which is expected to commence in the first quarter of 2001. The procurement of equipment and system is in progress.

E-commerce

PT Lippo Shop (“Lippo Shop”), the Group’s E-commerce unit, soft launched its services in September 2000. Lippo Shop’s business model focuses on multi-channel retailing, leveraging on its customer base of over 90,000 members as the initial platform. Lippo Shop offers its services online, through telephone, fax and catalogue supported by a state-of-the-art in-house fulfilment system and logistic and distribution centre.

Multimedia Content

LippoStar, the Group’s horizontal portal in Indonesia, had a successful launch in October 2000. LippoStar aggregates relevant local content and provides a high level of personalization to build a customer base which can enhance the Group’s other service offerings.

The Group through MediaManager Pte Ltd. (“MediaManager”) has rolled out digital in-store TVs that offer advertisements and info-commercials in convenience stores and retail outlets in Singapore. MediaManager is currently undertaking trials in secondary schools in Singapore of Educast, its multimedia educational portal.

The Group through Communication Resources Pte Ltd. launched its third magazine “Prestige”, a high-end lifestyle magazine, in September 2000 in Singapore.

IT and Internet Solutions

Multipolar continued to consolidate its position as the leading provider of system integration services for the banking sector. Multipolar has started to penetrate other market segments by winning tenders for the provision of system integration services in the oil & exploration and telecommunication sectors. With its recent appointment as the IBM Risc 6000 distributor, it will be able to extend its market coverage with this new line of product.

Multipolar is establishing a new e-Community division to target the rapidly growing Internet Solution services segment. It has formed business partnerships with some of the leading e-software providers such as Broadvision and Finesse Alliance.

Building a World Class Organization

The Group accelerates its effort to build a world class organization across Asia. Total number of staff increased from approximately 900 as of May, 2000 to approximately 1,700 as at 30th September, 2000.

PROSPECTS

The Group continues its strategy to build a leading Pan-Asia broadband and Internet service operator capturing the “total customer relationship” through delivery of a comprehensive range of convergent Internet services of Broadband Connectivity, IT and Internet Solutions, E-commerce and Multimedia Content.

Given the achievements reached and the foundation laid today, the Directors are confident that its strategy is sustainable.

DISCLOSURE OF INTERESTS IN SECURITIES

(1) DIRECTORS AND CHIEF EXECUTIVE

As at 30th September, 2000, 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*

The Company

Name	Personal Interests	Number of shares		Other Interests
		Family Interests	Corporate Interests	
Dr. Mochtar Riady	—	—	—	4,167,248,769 (Note 1)

Note 1: An aggregate of 3,947,648,769 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 Pacific Strategic 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

Name	Name of Associated Corporation	Number of shares/warrants			
		Personal Interests	Family Interests	Corporate Interests	Other Interests (Note 2)
Dr. Mochtar Riady	Lippo Limited	–	–	–	248,297,776
	Lippo China Resources Limited	–	–	–	3,862,063,736
	Lippo China Resources Limited	–	–	–	HK\$233,423,940.75 (666,925,545 units of warrants)
	The HKCB Bank Holding Company Limited	–	–	–	794,487,743
	The Hong Kong Building and Loan Agency Limited	–	–	–	195,899,038
	Maxipo International Limited	–	–	–	8,190,798

Note 2: Lippo Cayman is the ultimate holding company of Lippo Limited, Lippo China Resources Limited (“LCR”), The HKCB Bank Holding Company Limited and The Hong Kong Building and Loan Agency Limited, whose securities are listed on the Stock Exchange. Lippo Cayman indirectly through its subsidiaries had interests in the shares of Maxipo International Limited, an associated corporation of LCR. By virtue of Dr. Mochtar Riady’s interests in Lippo Cayman as referred to in Note 1, Dr. Mochtar Riady was also deemed to be interested in these companies and their associated corporations.

Save as disclosed herein, as at 30th September, 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 shares of the Company at an exercise price of HK\$3.28 per share as follows:—

Name	Number of underlying shares		Outstanding as at 30th September, 2000
	Granted	Lapsed	
Dr. Cheng Wen Cheng	13,150,000	—	13,150,000 (Note 1)
Lak Chuan Ng	9,850,000	—	9,850,000 (Note 2)
Dr. Mochtar Riady	8,273,000	—	8,273,000 (Note 3)
Canning Kin Ning Fok	7,091,000	—	7,091,000 (Note 4)
Richard Arthur Woolcott	3,546,000	—	3,546,000 (Note 5)
Luis Augusto De Abreu Monteiro De Aguiar	3,030,000	2,373,430 (Note 6)	656,570 (Note 6)
Davy Kwok Fai Lee	2,364,000	—	2,364,000 (Note 7)
Stephen Hung	2,364,000	—	2,364,000 (Note 7)
Gerard Joseph McMahon	2,364,000	—	2,364,000 (Note 7)
Christopher James Williams	2,364,000	—	2,364,000 (Note 7)
Kwok Ming Cheung	2,364,000	—	2,364,000 (Note 7)
Total	56,760,000	2,373,430	54,386,570

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: Mr. Luis Augusto De Abreu Monteiro De Aguiar resigned as a Director of the Company with effect from 18th September, 2000. As a result, his option to subscribe for 2,373,430 shares lapsed and 656,570 shares remain exercisable from 14th January, 2001 to 18th March, 2001 pursuant to the Pre-IPO Plan.

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 (except those mentioned in Note 6) 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 30th September, 2000.

Save as disclosed herein, as at 30th September, 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 30th September, 2000, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the persons (other than Directors or the 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	3,946,736,769	77.93
Lippo Cayman Limited (<i>Note</i>)	4,167,248,769	82.28
Lanius Limited (<i>Note</i>)	4,167,248,769	82.28

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

The options granted under the Pre-IPO Plan in respect of a total of 71,885,570 shares of the Company, representing approximately 1.4% of the enlarged issued share capital thereof, were outstanding as at 30th September, 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

During the nine months ended 30th September, 2000, 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 Arthur Woolcott
Chairman

Hong Kong, 13th November, 2000