ACROSSASIA MULTIMEDIA LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2000

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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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.

Contents

Corporate Information

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Stephen HUNG
Gerard Joseph McMAHON
Christopher James WILLIAMS

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Kwok Ming CHEUNG

Alternate Director
Edith SHIH
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Compliance Officer

Davy Kwok Fai LEE, FCIS, FCS, ACIB

Qualified Accountant

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(Chairman of the Audit Committee)
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www.kabelvision.com
www.natrindo.com
www.asiamobilenet.com
www.asiapay.com.hk
www.multipolar.com
www.link.net.id
www.lippostar.com
www.lipposhop.com
www.matahari.co.id
www.netwxs.com
www.ima.com
www.keytrend.com.hk
www.systechonline.com

Corporate Structure

The Company

- **Fixed Line Broadband Communication Services**
  - **PT Broadband Multimedia Tbk #** — Operation of last-mile broadband HFC network & cable TV (K@belvision)
- **Cellular Communication Services**
  - **PT Natrindo Telepon Seluler** — Operation of GSM 1800 cellular network
  - **PT Natrindo Global Telekomunikasi** — Operation of wireless VSAT network
- **Internet Enabling Services**
  - **Asia MobileNet (HK) Limited** — Wireless ASP
  - **AsiaPay (HK) Limited** — E-payment service and solutions provider
  - **PT Multipolar Corporation Tbk *** — System integration and ASP
  - **PT Link Net** — ISP
  - **PT Lippo On Line** — Operation of broad horizontal portal (LippoStar)
  - **Net:WxS International Group+** — Provision of broadband multimedia services, wireless technology and software development
  - **Cyber Pacific Group+** — Development of Internet messaging software and solutions
  - **KeyTrend Group+** — Development of data encryption, certification authority, public key infrastructure and payment solutions
  - **Systech On-Line Limited+** — IT consulting, system architecture, design and application development
- **E-Commerce**
  - **PT Lippo Shop** — Operation of e-Commerce
  - **PT Matahari Prima Putra Tbk * +** — Operation of department store and supermarket chain

* *Listed on the Jakarta Stock Exchange and Surabaya Stock Exchange*

\# *Listed on the Surabaya Stock Exchange*

\+ *Associates*

Mr. Richard Woolcott, *Chairman*

"With our vision to be a leading provider of broadband services to corporations and consumers in the Asia-Pacific region, the year 2000 has seen the Group actively expanding and developing its lines of business."

Chairman's Statement

I am pleased to present the Company's first annual report to shareholders, covering a year of both business expansion and focus.

Changing Business Environment

With our vision to be a leading provider of broadband services to corporations and consumers in the Asia-Pacific region, the year 2000 has seen the Group actively expanding and developing its lines of business. The Group has grown significantly through the launch of several operating units, including Natrindo, building the first GSM 1800 cellular network in Indonesia; LinkNet, the largest ISP (Internet Service Provider) by number of subscribers in Indonesia; LippoStar, one of the top information and entertainment websites in Indonesia; Asia MobileNet, offering real time content and services to the financial business community in Hong Kong; AsiaPay, an e-payment services and solution provider in Hong Kong; and LippoShop, a multi-channel e-Commerce business in Indonesia.

The most significant accomplishment is the completion by Broadband Multimedia of several fibre optic backbone rings around Jakarta's Central Business District with last mile connections now in 2.3 million square metres of office space. We are now poised to offering a variety of value-added network services to corporate customers in the near future.

With this year's market corrections giving consumers and investors a more realistic perception of the Internet and how it can improve the quality of their lives, the conclusion has to be that the Internet is here to stay. Never before in history has a new technology gained such widespread adoption in such a short period of time. Internet represents a pervasive and undeniable trend, forcing companies in all sectors to relearn how to conduct their business in the wired world. The opportunities are clear, and the Group is positioned to take full advantage.

The Company was successfully listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited on 13th July, 2000, raising gross proceeds of approximately HK$590 million. The Company was valued at HK$16.6 billion in market capitalization at listing and has maintained its position as the largest listed company in terms of market capitalization on the GEM.

With the Asian financial crisis and the bursting of the Internet bubble apparently behind us, 2001 offers excellent opportunities. Asia is forecast to account for half of the global Internet market growth in the coming few years and is estimated to surpass the

US and Europe in total number of Internet users by 2004 (Source: IDC). Improving communication infrastructure, de-regulation and rising disposable incomes will accelerate growth and create new opportunities.

Four Lines of Business

The Group intends to be at the centre of activity in this new era by emphasizing two concepts that form the core of our business model: *last mile connectivity and total customer relationship*. Our aim is to be a regional player in providing last mile connectivity through both fixed and wireless networks, to benefit from the obvious synergies, and to position the Group strategically to build total customer relationships with business and consumer communities in the Asia-Pacific region. As a result of the above, we group our operating units along four core lines of business.

Fixed Line Broadband Communication Services

The rapid acceleration of e-business is creating new coverage and bandwidth demands on communication infrastructures. Infrastructure deficiency is a major barrier for proliferation of Internet applications, particularly in Asia. Carriers from around the world are quickly responding and Internet backbone capacity is rapidly increasing throughout the region, both via submarine cable and satellite.

However, development of the last mile connection from the backbone to the end user continues to be a bottleneck in the provision of broadband services. Our business strategy is therefore focused on realizing the potential of end-delivery of broadband services.

To meet the rapidly growing demand among the business community for broadband network services, we focus on last mile fixed-line network development in Central Business Districts providing access to high-value corporate customers. We are the leading and only cable TV operator in Indonesia offering 62 channels. We also offer broadband Internet access to residential consumers via our HFC (Hybrid Fibre Coaxial) network in Greater Jakarta, Bali and Surabaya, which now passes over 160,000 homes. Shortly other exciting value-added services will be offered through the Company's existing broadband network.

Our last mile connectivity solutions can be established through optical fibre, coaxial cable, digital subscriber line, wireless fixed line and satellite. The Group has quickly established a unique strategic position to provide broadband access services in Indonesia, and is actively looking for opportunities throughout the region to replicate this business model.

Cellular Communication Services

Cellular networks will represent a significant last mile broadband connection to consumers in the near future. Through new cellular technology platforms such as GPRS (General Packet Radio Service) and 3G (third generation), the cellular phone and other wireless devices are expected to surpass the PC (personal computer) and TV as the most popular access device to the Internet. The proliferation of

voice-accessible Internet products, information and services will further accelerate this trend. The Group aims to capture the value from wireless access services by operating cellular networks to provide both traditional voice and mobile data communication services.

The Group aims to be a leading regional provider of both traditional voice and advanced mobile data services through the GPRS and 3G platforms.

Our initial goal is to establish our subsidiary, Natrindo, as a leading cellular operator in Indonesia, while at the same time we are exploring acquisition and partnership opportunities with cellular operators in the Asia-Pacific region, with a focus on Greater China.

Internet Enabling Services

While corporations are generally aware of the impact that the Internet has on their business, most lack the knowledge and experience to respond quickly and take advantage of new Internet-related opportunities as they present themselves. As IT systems grow more complex, a clear global trend towards business process outsourcing is emerging, particularly in the fast-growing SME (small and medium-sized enterprises) segment. Outsourcing involves not only IT functions, but increasingly areas such as logistics, procurement, human resources and customer relationship management. The Asia-Pacific market for business services outsourcing is expected to grow to US$21.2 billion in the next five years, or 80% of the whole IT services market (Source: Gartner).

Our Internet enabling services aim to make the Internet "work" for end users, and currently encompass application, access and content service providers. Our focus is on the business community as it currently represents the highest revenue potential for broadband network services. The Group is introducing a variety of value-added services for business customers. Multipolar is extending its system integration business into ASP (Application Service Provider) services including payroll and call centre services. AsiaPay has introduced electronic payment services in Hong Kong and Asia MobileNet is ready to launch its wireless ASP services for the financial service industry in Hong Kong.

At the same time we believe that a strong presence in the consumer market is essential for establishing brand recognition for our Internet service offerings. Accordingly, we operate LinkNet, the largest ISP by number of subscribers in Indonesia, and are actively looking for expansion opportunities in the Asia-Pacific region.

E-Commerce

B2C (business-to-consumer) e-Commerce is still in its infancy but is showing rapid growth in the developed economies. Rising standards and falling prices of Internet technologies such as broadband connection and third-generation mobile phones will be the main force driving e-Commerce by increasing Internet accessibility.

We pursue a multi-channel strategy for our e-Commerce business, using the Internet as a new channel through which commerce takes place that is synergistic with conventional channels such as telephone, fax and physical stores. LippoShop, our e-Commerce initiative in Indonesia, works in close cooperation with our associate, Matahari, Indonesia's largest publicly listed retail chain with 138 department stores and supermarkets. The validity of our business model is clearly evidenced by established players with "click and mortar" business models rapidly outgrowing "pure play" online companies.

Milestones

We would like to highlight some of our major accomplishments over the past year, indicating the rapid pace at which the Company is working toward realizing its vision:

- The Company – successful listing on the GEM on 13th July, 2000
- Broadband Multimedia – completed several fibre optic rings around the central portion of Jakarta with connections into 124 office buildings totalling 2.3 million square metres of office space
- Broadband Multimedia – further expanded its HFC network in Greater Jakarta and Surabaya, which now passes over 160,000 homes offering consumers 62 channels of cable TV service, as well as broadband Internet access
- Natrindo – in cooperation with the Ericsson Group, commenced construction of a GSM 1800 network in East Java that will be launched for commercial operation in the second quarter of 2001
- Multipolar – maintained its leading position in system integration services for the financial sector in Indonesia, while preparing the introduction of the ASP business
- LinkNet – established the largest ISP in Indonesia with a total membership of over 180,000, representing over 25% market share

- Lippo On Line – launched LippoStar, our broad horizontal portal which is one of the top information and entertainment websites in Indonesia

- Asia MobileNet – our wireless Internet solutions enabler in Hong Kong, has been established to offer wireless Internet solutions, application tools and platforms to serve the financial community with real time content and services

- AsiaPay – our e-payment service and solutions provider has launched secure, private and convenient electronic payment services and solutions for individuals in Hong Kong

- LippoShop – was launched providing office supplies B2B (business-to-business) and home essentials B2C services with a growing customer base

Financial Highlights

The Group's performance in year 2000 has been satisfactory considering the start-up nature of many of our subsidiaries. Revenues grew by 43.6% from HK$272.9 million to HK$391.9 million. It is encouraging to note that our newly launched operating units have contributed to our revenue.

We have used our IPO proceeds and met our business objectives substantially in line with the Company's Prospectus dated 6th July, 2000. By reducing our cash burn rate and tightly controlling our operating and capital expenditures, we have been able to limit our net loss to HK$171.8 million, below the forecast net loss of HK$181 million as stated in the Prospectus. This is a positive adjustment for us in light of the changing global investment sentiment. We adhere to the time tested principle that to make our business prosper we must bring early returns on our investment and also ensure that every one of our companies generate positive cash flows as early as possible.

Prospects

The Group has demonstrated both vision in its business strategy and discipline in its operations. We have responded vigorously to the industry turbulences and are emerging even stronger to meet business challenges and tap growth opportunities. From our dominant position in Indonesia, we are well prepared to expand geographically into Greater China and the rest of Asia Pacific, and are actively assessing opportunities for growth through partnerships as well as acquisitions.

The Group will continue to position itself as a leading provider of broadband services to both the business and consumer communities in Asia Pacific. A talented team of professionals, together with a clear business model, will ensure that we continue to create value for our customers, business partners and shareholders today and in the future.

On behalf of the Board, I have pleasure in taking this opportunity to express our appreciation for the continuing support of our shareholders and the invaluable contribution of the management and staff.

Richard Woolcott
Chairman

Hong Kong, 8th March, 2001

Financial Summary

A summary of the consolidated results and the consolidated assets and liabilities of the Group for the last three financial years is set out below:

	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*
Consolidated results			
Turnover	**391,920**	272,909	175,854
Gross profit	**89,090**	89,268	54,683
(Loss) Profit after taxation but before minority interests	**(143,930)**	9,260	(282,190)
(Loss) Profit attributable to shareholders	**(171,839)**	4,146	(148,365)
Consolidated assets and liabilities			
Shareholders' equity	**839,390**	434,929	N/A
Non-current assets	**1,378,349**	1,195,002	N/A
Current assets	**406,166**	107,692	N/A
Current liabilities	**599,593**	414,507	N/A
Non-current liabilities	**3,177**	98,102	N/A

Notes:

1. Pursuant to a group reorganisation in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 22nd May, 2000. The summary of the consolidated results for the years ended 31st December, 1998, 1999 and 2000 and the consolidated assets and liabilities as at 31st December, 1999 and 2000 was prepared as if the current group structure had been in existence throughout those years. Details of the basis of presentation are set out in Note 1 to the financial statements.

2. As the Company has only become the holding company of the Group since 22nd May, 2000, no audited consolidated financial statements for the Group had been prepared before 31st December, 2000. The consolidated results of the Group for the years ended 31st December, 1998 and 1999 and the consolidated assets and liabilities as at 31st December, 1999 were extracted from the Company's Prospectus dated 6th July, 2000.

Fixed Line Broadband Communication Services

Cellular Communication Services

Internet Enabling Services

E-Commerce

Management Review

The Company is continuing its progress towards being a leading player in regional broadband services for the Asia-Pacific region, with core lines of business in Fixed Line Broadband Communication Services, Cellular Communication Services, Internet Enabling Services and E-Commerce.

Financial Review

Turnover surged by 43.6% from HK$272.9 million during the year 1999 to HK$391.9 million during the year 2000.

Fixed Line Broadband Communication Services increased its contribution to the Group's turnover significantly from 9.6% to 13.8%. This trend demonstrates the effectiveness of the Group's strategy to grow its fixed line broadband communication networks focusing on "last mile" access. Revenue from PT Broadband Multimedia Tbk ("Broadband Multimedia") more than doubled from HK$26.3 million to HK$54 million reflecting its primary dedication in 2000 to the acquisition of new customers and laying the foundation for significant expansion of the subscriber base and service offerings in 2001.

Revenues from Cellular Communication Services increased from HK$6.7 million to HK$7.1 million generated from the calling card business. The next step will be the commercial launch of the GSM 1800 cellular service in East Java in the second quarter of 2001.

Revenues from Internet Enabling Services increased by 33% from HK$239.9 million to HK$319 million. This increase was mainly attributable to the IT and Internet Solutions company, PT Multipolar Corporation Tbk ("Multipolar"), which enjoyed a robust growth of 21% with revenues of HK$290.1 million, accounting for 74% of the Group's turnover. The Group has started deriving revenues totalling HK$15.5 million from PT Link Net ("LinkNet"), the largest ISP by number of subscribers in Indonesia, and PT Lippo On Line's LippoStar, one of Indonesia's top information and entertainment websites, which were both launched in 2000. Revenue increased further as LinkNet started to cross-sell the Group's other service offerings. MediaManager Pte. Ltd. Communication Resources Pte. Ltd., Digital Access Sdn. Bhd. and Asia MobileNet (HK) Limited ("Asia MobileNet") contributed a total of HK$13.4 million of revenue to the Group in 2000.

Our e-Commerce business in Indonesia, PT Lippo Shop ("LippoShop"), was launched in September, 2000 and contributed a total of HK$11.8 million in its first four months of operation.

Gross profit of the Group was approximately HK$89.1 million for 2000 compared to HK$89.3 million for 1999.

The Group's gross margin was affected by increased depreciation charges arising from the fast expansion of the HFC broadband network (from HK$5 million to HK$17 million) and higher proportion of computer hardware sales that typically attract lower margins compared to IT consulting and system integration services. The launch of new ISP services of LinkNet and the launch of LippoStar, the Group's horizontal portal, contributed to lower gross margins.

The Group has expanded into new lines of business in 2000 to capture the full value of the telecommunication and Internet value chain. As such, there are more than 10 operating entities today as compared to only 3 operating entities in the Group in

1999. Hence, the Group incurred substantial development and start-up expenses relating to cellular network deployment, Internet enabling services and e-Commerce. Significant expenses on marketing and recruitment activities were also incurred to support the Group's growth in new businesses and expanded lines of services/product offerings.

PT Matahari Putra Prima Tbk ("Matahari"), an associate of Multipolar, was the main contributor to the share of profit of associates. By harnessing record breaking revenues of HK$3.9 billion and a net profit of HK$258 million, Matahari contributed HK$136.8 million to the Group's share of profit of associates.

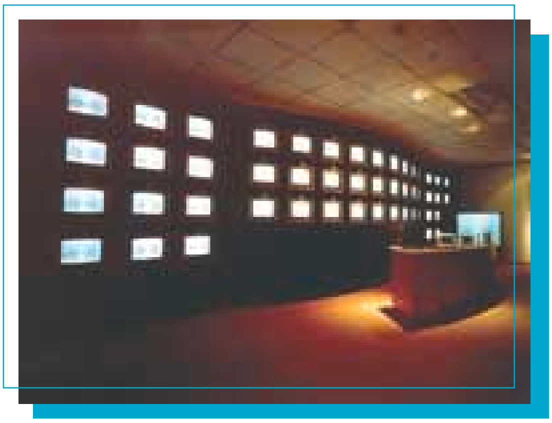
By reducing our cash burn rate and tightly controlling our operating and capital expenditures, we have been able to limit our net loss to HK$171.8 million, below the forecast net loss of HK$181 million as stated in the Company's Prospectus. The Group's net profit during 1999 was HK$4 million.

With the net proceeds of HK$ 531 million from the international share placing in July 2000, the Group did not incur any significant debt for its ongoing and new businesses in 2000. Significant investments in Broadband Multimedia for the build-out of its fixed line network will allow the Group to generate a larger revenue contribution from Broadband Multimedia in the following years. Another core investment is the build-up of PT Natrindo Telepon Seluler ("Natrindo")'s cellular network in East Java where we have secured long-term vendor financing from the Ericsson Group on favourable terms.

Business Review

Fixed Line Broadband Communication Services

The Group's strategy for fixed line network operation is to focus on owning the "last mile" broadband connection to businesses and consumers.



The group through its subsidiary, Broadband Multimedia, operates the only two-way HFC broadband network in Indonesia. This rapidly expanding network covers commercial and residential areas in Greater Jakarta, Surabaya and Bali, measuring 1,929 km and passing over 160,000 homes. Customers are offered 62 channels of cable TV service under the trade name K@belvision. Broadband Multimedia also offers broadband Internet access in cooperation with several ISPs, allowing it to tap into the growing Internet users market. In 2000 cable TV subscribers increased to 38,991 from 24,014, while 1,559 individuals and 86 corporations subscribed to its broadband Internet service.

Broadband Multimedia is also rapidly rolling out its corporate access network for access to high-value corporate customers. It has completed several fibre optic backbone rings around Jakarta's Central Business District with last-mile connections into 124 office buildings totalling 2.3 million square metres of office space. Businesses are to be offered dedicated and broadband Internet access. In cooperation with ASPs, the company will soon be able to offer a variety of value-added network services such as web hosting, server co-location and virtual private networks.

Cellular Communication Services

The Group's cellular operation unit, Natrindo, commenced construction of Indonesia's first GSM 1800 network in East Java in cooperation with the Ericsson Group. East Java, with its population of 35 million and an underserved cellular market with single-digit penetration, represents exciting growth opportunities. Natrindo's network uses state-of-the-art technology and is designed to deliver traditional voice as well as data communication services through the GPRS platform. The network is managed by a team of experts with a total of over 100 years of experience in mobile communication across the region. Commercial launch is scheduled in the second quarter of 2001. The existing calling card operation provided a good learning curve and entry strategy for the Group's vision to become a leading telecom player in Indonesia.

Internet Enabling Services

Multipolar continued to consolidate its position as the leading provider of system integration and information technology services to the financial services sector and has started to penetrate other market segments by winning tenders for the provision of system integration services in the oil & exploration and telecommunication sectors.

In anticipation of the growth in business process outsourcing, Multipolar is now leveraging its domain knowledge in the financial sector to introduce the ASP business. It has formed business partnerships with some of the leading e-software providers such as BroadVision and Finesse Alliance and is also actively exploring opportunities for call centre operations.

LinkNet, launched in May 2000, has established itself as the largest ISP in Indonesia with a total membership of over 180,000, representing over 25% market share. LinkNet is now focusing on providing quality access and value-added services such as web hosting, server co-location and online advertising to corporate customers.

LippoStar, the Group's broad horizontal portal, reached over 250,000 subscribers with 300,000 page views per day, making it one of the top information and entertainment websites in Indonesia. LippoStar focuses on marketing the various services of LinkNet and handles the aggregation and customization of the best content available on the Internet. LippoStar's content offering has expanded to 9 channels and 42 sub-channels.

Management Review

Asia MobileNet is a wireless Internet solutions enabler in Hong Kong, offering wireless Internet solutions, application tools and platforms to serve the financial business community with real time content and services. It has formed strategic alliances and teaming agreements with market leaders such as AFX News and Compaq.

AsiaPay (HK) Limited ("AsiaPay"), the Group's e-payment service and solutions provider in Hong Kong, launched its first product "PayDollar.com", a person-to-person payment service, in December 2000 in Hong Kong. AsiaPay's business model focuses on secure, private and convenient electronic payment services and solutions, for individual, business and charity members in Hong Kong and Asia.

E-Commerce

The Group pursues a multi-channel strategy for LippoShop, its B2B (business-to-business) and B2C (business-to-consumer) e-Commerce initiative in Indonesia. Transactions can range from pure online ordering to telephone, fax (catalogue) and physical retail outlets of Matahari, Indonesia's largest publicly listed retail chain with 138 department stores and supermarkets. LippoShop handles fulfilment through its state-of-the-art warehouse and distribution centres. It embarked on an extensive marketing campaign resulting in a growing customer base.

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 6th July, 2000 to 31st December, 2000:

Business Objectives	Actual Business Progress
1. Fixed Line Broadband Communication Services	
(i) Technology Development	
Add approximately 1,380 km of broadband HFC network	492 km were added during the second half of 2000 with a total of 952 km for the year. The addition was below target as construction focus was shifted to more lucrative corporate access network from home pass
Deployment of digital interactive "smart" Set Top Boxes and i-TV (Internet access through Set Top Box and displayed on TV)	Trial boxes were launched but market response was not as expected. Deployment was therefore deferred
Begin video on demand services	Pay per view services commenced with near video on demand deferred due to market response
Complete second sonet ring in Jabotabek	Completed and in operation
Activate Surabaya head end and begin cable TV services there	Surabaya head end activated and cable TV services commenced in November 2000
Install VSAT hub & terminals	Installed in November 2000 with over 50 business customers connected
Establish VSAT multicast technology link to broadband Internet international gateway backbone and POPs	Established in November 2000
Install VSAT Internet connection	Installed in November 2000
(ii) Market and Business Development	
Begin sales of digital TV and i-TV (Internet access through Set Top Box and displayed on TV) services	Deferred due to market response
Market i-TV to portals, advertisers and sponsors	Deferred due to market response
Establish card based payment agreements	Deferred due to market response
Begin video on demand and expand pay per view offerings	Pay per view services commenced with near video on demand deferred due to market response

Comparison of Business Objectives and Actual Business Progress

Business Objectives	Actual Business Progress
Further expansion of telemarketing centre	Expanded to two cities plus additional access to remote sale channels
Commercial launch of VSAT service	Launched in November 2000
Commercial launch of broadband Internet and prepaid telephony services via VSAT	VSAT broadband Internet was launched in November 2000; launch of prepaid telephony service deferred pending evaluation of equipment
Expand prepaid telephony to new markets through VSAT	VSAT broadband Internet was launched in November 2000; launch of prepaid telephony service deferred pending evaluation of equipment
2. Cellular Communication Services	
Technology Development	
Develop SMS gateway	Under negotiation; to start in conjunction with commercial launch of GSM 1800 network
Deploy mail to fax gateway	Under negotiation; to start in conjunction with commercial launch of GSM 1800 network
3. Internet Enabling Services	
(i) Technology Development	
Expand ISP POPs	5 ISP POPs opened in Greater Jakarta, Surabaya and Yogyakarta
Upgrade Internet backbone/bandwidth	International bandwidth increased to 26 Mbps and local Internet exchange to 12 Mbps
Broadband network services	Broadband services provided to individuals and corporations
Begin data mining of cable, i-TV and ISP customer profiles, preferences & demographics	Completed data mining of cable, ISP and portal customer profiles, preferences and demographics
Complete construction of enterprise level platform that supports multi-million membership base	Construction in final stage
Complete set-up of news feed systems from content vendors	Completed set-up of news feed systems with IMQ, AFP, JSX, AP, PIPU and Antara

Comparison of Business Objectives and Actual Business Progress

Business Objectives	Actual Business Progress
Complete development of e-Commerce support functions and credit card payment gateway	Completed testing and soft launched e-Commerce function by co-branding with travel commerce site (Travoo.com) and auction C2C commerce site (Lelang2000.com); payment gateway for credit card transactions under negotiation
Complete set-up of MIS and web tracking systems	Set-up in progress and expected to be completed in the first quarter of 2001
Complete set-up of advertising serving system, access tracking capabilities and billing system	Completed set-up of advertising system, access tracking and ISP standard billing system; set-up of a new billing system (multi-featured) in progress
Complete construction of data warehouse for member profiling	Completed
Establish fibre links to banks for debit card payments	Under evaluation
Develop further technology ideas & alliances	In progress
Source & review technology based investment opportunities	In progress
(ii) Market and Business Development	
Marketing corporate, web and server hosting	Launched in May 2000
Contract for video on demand content	Under negotiation with third party providers
Establish partnership agreement with other regional program and Internet Content providers	Signed agreements with AFP, Antara, IMQ, Lycos Asia, Travoo and Lelang2000
Soft launch of horizontal portal	LippoStar.com soft-launched in August 2000, and grand-launched in October 2000
Develop content translation capability	In progress
Bring key foundation features on-stream i.e. search, web directories, email, chat, calendaring, yellow pages, instant messaging, clubs	All features completed and active for search, email, chat and calendaring; other features in progress

Comparison of Business Objectives and Actual Business Progress

Business Objectives	Actual Business Progress
Deepen content & services and begin content provision with focus on delivering basic news and information, followed by provision of "premium" content to registered members	Basic news provided; premium content services in progress
Start to provide localized content and feature by developing detailed city guides which include directions, and listings of key locales and services	What's On channel in operation
Follow up with provision of lifestyle content and services such as entertainment, music, food, sports, arts, culture, games	Lifestyle, deClub, Sports, and Hollywood channels in operation
Introduce value-added services such as Internet fax and radio	Internet fax and SMS operational; radio services are under negotiation with radio broadcasting stations
Introduce loyalty program	Point system introduced
Begin development of WAP version of portal	Deferred due to market response
Further develop market in the Internet, e-Commerce and consulting services	Markets successfully entered
Roll-out services for web performance, design & management	Completed
Roll-out services in e-billing system solution, e-bill presentment solution	Products under review
Initiating contact-centre solution services	In progress
Initiating services for ERP (Enterprise Resource Planning) with e-Commerce enabling	Great Plains Software and ORACLE e-Business Suite Application services provided
Partnership with global companies on web commerce suite and technology	Partnerships with BroadVision and Finesse Alliance
Pursue partnership with a major player to provide large customer relationship management call centre solution	In progress
Partnership with technology vendor for back-end solutions on Internet and e-Commerce	Partnership under negotiation

Comparison of Business Objectives and Actual Business Progress

Business Objectives	Actual Business Progress
4. E-Commerce	
(i) Technology Development	
Testing and deployment of smart card and credit card payments through i-TV (Internet access through Set Top Box and displayed on TV)	Deferred due to market response
Complete set-up and testing of physical fulfilment infrastructure and systems	State-of-the-art fulfilment centre fully operational
Complete set-up and testing of security and payment systems	Person-to-Person online payment service launched
Complete integration of front end with backend payment, billing and fulfilment systems	Completed
Actively look out for regional B2B and B2C technology and idea opportunities	In progress
(ii) Market and Business Development	
Full launch of e-Commerce portal	LippoShop.com launched in September 2000
Prepare introduction of other e-Commerce services e.g. auction, classifieds, auto, food delivery, books and magazines	In progress
Commence provision of backend fulfilment to support e-Commerce transactions requiring physical delivery	In operation
Expand and improve upon initial B2B e-Commerce offerings organically and through partnerships	Several dealership agreements signed
Continue training of technical & content staff	In progress
Continue expansion of content, sales and business development teams.	Additional staff were recruited
Actively look out for regional B2B idea, opportunities and partnership.	In progress

Directors and Senior Management

Executive Directors

Dr. Cheng Wen CHENG, aged 56, has been an executive Director and the President and Chief Executive Officer ("CEO") of the Company since June 2000. He has over 25 years of international experience in research and development and management. Prior to joining the Group, he was the Chief Executive of the Provisional Hong Kong Science Park Corporation. He was the Chief Operating Officer and Executive Vice President of Philips Electronics Group in China/Hong Kong and Taiwan. Before that, he was the President of Taiwan Gadelius Limited and Vice President of Taiwan International Standard Electronics Ltd. He also worked for Bell Telephone Manufacturing Company in Belgium and Bell Laboratories in the United States of America ("USA"). Dr. Cheng holds a Bachelor of Science degree from National Cheng Kung University, Taiwan, and Master of Science and PhD degrees in Electrical Engineering from Iowa State University, USA.

Mr. Lak Chuan NG, aged 37, has been an executive Director of the Company since May 2000. He is also Vice President and the Chief Financial Officer of the Company. He has over 10 years of corporate finance experience. Prior to joining the Group, he was Executive Director at UBS Warburg, with responsibilities for corporate finance transactions in Singapore, Indonesia, Malaysia and Thailand. He graduated from the University of Oxford in the United Kingdom with a First Class Honours degree in Politics, Philosophy and Economics.

Mr. Davy Kwok Fai LEE, aged 41, has been an executive Director of the Company since May 2000. He is also Vice President, Company Secretary and Compliance Officer of the Company. Prior to joining the Group, he has been the Group Company Secretary of Lippo Limited since 1991. He has over 18 years' experience in the field of corporate secretarial management, legal compliance, human resources management and general administration. He has intimate knowledge of Hong Kong's capital markets gained in his working experience with listed companies. He was admitted as an Associate of the Chartered Institute of Bankers in 1989 and Associate of the Institute of Chartered Secretaries and Administrators ("ICSA") in 1983 and elected as a Fellow of ICSA and the Hong Kong Institute of Company Secretaries in 1995.

Non-executive Directors

Dr. Mochtar RIADY, aged 71, has been a non-executive Director of the Company since June 2000. He is the founder and the Chairman of the group of companies controlled by the Riady family. He has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and USA. He is also the Honorary Chairman of Lippo Limited and Lippo China Resources Limited, the Chairman of The HKCB Bank Holding Company Limited ("HKCB Holding") and The Hongkong Chinese Bank, Limited, and a director of Lippo Cayman Limited. Details of his interests in the Company are disclosed in the "Disclosure of Interests in Securities" section in the Report of the Directors.

Mr. Canning Kin Ning FOK, aged 49, has been a non-executive Director of the Company since June 2000. He is the Group Managing Director of Hutchison Whampoa Limited. He is the Chairman of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd. and the Co-Chairman of Husky Energy Inc. He is also the Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a Director of Cheung Kong (Holdings) Limited and VoiceStream Wireless Corporation. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

Mr. Stephen HUNG, aged 43, has been a non-executive Director of the Company since June 2000. He is currently co-Chairman of The Taipan.net Limited and Vice Chairman of Hong Kong listed eSun.com Holdings Limited (formerly Lai Sun Hotels International Limited). He was formerly co-Head of Investment Banking at Merrill Lynch responsible for the Asia-Pacific region and subsequently formed his own investment banking firm in 1992, Amida Capital Limited, and also served as Vice Chairman and chief executive of American Dream Parks & Entertainment Group between 1994-1998.

Mr. Gerard Joseph McMAHON, aged 57, has been a non-executive Director of the Company since June 2000. Since 1997, he has acted as non-executive director of the following Hong Kong listed companies: HKCB Holding, Sun Hung Kai & Company Limited and Guangnan (Holdings) Limited, and a commissioner of the following Indonesian listed companies: Matahari and PT Siloam Health Care Tbk. He is also the Chairman of Asian Capital Finance Limited (a registered financial adviser) and McMahon Brothers (Hong Kong) Limited. He was, until the end of 1996, an Executive Director and member of the Hong Kong Securities and Futures Commission ("SFC"), a member of the Hong Kong Takeovers and Mergers Panel and the SFC representative on the Hong Kong Standing Committee on Company Law Reform. He was also admitted as a barrister in Hong Kong.

Mr. Christopher James WILLIAMS, aged 41, has been a non-executive Director of the Company since June 2000. He is a partner of Richards Butler, the legal advisers to the Company. He qualified as a solicitor in England and Wales in 1986, and was admitted as solicitor in Hong Kong in 1991. His areas of specialisation include corporate finance, mergers and acquisitions, joint ventures and cross border transactions. He has been named in the Guide to the World's Leading Merger and Acquisitions Lawyers, published by Euromoney Publications PLC, and the International Who's Who of Merger and Acquisition Lawyers published by Law Business Research as being amongst the world's leading mergers and acquisitions lawyers. He is also a non-executive director of Starlite Holdings Limited, a company listed on the Stock Exchange and of Auric Pacific Group Limited, a subsidiary of Lippo China Resources Limited listed on the Singapore International Exchange Limited.

Independent Non-executive Directors

Mr. Richard Arthur WOOLCOTT, aged 73, has been the Chairman of the Board and an independent non-executive Director of the Company since June 2000. He is presently on the Advisory Boards of several Australian and Asia Pacific based organizations, and is a Founding Director of AustralAsia Centre of the Asia Society. He was Secretary (Head) of the Department of Foreign Affairs and Trade (1988 – 1992) in Australia and served as the Ambassador and Permanent Representative to the United Nations where he represented Australia on the Security Council and held several senior postings throughout South East Asia. He was closely involved with the formation of the Asia Pacific Regional Economic Forum ("APEC") and was the Prime Minister's special envoy charged with developing the APEC concept.

Mr. Kwok Ming CHEUNG, aged 39, has been an independent non-executive Director of the Company since June 2000. He is a partner and head of the Banking and Commercial Department of Y. T. Chan & Co., Solicitors. His areas of practice include banking, securities, Internet and information technology, corporate finance, corporate acquisitions, joint ventures and provident fund. He qualified and was admitted as a solicitor in Hong Kong in 1991. He holds a Bachelor of Laws degree from the University of Hong Kong.

Alternate Director

Ms. Edith SHIH, aged 49, is the alternate director of Mr. Canning Kin Ning Fok. She is the Head Group General Counsel and Company Secretary of Hutchison Whampoa Limited. She is also an executive director of Hutchison International Limited and director of various Hutchison group companies. She is qualified to practice law in Hong Kong, England and Wales and Victoria, Australia. She holds a Bachelor of Science degree and a Master of Arts degree from the University of the Philippines, and a Master of Arts degree and a Master of Education degree from Columbia University, USA.

Senior Management

Mr. Jonathan Limbong PARAPAK, aged 58, has been the Chairman of the Company's Indonesia Office since February 2000 and of PT Natrindo Global Telekomunikasi since March 2000 and President Commissioner of Broadband Multimedia. He is the Chairman of the Council of Professionals and Association of the Indonesian Infocom Society and a member of the Indonesian Council of Research and Development and the E-Asean Task Force. He was appointed Secretary General of the Department of Tourism, Posts and Telecommunications in 1991 and then the Secretary General of the Department of Tourism, Arts and Culture in 1998. He was the President and CEO of Indosat for 10 years and the Chairman of the board of Indosat for 9 years until April 2000. He was also the Chairman of International Satellite Organisation, a member of the High Level Committee of International Telecommunication Union and the Chairman of PT INTI, the state owned telecommunications manufacturing company. He graduated from the National Resilience Institute (Lemhanas), Indonesia and holds a Master of Engineering Science degree from the University of Tasmania, Australia.

Mr. Jeffrey Koes WONSONO, aged 40, joined the Group in September 1994 and is the Vice President and CEO of the Company's Indonesia Office and the President Commissioner of Multipolar. Prior to joining the Group, he was an executive Director and Deputy President of various multinational joint venture banks. He is a graduate of Centre for Business Studies of London, England in Marketing and also holds a Master degree in Business Administration from Golden Gate University, USA. He is the son-in-law of Dr. Mochtar Riady.

Mr. Fung Ming CHEN, aged 55, has been the Vice President–Operations of the Company since October 2000. Before joining the Group, he worked at Philips Electronics Group from 1982 with the last position held as Director-Key Account, CFO and Vice President of Component Division, Asia Pacific. He has over 26 years' experience in the operation field. He has a Master degree in Physics and a Master degree in Computer Science from the University of Wisconsin, USA.

Mr. Handoko Anindya TANUADJI, aged 44, joined the Group in 1984 and is the CEO of Broadband Multimedia. He holds a Bachelor of Electrical Engineering degree from University of Gajah Mada, Indonesia and a Master degree in Business Administration from the University of Southern California, USA.

Dr. I Gusti Made MANTERA, aged 57, joined the Group in September 2000 and is the CEO of Multipolar IT Division. Prior to joining the Group, he was an Executive of Standard Chartered Bank, Indonesia from 1999 to 2000. Before joining Standard Chartered Bank, Indonesia, he worked for IBM Indonesia for 20 years with last position as the CEO and acted as Deputy President of Bank Bali until 1999. He holds a PhD degree in Control Engineering from University of Tasmania, Australia.

Mr. Michael CHOW, aged 49, joined the Group in July 2000 and is the CEO of Natrindo and PT Natrindo Global Telekomunikasi. Prior to joining the Group, he was the President of Bellsouth International (Asia Pacific) Inc. He has over 20 years' working experience in the finance and telecommunications industries in Asia. He is a chartered accountant and holds a Bachelor degree in Business Studies (Accounting) from Swinburne University, Australia.

Mr. Hari SULISTYONO, aged 48, joined the Group in May 2000 and is the CEO of LinkNet and PT Lippo On Line. Prior to joining the Group, he was the President Director of IBM Indonesia from 1995 to 2000. He holds a Master of Science degree in Industrial Engineering from University of South Florida, USA and a Bachelor of Science degree in Production Engineering from Swinburne College of Technology, Australia.

Directors and Senior Management

Mr. Teddy Hartono SETIAWAN, aged 45, joined the Group in 1984 and is the CEO of LippoShop and the Managing Director of Matahari. He has worked for Matahari for 16 years and has held various senior positions in the areas of merchandising, quality control, logistics, management information system and store development. He holds a Bachelor of Science degree in Economics from Parahyangan University, Indonesia.

Mr. Michael Chi Kit TONG, aged 36, has been the CEO and General Manager of Asia MobileNet since July 2000. Prior to joining the Group, he was the Director of Business Development-Personal Networks Group – Asia of Motorola Asia Pacific Limited. He has more than 10 years of sales and marketing experience in high-tech products in the Asia-Pacific region. He holds a Bachelor of Science degree from the University of New South Wales, Australia.

Mr. Joseph Wing Cheung CHAN, aged 37, has been the CEO of AsiaPay since August 2000. Prior to joining the Group, he was the Head of Channel Management, Retail Banking Division of Dah Sing Bank and has more than 12 years of experience in the banking and IT fields. He holds a Bachelor of Science degree and a Master of Economics degree from Monash University, Australia.

Mr. Vincent Wai Ming WAN, aged 31, a qualified accountant, joined the Company in April 2000. Prior to joining the Company, he has worked for companies affiliated with the Group for 9 years. He graduated from The Hong Kong Polytechnic University with a Bachelor degree in Accountancy. He is an Associate of The Chartered Association of Certified Accountants and The Hong Kong Society of Accountants.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2000.

Group Reorganisation and 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. Pursuant to a reorganisation of the Group (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 22nd May, 2000. The Company's shares have been listed on GEM with effect from 13th July, 2000.

Details of the Reorganisation and the basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of fixed line broadband communication services, cellular communication services, Internet enabling services and e-Commerce.

Analysis of the Group's turnover by principal activity and by geographical location, together with their respective contributions to (loss) profit before taxation for the year ended 31st December, 2000 is as follows:

	Turnover	(Loss) Profit before taxation
	HK$'000	*HK$'000*
Analysis by principal activity:		
Fixed line broadband communication services	53,975	(44,299)
Cellular communication services	7,141	(14,245)
Internet enabling services	318,993	40,648
E-Commerce	11,811	(47,864)
Other	–	(52,430)
	391,920	(118,190)

	Turnover	(Loss) Profit before taxation
	HK$'000	*HK$'000*
Analysis by geographical location*:		
Indonesia	379,804	(31,272)
Singapore & Malaysia	12,096	(21,130)
Others	20	(65,788)
	391,920	(118,190)

* *Turnover by geographical location is determined mainly on the basis of the location where services were provided.*

Customers and Suppliers

For the year ended 31st December, 2000, the five largest customers accounted for approximately 48% of the Group's total turnover, while the five largest suppliers of the Group accounted for approximately 35% of the Group's total purchases. The largest customer of the Group accounted for 27% of the Group's total turnover while the largest supplier accounted for 15% of the Group's total purchases.

None of the Directors, their associates (as defined under the Rules governing the Listing of Securities on the GEM (the "GEM Listing Rules")), or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the five largest customers and suppliers of the Group.

Results and Appropriations

Details of the Group's results for the year ended 31st December, 2000 are set out in the consolidated income statement on page 38 of the annual report.

The Directors do not recommend the payment of a dividend in respect of the year.

Pension Costs

Particulars of pension costs for the year ended 31st December, 2000 are set out in Note 35 to the accompanying financial statements.

Share Capital and Share Options

Details of share capital and share options of the Company are set out in Notes 31 and 33, respectively, to the accompanying financial statements.

Reserves

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in shareholders' equity on page 41 of the annual report. Movements in accumulated losses of the Group during the year are set out in the consolidated income statement on page 38 of the annual report.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2000.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and no statutory provisions for pre-emptive rights under the laws of the Cayman Islands.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 13 to the accompanying financial statements.

Property and Equipment

Details of the movements in property and equipment during the year are set out in Note 12 to the accompanying financial statements.

Bank Loans

Particulars of bank loans as at 31st December, 2000 are set out in Notes 25 and 26 to the accompanying financial statements.

Related Party Transactions

The related party transactions are set out in Note 3 to the accompanying financial statements.

Use of Proceeds

The Group has raised approximately HK$590 million through placing of the Company's shares upon the listing of the Company on GEM on 13th July, 2000. After deducting related expenses, the net proceeds were approximately HK$531 million.

The Group's use of the proceeds up to 31st December, 2000 was substantially in accordance with the intended use stated in the Prospectus and the comparison is set out below.

	Intended use *HK$'000*	Actual use *HK$'000*
Capital expenditure and working capital to develop the wired broadband network infrastructure in Indonesia	102,000	108,000
Capital expenditure and working capital to develop the wireless broadband network infrastructure in Indonesia	60,000	65,000
Capital expenditure, advertising & marketing, and additional working capital for broadband access and technology development in Indonesia	71,000	61,000
Capital expenditure, advertising & marketing, and additional working capital for content development in Indonesia	66,000	43,000
Capital expenditure, advertising & marketing, and additional working capital for e-Commerce development in Indonesia	65,000	62,000
Capital expenditure and advertising & marketing for technology, content and e-Commerce development in Singapore	19,000	3,000
Capital expenditure, advertising & marketing, and additional working capital for technology, content and e-Commerce development in Hong Kong	19,000	19,000
Repayment of loan extended by Maxipo International Ltd.	12,000	12,000
Strategic investments and additional working capital of the Group	44,000	36,000
Total	458,000	409,000

The remaining net proceeds have been deposited in licensed banks in Hong Kong and Indonesia.

Report of the Directors

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Dr. Cheng Wen CHENG	(Appointed on 1st June, 2000)
Mr. Lak Chuan NG	(Appointed on 9th May, 2000)
Mr. Davy Kwok Fai LEE	(Appointed on 9th May, 2000)
Mr. Luis Augusto DE ABREU MONTEIRO DE AGUIAR	(Appointed on 9th May, 2000 and resigned with effect from 18th September, 2000)

Non-executive Directors

Dr. Mochtar RIADY	(Appointed on 22nd June, 2000)
Mr. Canning Kin Ning FOK	(Appointed on 22nd June, 2000)
Mr. Stephen HUNG	(Appointed on 22nd June, 2000)
Mr. Gerard Joseph McMAHON	(Appointed on 22nd June, 2000)
Mr. Christopher James WILLIAMS	(Appointed on 22nd June, 2000)

Independent non-executive Directors

Mr. Richard Arthur WOOLCOTT	(Appointed on 23rd June, 2000)
Mr. Kwok Ming CHEUNG	(Appointed on 23rd June, 2000)

Alternate Director

Ms. Edith SHIH (Alternate Director of Mr. Canning Kin Ning FOK)	(Appointed on 1st September, 2000)

Ms. Joanna Lawrence, Mr. Stephen Riady, Dr. Boh Soon Lim and Mr. Jonathan Parapak were appointed as Directors on 6th March, 2000. Ms. Joanna Lawrence resigned as a Director on 6th March, 2000 and Mr. Stephen Riady, Dr. Boh Soon Lim and Mr. Jonathan Parapak resigned as Directors on 9th May, 2000.

In accordance with Article 116 of the Articles of Association of the Company, Dr. Cheng Wen Cheng, Mr. Lak Chuan Ng and Mr. Davy Kwok Fai Lee retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 99 of the Articles of Association of the Company, all the other Directors retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the non-executive Directors and the independent non-executive Directors is the period up to his retirement by rotation in accordance with the Articles of Association of the Company.

Directors' Service Contracts

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years commencing on 1st June, 2000 for Dr. Cheng Wen Cheng and on 1st April, 2000 for the other two executive Directors. Apart from the foregoing, no Director has a service contract with the Company.

Directors' Interests in Contracts

Saved as disclosed in Note 7 to the accompanying financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Disclosure of Interests in Securities

(1) Directors and Chief Executive

As at 31st December, 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	Family interests	Corporate interests	Other interests *(Note 1)*
Dr. Mochtar Riady	–	–	–	4,167,248,769 shares

Associated Corporations

Name	Name of associated corporations	Personal interests	Family interests	Corporate interests	Other interests *(Note 2)*
Dr. Mochtar Riady	Lippo Limited	–	–	–	248,297,776 shares
	Lippo China Resources Limited	–	–	–	6,141,720,389 shares
	Lippo China Resources Limited	–	–	–	HK$233,423,940.75 of warrants
	The HKCB Bank Holding Company Limited	–	–	–	794,487,743 shares
	The Hong Kong Building and Loan Agency Limited	–	–	–	168,746,038 shares

Disclosure of Interests in Securities *(continued)*

Notes:

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.

2. Lippo Cayman is the ultimate holding company of Lippo Limited, Lippo China Resources Limited, The HKCB Bank Holding Company Limited and The Hong Kong Building and Loan Agency Limited, whose shares are listed on the Stock Exchange. As a result, Dr. Mochtar Riady was also deemed to be interested in these companies and their associated corporations by virtue of his interest in Lippo Cayman as described in Note 1.

Save as disclosed herein, as at 31st December, 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) 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:–

	Number of underlying shares		
Name	**Granted**	**Lapsed**	**Outstanding as at 31st December, 2000**
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	–	8,273,000 *(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. Luis Augusto De Abreu Monteiro De Aguiar	3,030,000	2,373,430 *(Note 6)*	656,570 *(Note 6)*
Mr. Davy Kwok Fai Lee	2,364,000	–	2,364,000 *(Note 7)*
Mr. Stephen Hung	2,364,000	–	2,364,000 *(Note 7)*
Mr. Gerard Joseph McMahon	2,364,000	–	2,364,000 *(Note 7)*
Mr. Christopher James Williams	2,364,000	–	2,364,000 *(Note 7)*
Mr. Kwok Ming Cheung	2,364,000	–	2,364,000 *(Note 7)*
Total	56,760,000	2,373,430	54,386,570

Disclosure of Interests in Securities *(continued)*

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.

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.

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. 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.

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.

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 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 under the Post-IPO Scheme as at 31st December, 2000.

Save as disclosed herein, as at 31st December, 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 31st December, 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

Disclosure of Interests in Securities *(continued)*

(2) Substantial Shareholders (continued)

in 10% 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 *(Note)*	4,167,248,769	82.28
Lanius Limited *(Note)*	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 31st December, 2000, 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.

Sponsor's Interests

As at 31st December, 2000, 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

Competing Interests *(continued)*

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 e-Commerce 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 (a general reference to the companies 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). 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 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 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. The audit committee has met twice since its establishment and performed the aforesaid duties.

Auditors

The accompanying financial statements have been audited by Messrs. Arthur Andersen & Co. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
Richard Woolcott
Chairman

Hong Kong, 8th March, 2001

Report of the Auditors

ArthurAndersen

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

To the Shareholders of
ACROSSASIA MULTIMEDIA LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying balance sheet of AcrossAsia Multimedia Limited (the "Company") and the consolidated balance sheet of the Company and its subsidiaries (the "Group") as at 31st December, 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31st December, 2000, and of the results of the Group's operations and its cash flows for the year then ended in accordance with International Accounting Standards issued by the International Accounting Standards Committee and comply with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong, 8th March, 2001

Consolidated Income Statement

for the year ended 31st December, 2000

	Note	2000 HK$'000	1999 HK$'000
Turnover	4	**391,920**	272,909
Cost of sales and services rendered		**(302,830)**	(183,641)
Gross profit		**89,090**	89,268
Other revenue	4	**3,560**	971
Selling and distribution expenses		**(52,428)**	(8,099)
General and administrative expenses		**(272,482)**	(86,606)
Write-off and loss on disposal of investments	5	**–**	(40,370)
Loss from operations		**(232,260)**	(44,836)
Interest income	4	**14,023**	7,953
Interest expense		**(23,850)**	(23,140)
Loss before share of profit of associates and profit (loss) attributable to discontinued operations	6	**(242,087)**	(60,023)
Share of profit of associates		**120,700**	114,298
Profit (Loss) attributable to discontinued operations	8	**3,197**	(30,778)
(Loss) Profit before taxation		**(118,190)**	23,497
Taxation	9	**(25,740)**	(14,237)
(Loss) Profit after taxation but before minority interests		**(143,930)**	9,260
Minority interests		**(27,909)**	(5,114)
(Loss) Profit attributable to shareholders	10	**(171,839)**	4,146
Accumulated losses, beginning of year		**(306,278)**	(310,424)
Accumulated losses, end of year		**(478,117)**	(306,278)
(Loss) Earnings per share – Basic	11	**(3.50) HK Cents**	0.11 HK Cents

Balance Sheets

as at 31st December, 2000

		Consolidated		Company
		2000	1999	**2000**
	Note	***HK$'000***	*HK$'000*	***HK$'000***
Non-current assets				
Property and equipment	*12*	**448,498**	211,922	**3,054**
Investment in subsidiaries	*13*	**–**	–	**716,150**
Investment in associates	*14*	**625,949**	644,998	**–**
Long-term investments	*15*	**22,487**	18,530	**–**
Goodwill	*16*	**222,348**	254,264	**–**
Intangible assets	*17*	**384**	1,076	**–**
Deferred tax assets	*18*	**36,184**	23,484	**–**
Non-current prepayments and receivables	*19*	**18,325**	7,519	**–**
Due from related companies	*20*	**4,174**	33,209	**–**
Total non-current assets		**1,378,349**	1,195,002	**719,204**
Current assets				
Inventories	*21*	**36,826**	17,759	**–**
Trade receivables	*22*	**58,044**	18,754	**–**
Prepayments, deposits and other current assets		**76,726**	31,195	**1,526**
Short-term investments	*23*	**617**	1,692	**–**
Pledged bank deposits	*24*	**44,579**	3,594	**–**
Cash and bank deposits	*24*	**189,374**	34,698	**124,478**
Total current assets		**406,166**	107,692	**126,004**
Current liabilities				
Long-term bank borrowings, current portion	*25*	**(110,954)**	(65,400)	**–**
Short-term bank loans	*26*	**(40,194)**	–	**–**
Finance lease obligations, current portion	*27*	**(6,490)**	(4,362)	**–**
Trade payables		**(94,665)**	(16,957)	**–**
Receipts in advance	*28*	**(9,161)**	(7,937)	**–**
Accruals and other payables		**(131,872)**	(60,248)	**(5,818)**
Estimated liabilities for losses of discontinued operations	*29*	**(180,733)**	(253,508)	**–**
Taxation payable		**(6,877)**	(5,639)	**–**
Due to related companies	*30*	**(18,647)**	(456)	**–**
Total current liabilities		**(599,593)**	(414,507)	**(5,818)**
Net current (liabilities) assets		**(193,427)**	(306,815)	**120,186**
Total assets less current liabilities		**1,184,922**	888,187	**839,390**

Balance Sheets

as at 31st December, 2000

	Note	Consolidated 2000 HK$'000	Consolidated 1999 HK$'000	Company 2000 HK$'000
Non-current liabilities				
Long-term bank borrowings, non-current portion	*25*	**–**	(93,740)	**–**
Finance lease obligations, non-current portion	*27*	**(3,177)**	(4,362)	**–**
Total non-current liabilities		**(3,177)**	(98,102)	**–**
Minority interests		**(342,355)**	(355,156)	**–**
Net assets		**839,390**	434,929	**839,390**
Capital and reserves				
Share capital	*31*	**506,462**	1,292,528	**506,462**
Reserves	*32*	**811,045**	(551,321)	**664,271**
Accumulated losses		**(478,117)**	(306,278)	**(331,343)**
Total shareholders' equity		**839,390**	434,929	**839,390**

Approved by the Board of Directors on 8th March, 2001:

Cheng Wen CHENG
Director

Lak Chuan NG
Director

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31st December, 2000

	Share premium	Capital reserve	Investment revaluation reserve	Equity transactions of associates	Cumulative translation adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1st January, 1999	–	–	–	(21,263)	(561,082)	(582,345)
Issuance of shares	–	12	–	–	–	12
Share in equity transactions of associates	–	–	–	12,343	–	12,343
Revaluation increment of long-term investments	–	–	6,557	–	–	6,557
Translation adjustments	–	–	–	–	12,112	12,112
Balance as at 31st December, 1999	–	12	6,557	(8,920)	(548,970)	(551,321)
Issuance of shares	580,186	–	–	–	–	580,186
Share issuance expenditures	(59,321)	–	–	–	–	(59,321)
Capitalisation of share premium	(487,988)	–	–	–	–	(487,988)
Capitalisation of shareholders' loans	–	148,236	–	–	–	148,236
Reserve arising from the Reorganisation *(Note 1)*	–	1,316,554	–	–	–	1,316,554
Share in equity transactions of associates	–	–	–	9,702	–	9,702
Revaluation decrement of long-term investments	–	–	(6,557)	–	–	(6,557)
Translation adjustments	–	–	–	–	(138,446)	(138,446)
Balance as at 31st December, 2000	**32,877**	**1,464,802**	**–**	**782**	**(687,416)**	**811,045**

Consolidated Cash Flow Statement

for the year ended 31st December, 2000

	Note	2000 HK$'000	1999 HK$'000
Net cash outflow from operating activities	*34a*	**(91,668)**	(20,932)
Returns on investments and servicing of finance			
Interest received		**14,023**	7,953
Interest paid		**(29,861)**	(23,140)
		(15,838)	(15,187)
Taxation			
Overseas tax paid		**(235)**	(35,612)
		(235)	(35,612)
Investing activities			
Additions of property and equipment		**(308,088)**	(177,934)
Proceeds from disposal of property and equipment		**786**	310
Acquisitions of additional interests in subsidiaries	*34b & c*	**(12,593)**	–
Acquisitions of additional interests in associates		**(145,963)**	–
Proceeds from disposal of associates		**–**	360,203
Increase in long-term investments		**(18,870)**	(5,945)
Increase in non-current prepayments and receivables		**(10,806)**	(1,792)
Decrease (Increase) in due from related companies		**29,035**	(20,708)
Increase in short-term investments		**–**	(1,320)
(Increase) Decrease in pledged bank deposits		**(40,985)**	10,192
		(507,484)	163,006
Net cash (outflow) inflow before financing activities		**(615,225)**	91,275
Financing	*34d & e*		
Proceeds from issuance of shares		**598,186**	–
Share issuance expenditures		**(59,321)**	–
Financing from shareholders' loans		**148,236**	–
Repayment of long-term bank borrowings		**(48,186)**	(28,060)
New short-term bank loans		**40,194**	–
Repayment of short-term bank loans		**–**	(149,760)
Settlement of liabilities for discontinued operations		**(69,578)**	(5,946)
Repayment of capital element of finance lease obligations		**(6,839)**	(5,389)
Proceeds from issuance of shares of subsidiaries		**55,123**	–
Loans from minority interests of subsidiaries		**3,251**	68,105
Loans from associates		**26,016**	–
		687,082	(121,050)
Increase (Decrease) in cash and bank deposits		**71,857**	(29,775)
Cash and bank deposits, beginning of year		**34,698**	18,162
Effect of foreign exchange rate changes		**82,819**	46,311
Cash and bank deposits, end of year		**189,374**	34,698

Notes to the Financial Statements

1. Group Reorganisation and 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. By shareholders' resolutions dated 31st March, 2000, 12th April, 2000, 26th May, 2000 and 10th June, 2000, the Company changed its name and ultimately to the present name. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") 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 consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31st December, 2000, rather than from the date on which the Reorganisation was completed. The 1999 comparative figures are presented on the same basis.

No balance sheet of the Company as at 31st December, 1999 is presented as it was incorporated subsequent to that date.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of fixed line broadband communication services, cellular communication services, Internet enabling services and e-Commerce.

2. Principal Accounting Policies

The financial statements have been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee, and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the Listing of Securities on the GEM (the "GEM Listing Rules"). Principal accounting policies are summarised below:

a. Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by stating investments at market rate as explained in Note 2k.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and also incorporate the Group's share of equity interest in associates. The results of subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

c. Subsidiaries

A subsidiary is a company in which the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

2. Principal Accounting Policies (continued)

d. Associates

An associate is a company, not being a subsidiary, in which the Group holds 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its management. In the consolidated financial statements, investment in associates is stated at the Group's share of the fair value of the separable net assets of the associates at the time of acquisition, plus/less the Group's share of undistributed post-acquisition profits/losses and reserves of the associates, distributions received from the associates and other necessary alterations in the Group's proportionate interest in the associates arising from changes in the equity of the associates that have not been included in the income statement.

e. Goodwill

Goodwill arising on acquisition of interests in subsidiaries and associates, represents the excess of the cost of acquisition over the Group's share of the fair value of the separable net assets of the subsidiaries and associates acquired less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over the estimated economic useful lives ranging from 3 to 20 years. The Company's Directors review and evaluate, taking into consideration current results and future prospects of the related subsidiaries or associates, the carrying value of goodwill periodically.

f. Turnover and revenue recognition

Turnover comprises (i) services fees from distribution and maintenance of hardware equipment and software packages, and service fees for technology solutions rendered, (ii) subscriptions for cable television programs, (iii) subscriptions for fast speed Internet access, (iv) converter and fixed line broadband rental, installation and cable television membership joining fees, (v) calling card and service connection fees, (vi) shares administration fees, (vii) subscriptions for multimedia marketing and advertising fees, (viii) insertion fees for multimedia marketing and advertising, (ix) the net sale of merchandise and (x) subscriptions for multimedia channels and content.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Fees for distribution and maintenance of hardware equipment and software packages, and for rendering of technology solutions are recognised when the underlying services are rendered. Fees for subscriptions for cable television programs are recognised on the time apportionment basis for subscription packages or upon rendering of programs for pay-per-view programs. Fees for subscriptions for fast speed Internet access are recognised upon rendering of the access to the Internet. Converter and fixed line broadband rental income is recognised on a time apportionment basis; income from installation fees is recognised when the installation services have been completed, whereas cable television membership joining fees are recognised upon commencement of program delivery. Calling card connection fees are recognised based on actual call usage and forfeiture of stored value upon expiry of calling cards. Revenue from service connection fees is recognised at the time the connection takes place. Revenue from shares administration services is recognised when the underlying services are rendered. Insertion fees and fees for subscriptions for multimedia marketing and advertising are recognised when the advertisement is placed in the channel. Sales revenue is recognised when the merchandise is delivered and title has passed. Fees for subscriptions for multimedia channels and content are recognised when the underlying services are rendered. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

2. Principal Accounting Policies (continued)

g. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recorded to the extent it is probable that taxable profits will be available against which the deferred tax assets can be utilised.

h. Employee retirement benefits

The costs of employee retirement and insurance schemes are expensed in the period in which they are incurred.

i. Advertising and promotion costs

The costs of advertising and promotion are expensed in the period in which they are incurred.

j. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

k. Investments

Long-term investments

Long-term investments are stated at fair value. An increase in carrying amount arising from the revaluation of long-term investments is credited to owners' equity as an investment revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase, for the same investment, that has been credited to investment revaluation reserve and not subsequently reversed or utilised, it is charged against that revaluation reserve. In all other cases, a decrease in carrying amount is recognised as an expense. An increase in revaluation directly related to a previous decrease in carrying amount for the same investment that was recognised as an expense, is credited to income to the extent that it offsets the previously recorded decrease.

Short-term investments

Short-term investments are stated at fair value and any change in fair value is recorded in the income statement of the period in which the change occurs.

l. Intangible assets

Intangible assets represent acquisition costs to obtain exclusive rights to market and distribute a particular brand of software and hardware products. Intangible assets are stated at cost and amortised on a straight-line basis over a period of three years. The Company's Directors review and evaluate, taking into consideration current results and future prospects, the carrying value of intangible assets periodically.

2. Principal Accounting Policies (continued)

m. Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of property and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs of property and equipment are expensed when incurred. The carrying value of property and equipment is assessed annually and when factors indicating an impairment are present. The Group determines such impairment by measuring discounted future cash flows. If an impairment is present, the assets are reported at the lower of carrying value or fair value. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. The annual rates of depreciation are as follows:

Land use right	1%
Buildings	5%
Building renovations and leasehold improvements	10 to 50%
Office furniture, fixtures and equipment	12 to 50%
Cable television distribution network	7%
Construction-in-progress	*
Equipment for rent	33%
Vehicles and helicopters	20 to 25%

* Refer to Notes 2n and 2q for depreciation policy.

Gains and losses on disposal of property and equipment are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

Property and equipment held under finance leases are recorded and depreciated on the same basis as described above.

n. Construction-in-progress

Construction-in-progress consists mainly of cable television distribution network and cellular communication network. Expenditures relating to the construction, including interest and other ancillary financing costs incurred on loans obtained to finance the construction, if any, are capitalised as part of construction-in-progress. Capitalisation of interest and other ancillary financing costs ceases at the end of the prematurity period. The accumulated costs are reclassified to the appropriate property and equipment accounts upon completion or at the end of pre-maturity period.

No depreciation is provided for cellular communication network under construction. Refer to Section 2q for depreciation policy for construction-in-progress of cable television distribution network.

o. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the moving average method of costing except for certain inventories which cost is calculated using the specific identification method of costing. Cost includes cost of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business less further costs expected to be incurred for disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction of expense in the period in which the reversal occurs.

2. Principal Accounting Policies (continued)

p. Leases

Finance leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets are transferred to the Group. Fixed assets held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current or non-current liabilities. Interest expense, which represents the difference between the minimum payments determined over the lease terms at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

q. Capitalisation, revenue and expense recognition during prematurity period

Prematurity period is defined as the period in which the cable television distribution network is partially under construction and partially in service. Prematurity period begins when the first subscriber's revenue is earned and ends when the construction of the distribution network is completed, including a reasonable time to provide for installation of subscriber drops and related hardware. Management has determined the length of the prematurity period to be five years.

During the prematurity period:

- Cost of the network, including materials, direct labour and construction overhead, is fully capitalised. For projects already earning revenues, depreciation is computed monthly by dividing the project's total estimated cost to be capitalised at the end of the prematurity period by the estimated useful lives, with the quotient being multiplied by certain percentage related to the number of subscribers. That certain percentage is calculated by dividing actual or expected number of subscribers at the end of month with the expected number of subscribers at the end of the prematurity period.

- Cost relating to subscribers and general and administrative expenses are charged to the income statement.

- Cost of network services that is incurred based on actual number of subscribers is charged to the income statement.

r. Provisions

A provision is recognised when, and only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. Principal Accounting Policies (continued)

s. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date, non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains or losses are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. On consolidation, all of the assets and liabilities of the companies of the Group with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of the companies of the Group with functional currencies other than Hong Kong dollars are translated at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments.

The rate of exchange in effect on 31st December, 2000 was HK$1 to Rp1,230, and the average exchange rate during the year ended 31st December, 2000 was HK$1 to Rp1,095.

t. Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Particulars of significant transactions between the Group and related companies are summarised below:

	2000 *HK$'000*	1999 *HK$'000*
Services fees from distribution and maintenance of hardware equipment and software packages and services fees for technology solutions rendered to		
– PT Bank Lippo Tbk	**14,953**	25,866
– PT Ciptadana Sekuritas	**2,139**	–
– PT AIG Lippo	**1,119**	–
– PT Lippo Cikarang Tbk	**787**	–
– PT Matahari Putra Prima Tbk	**286**	610
– PT AON Lippo Indonesia	**106**	–
– PT Lippo Land Development Tbk	**82**	–
– PT Lippo E-Net Tbk	**55**	–
– Yayasan Universitas Pelita Harapan	**52**	–
– PT Pacific Utama Tbk	**38**	–
– PT Lippo Karawaci Tbk	**19**	–
– PT Asuransi Jiwa Lippo Utama	**–**	579
Receipt of interest income on time deposits placed with PT Bank Lippo Tbk	**8,408**	6,010
Receipt of shares administration fees for services rendered to		
– PT Matahari Putra Prima Tbk	**2,919**	–
– PT Lippo E-Net Tbk	**2,380**	221
– PT Bank Lippo Tbk	**1,567**	–
– PT Lippo Securities Tbk	**750**	–
– PT Bukit Sentul Tbk	**361**	–
– PT Lippo Karawaci Tbk	**154**	–
– PT Lippo Cikarang Tbk	**130**	–
– PT Lippo Land Development Tbk	**130**	–
– PT Lippo General Insurance Tbk	**37**	–
– PT Siloam Health Care Tbk	**85**	–
– PT Lippo Enterprises Tbk	**11**	–
– PT Pacific Utama Tbk	**8**	–
Payment of insurance premium to PT Lippo General Insurance Tbk	**582**	974
Payment of interest expense on loans obtained from PT Bank Lippo Tbk	**24,182**	891
Payment of rental charges by PT Matahari Putra Prima Tbk for office space	**681**	–
Payment of interest expense on temporary advances obtained from PT Multifiling Mitra Indonesia, PT Matahari Putra Prima Tbk and PT Ciptadana Sekuritas	**677**	24
Payment of interest expense on loans obtained from Maxipo International Ltd.	**483**	–
Payment of advisory fee to PT Lippo Securities Tbk	**3,206**	–
Receipt of interest income on temporary advances placed with PT Multifiling Mitra Indonesia	**53**	–
Payment of rental charges by PT Datakom for office space	**–**	107
Receipt of shares administration fees for non-regular services rendered to PT Bank Lippo Tbk	**–**	5,621
Payment of professional fees for services rendered to PT Centronics	**–**	137

The above companies are directly or indirectly owned, controlled or influenced by the principal shareholders of the Company, through share ownership, management agreements or others.

3. Related Party Transactions (continued)

The Group's long-term bank borrowings of approximately HK$110,954,000 (1999 – HK$159,140,000) and short-term bank loans of approximately HK$29,726,000 (1999 – Nil) were borrowed from PT Bank Lippo Tbk, a related company.

During the year ended 31st December, 2000, shareholders' loans of approximately HK$148,236,000 were capitalised.

The Directors of the Company are of the opinion that the above transactions with related parties were conducted under normal commercial terms in the ordinary course of business. The price of the above transactions was determined on their fair value.

4. Turnover and Revenue

Analysis of turnover and revenue by product category is as follows:

	2000	1999
	HK$'000	*HK$'000*
Fixed line broadband communication services		
– Insertion fees	**4,915**	–
– Subscriptions for cable television programs	**41,310**	19,970
– Converter and fixed line broadband rental, installation and cable television membership joining fees	**7,750**	6,346
	53,975	26,316
Cellular communication services		
– Calling card and service connection fees	**7,141**	6,658
Internet enabling services		
– Services fees from distribution and maintenance of hardware equipment and software packages, and services fees for technology solutions rendered	**257,447**	189,866
– Subscriptions for fast speed Internet access	**2,236**	50
– Subscriptions for multimedia marketing and advertising fees	**14,329**	–
– Subscriptions for multimedia channels and content	**12,282**	–
	286,294	189,916
E-Commerce		
– Sale of merchandise	**11,811**	–
Other		
– Shares administration fees *(a)*	**32,699**	50,019
Total turnover	**391,920**	272,909
Interest income	**14,023**	7,953
Other revenue	**3,560**	971
Total revenue	**409,503**	281,833

Note:

a. The financial information of the shares administration services business segment is classified under Internet enabling services business segment in Note 41(a) as they are under the same management.

5. Write-off and Loss on Disposal of Investments

Analysis of write-off and loss on disposal of investments is as follows:

	2000 *HK$'000*	1999 *HK$'000*
Write-off of investments *(a)*	–	(14,725)
Net loss on disposal of investments *(b)*	–	(25,645)
	–	(40,370)

Notes:

a. This represented write-off of the Group's investments in PT Surabaya Land, PT Ningz Pacific, PT Jakarta Polo & Equestrian Club and PT Primasarana Mulia.

b. This represented net loss on disposal of investments in PT Matahari Putra Prima Tbk, PT Multipolar Pratama, PT Cipta Anekatronika, PT Mitra Infosarana and PT Dua Satu Tiga Puluh.

6. Loss before Share of Profit of Associates and Profit (Loss) Attributable to Discontinued Operations

Loss before share of profit of associates and profit (loss) attributable to discontinued operations is determined after charging and crediting the following items:

	2000 *HK$'000*	1999 *HK$'000*
After charging:		
Staff costs (including Directors' emoluments)	105,520	15,001
Operating lease rentals of premises	12,884	5,628
Interest expense on		
– bank loans wholly repayable within one year		
• related companies	24,182	891
• third parties	3,319	–
– promissory notes	–	21,161
– finance lease obligations	1,200	1,064
– due to related companies	1,160	24
	29,861	23,140
Less: Interest expense capitalised as construction-in-progress*	(6,011)	–
	23,850	23,140
Net exchange loss	25,652	1,369
Depreciation of property and equipment		
– owned assets	37,278	11,186
– leased assets	2,292	1,633
	39,570	12,819

* For the year ended 31st December, 2000, the rates of capitalisation of the borrowing costs were averaged to be approximately 22% per annum (1999 – Nil).

6. Loss before Share of Profit of Associates and Profit (Loss) Attributable to Discontinued Operations (continued)

	2000 HK$'000	1999 HK$'000
After charging: *(continued)*		
Net loss on disposal of property and equipment	–	27
Bad debt expenses/Provision for doubtful debts	3,874	2,179
Provision for obsolete and slow-moving inventories	1,524	394
Website development costs	7,956	–
Provision for impairment in value of long-term investments	8,356	–
Loss on revaluation of short-term investments	1,075	–
Advertising and promotion costs	52,428	8,094
Amortisation of goodwill	25,824	20,607
Amortisation of intangible assets	470	254
Auditors' remuneration	1,950	1,000
After crediting:		
Interest income from bank deposits		
– third parties	5,562	1,943
– related companies *(Note 3)*	8,461	6,010
Net gain on disposal of property and equipment	332	–

7. Directors' and Senior Executives' Emoluments

a. Details of Directors' emoluments are as follows:

	2000 HK$'000	1999 HK$'000
Fees for executive Directors	75	–
Fees for non-executive Directors	175	–
Other emoluments for executive Directors		
– Basic salaries and allowances	8,780	–
– Inducement to join the Group	1,000	–
Other emoluments for non-executive Directors	–	–
	10,030	–

No Director waived any emoluments during the year.

Analysis of Directors' emoluments by emolument range is as follows:

	2000	1999
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,500,001 to HK$4,000,000	1	–
	4	–

b. Details of emoluments paid to the five highest paid individuals (including Directors and other employees) are as follows:

	2000 HK$'000	1999 HK$'000
Basic salaries and allowances	10,530	3,810
Inducement to join the Group	1,000	–
	11,530	3,810

Four (1999 – Nil) of the highest paid individuals were Directors of the Company, whose emoluments are included in Note 7a above.

7. Directors' and Senior Executives' Emoluments (continued)

Except for a Director who was given HK$1,000,000 as inducement to join the Group, no emoluments of the four highest paid individuals (including Directors and other employees) were incurred as inducement to join or upon joining the Group or as compensation for loss of office.

Analysis of the five highest paid individuals by emolument range is as follows:

	2000	1999
HK$500,001 to HK$1,000,000	**–**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	5	5

8. Profit (Loss) Attributable to Discontinued Operations

Profit (loss) attributable to discontinued operations represented:

	2000 ***HK$'000***	1999 *HK$'000*
Net operating results of discontinued operations *(a)*	**–**	(30,778)
Gain relating to disposal of PT Multipolar Pratama *(see Note 29)*	**3,197**	–
	3,197	(30,778)

Note:

a. For the year ended 31st December, 1999, loss attributable to discontinued operations represents the net operating results of PT Multipolar Pratama and its subsidiaries, PT Cipta Anekatronika and PT Gema Anekatronika, which were previously accounted for using consolidation accounting. The investments in these subsidiaries were disposed of during the year ended 31st December, 1999 and, consequently, the financial statements for such subsidiaries no longer qualified for consolidation.

9. Taxation

Taxation (consolidated) consisted of:

	2000 *HK$'000*	1999 *HK$'000*
(Provision for) current taxation		
– The Company and its subsidiaries	**(1,427)**	(2,906)
– Associates	**(8,469)**	(5,784)
	(9,896)	(8,690)
(Provision for) Write-back of deferred taxation		
– The Company and its subsidiaries	**21,608**	(904)
– Associates	**(37,452)**	(4,643)
	(15,844)	(5,547)
	(25,740)	(14,237)

During the years ended 31st December, 1999 and 2000, substantially all 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 30% of the individual entity's 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.

A reconciliation of the weighted statutory tax rate to the effective tax rate is as follows:

	2000	1999
Weighted statutory tax rate	**(13%)**	30%
Allowance on deferred tax assets	**32%**	23%
Non-deductible items	**3%**	68%
Non-taxable items	**(2%)**	(10%)
Difference between statutory tax rate and effective tax rate of associates	**2%**	(37%)
Deductible share issuance cost, charged against reserve by subsidiaries	**–**	(13%)
Effective tax rate	**22%**	61%

10. (Loss) Profit Attributable to Shareholders

The consolidated loss attributable to shareholders included a loss of approximately HK$331,343,000 dealt with in the financial statements of the Company.

11. (Loss) Earnings Per Share

The calculation of basic (loss) earnings per share for the year ended 31st December, 2000 is based on the loss attributable to shareholders of approximately HK$171,839,000 (1999 – profit of approximately HK$4,146,000) and on the weighted average of approximately 4,904,536,000 shares (1999 – 3,629,599,000 shares) deemed to be in issue throughout the year, on the assumption that the Reorganisation (see Note 1) had been completed on 1st January, 1999.

Diluted loss per share for the year ended 31st December, 2000 is not presented because the effect is anti-dilutive. Diluted earnings per share for the year ended 31st December, 1999 is not presented because there were no dilutive shares in existence.

12. Property and Equipment

Movements of property and equipment (consolidated) are as follows:

	2000								1999
	Land use right and buildings	Building renovations and leasehold improvements	Office furniture, fixtures and equipment	Cable television distribution network	Construction-in-progress	Equipment for rent	Vehicles and helicopters	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
Beginning of year	3,240	1,120	30,219	2,246	189,219	11,564	10,583	248,191	52,221
Additions	17,979	9,180	83,597	6,964	181,148	12,680	8,711	320,259	186,807
Additions through acquisition	–	547	5,193	–	–	–	–	5,740	–
Disposal	–	–	(1,869)	–	–	(187)	(125)	(2,181)	(9,320)
Translation adjustments	(824)	(285)	(10,614)	34	(48,111)	(10)	(2,734)	(62,544)	18,483
End of year	20,395	10,562	106,526	9,244	322,256	24,047	16,435	509,465	248,191
Accumulated depreciation									
Beginning of year	(472)	(439)	(12,823)	(125)	(5,333)	(11,289)	(5,788)	(36,269)	(30,617)
Provision for the year	(257)	(1,517)	(14,345)	(767)	(15,881)	(3,814)	(2,989)	(39,570)	(12,819)
Disposal	–	–	1,631	–	–	66	30	1,727	8,983
Translation adjustments	148	266	5,100	23	3,101	2,694	1,813	13,145	(1,816)
End of year	(581)	(1,690)	(20,437)	(869)	(18,113)	(12,343)	(6,934)	(60,967)	(36,269)
Net book value									
End of year	19,814	8,872	86,089	8,375	304,143	11,704	9,501	448,498	211,922
Beginning of year	2,768	681	17,396	2,121	183,886	275	4,795	211,922	21,604

12. Property and Equipment (continued)

Certain property and equipment (consolidated) included in above were held under finance leases. Details of these assets are as follows:

	2000				1999
	Building renovations and leasehold improvements *HK$'000*	Office furniture, fixtures and equipment *HK$'000*	Vehicles and helicopters *HK$'000*	Total *HK$'000*	Total *HK$'000*
Cost	399	1,784	12,502	14,685	8,873
Less: Accumulated depreciation	(33)	(509)	(7,031)	(7,573)	(5,281)
Net book value	366	1,275	5,471	7,112	3,592
Depreciation for the year	33	509	1,750	2,292	1,633

13. Investment in Subsidiaries

In the Company's balance sheet, investment in subsidiaries consisted of:

	2000 *HK$'000*
Listed shares, at cost	557,690
Unlisted shares, at cost	9,870
	567,560
Due from subsidiaries	441,625
	1,009,185
Less: Provision for impairment in value	(293,035)
	716,150
Quoted market value of listed shares	1,077,223

The amounts due from subsidiaries were unsecured and non-interest bearing. The Company has agreed not to demand repayment from the subsidiaries before 1st January, 2002.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 31st December, 2000.

13. Investment in Subsidiaries (continued)

Details of the principal subsidiaries as at 31st December, 2000 are as follows:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group[a]	Principal activities
PT Multipolar Corporation Tbk[a&b]	Indonesia	Rp935,884,000,000	50.1%	Investment holding, system integration and application service provider
Subsidiaries				
PT Sharestar Indonesia	Indonesia	Rp500,000,000	50.1%	Shares registrar services
PT Reksa Puspita Karya	Indonesia	Rp25,000,000	50.1%	Investment holding
PT Tryane Saptajagat	Indonesia	Rp50,000,000	50.1%	Investment holding
PT Computrade Indonesia	Indonesia	Rp2,500,000,000	50.1%	Trading and distributor
PT Broadband Multimedia Tbk[a&b]	Indonesia	Rp187,150,000,000	66% [c]	Operation of last-mile broadband HFC network and cable TV
PT AsiaNet Multimedia[a]	Indonesia	US$1,333,333	97.5% [d]	Investment holding
Subsidiaries				
PT Natrindo Global Telekomunikasi	Indonesia	Rp25,000,000,000	85.6%	Operation of wireless VSAT network
PT Natrindo Kartu Panggil	Indonesia	Rp5,000,000	85.2%	Provision of prepaid telephone calling cards
PT Natrindo Telepon Seluler	Indonesia	Rp12,500,000,000	85.6%	Operation of GSM1800 cellular network
PT Lippo On Line	Indonesia	Rp12,500,000,000	97%	Operation of broad horizontal portal
PT Link Net	Indonesia	Rp12,500,000,000	97%	Internet service provider

13. Investment in Subsidiaries (continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group[a]	Principal activities
PT Lippo Shop	Indonesia	Rp50,000,000,000	89.5%	Operation of e-Commerce
Cyberworks Group Limited[a]	British Virgin Islands	US$1,000	100%	Investment holding
Subsidiaries				
Connet Inc.	British Virgin Islands	US$1	100%	Investment holding
Nastek Inc.	British Virgin Islands	US$1	100%	Investment holding
AsiaPay Limited	British Virgin Islands	US$1	100%	Investment holding
AsiaPay (HK) Limited	Hong Kong	HK$2	100%	E-payment service and solutions provider
Asia MobileNet (HK) Limited	Hong Kong	HK$2	82.5%	Wireless application service provider
e-Planet Corporation	British Virgin Islands	US$100	100%	Investment holding
Subsidiaries				
e-Planet Telemedia Limited	British Virgin Islands	US$295	79.7%	Investment holding
MediaManager Pte. Ltd.	Singapore	S$4,982,200	59.4%	Multimedia production
Communication Resources Pte. Ltd.	Singapore	S$847,074	51.3%	Books and magazine publications
Digital Access Sdn. Bhd.	Malaysia	Rm100,000	40.6% [e]	Books and magazine publications

Notes to the Financial Statements

13. Investment in Subsidiaries (continued)

Notes:

a. The shares of PT Multipolar Corporation Tbk, PT Broadband Multimedia Tbk, PT AsiaNet Multimedia and Cyberworks Group Limited were held directly by the Company. The shares of other subsidiaries were held indirectly.

b. PT Multipolar Corporation Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. PT Broadband Multimedia Tbk is listed on the Surabaya Stock Exchange in Indonesia. All other subsidiaries were private limited companies.

c. The Company directly owns a 57.6% equity interest in PT Broadband Multimedia Tbk and PT Multipolar Corporation Tbk (a 50.1% owned subsidiary) owns a 16.7% equity interest in PT Broadband Multimedia Tbk.

d. The Company directly owns a 95% equity interest in PT AsiaNet Multimedia and PT Multipolar Corporation Tbk (a 50.1% owned subsidiary) owns a 5% equity interest in PT AsiaNet Multimedia.

e. e-Planet Telemedia Limited, a 79.7% owned subsidiary, owns a 51% equity interest in Digital Access Sdn. Bhd. Accordingly, Digital Access Sdn. Bhd. is considered a subsidiary.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st December, 2000.

14. Investment in Associates

Investment in associates (consolidated) consisted of:

	2000			1999		
	Listed shares	**Unlisted shares**	**Total**	Listed shares	Unlisted shares	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Investments, at cost	**824,452**	**72,554**	**897,006**	1,002,353	546	1,002,899
Less: Excess of acquisition cost over the Group's share of fair value of separable net assets at the dates of acquisition	**(343,314)**	**(14,975)**	**(358,289)**	(426,948)	–	(426,948)
Add: Share of undistributed post-acquisition profit (loss)	**123,700**	**(10,452)**	**113,248**	66,149	2,898	69,047
	604,838	**47,127**	**651,965**	641,554	3,444	644,998
Loans (from) to associates	**(26,090)**	**74**	**(26,016)**	–	–	–
	578,748	**47,201**	**625,949**	641,554	3,444	644,998
Quoted market value of listed shares	**472,861**	**N/A**		1,350,661	N/A	

The loans (from) to associates were unsecured and non-interest bearing, except for a loan from an associate amounting to HK$2,439,000 which bore interest at a rate of 18% per annum. The associates have agreed not to demand repayment from the Company before 1st January, 2002.

The underlying value of the investment in associates is, in the opinion of the Company's Directors, not less than the carrying value as at 31st December, 2000.

Details of the principal associates as at 31st December, 2000 are as follows:

Name	**Place of incorporation/ operations**	**Issued and fully paid share capital**	**Percentage of equity interest attributable to the Group[a]**	**Principal activities**
PT Matahari Putra Prima Tbk [b]	Indonesia	Rp1,352,997,000,000	21.6%[c]	Operation of department store and supermarket chain
PT Multifiling Mitra Indonesia	Indonesia	Rp1,000,000,000	25%	Record filing services
Systech On-Line Limited	Hong Kong	HK$20,000	30%	IT consulting, system architecture, design and application development

14. Investment in Associates (continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group[(a)]	Principal activities
Digital Content Development Corporation Limited	Hong Kong	HK$2,000,000	20%	Production of 3D digital animation
Cyber Pacific Group Limited	British Virgin Islands	US$10,000	45%	Investment holding
KeyTrend Technology Holdings Limited	British Virgin Islands	US$14,700,000	40.8%	Investment holding

Notes:

a. The shares of all associates were held indirectly.

b. PT Matahari Putra Prima Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in Indonesia. All other associates are private limited companies.

c. PT Multipolar Corporation Tbk, a 50.1% owned subsidiary, owned a 43% equity interest in PT Matahari Putra Prima Tbk. Accordingly, PT Matahari Putra Prima Tbk is considered an associate.

15. Long-Term Investments

Long-term investments (consolidated) consisted of:

	2000	1999
	HK$'000	*HK$'000*
Listed shares	**3,617**	18,530
Unlisted shares	**18,870**	–
	22,487	18,530
Quoted market value of listed shares	**3,617**	18,530

16. Goodwill

Movements of goodwill (consolidated) are as follows:

	2000			1999		
	Subsidiaries	**Associates**	**Total**	Subsidiaries	Associates	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
Beginning of year	**25,474**	**426,948**	**452,422**	25,474	543,154	568,628
Additions	**16,714**	**39,899**	**56,613**	–	–	–
Disposal	**–**	**–**	**–**	–	(116,206)	(116,206)
Translation adjustments	**(6,478)**	**(108,558)**	**(115,036)**	–	–	–
End of year	**35,710**	**358,289**	**393,999**	25,474	426,948	452,422
Accumulated amortisation						
Beginning of year	**(714)**	**(197,444)**	**(198,158)**	–	(175,696)	(175,696)
Amortisation	**(9,149)**	**(16,675)**	**(25,824)**	(655)	(19,952)	(20,607)
Translation adjustments	**736**	**51,595**	**52,331**	(59)	(1,796)	(1,855)
End of year	**(9,127)**	**(162,524)**	**(171,651)**	(714)	(197,444)	(198,158)
Net book value						
End of year	**26,583**	**195,765**	**222,348**	24,760	229,504	254,264
Beginning of year	**24,760**	**229,504**	**254,264**	25,474	367,458	392,932

17. Intangible Assets

Movements of intangible assets (consolidated) are as follows:

	2000	1999
	HK$'000	*HK$'000*
Cost		
Beginning of year	**1,669**	1,057
Additions	**–**	500
Translation adjustments	**(436)**	112
End of year	**1,233**	1,669
Accumulated amortisation		
Beginning of year	**(593)**	(249)
Amortisation	**(470)**	(254)
Translation adjustments	**214**	(90)
End of year	**(849)**	(593)
Net book value		
End of year	**384**	1,076
Beginning of year	**1,076**	808

18. Deferred Tax Assets

Deferred tax assets (consolidated) consisted of:

	2000 HK$'000	1999 HK$'000
Accumulated losses carried forward	**66,804**	42,686
Provision for doubtful debts	**4,649**	5,879
Depreciation on construction-in-progress in relation to cable television distribution network during the prematurity period	**4,105**	1,619
Others	**4,238**	851
	79,796	51,035
Less: Provision for unrealisable items	**(43,612)**	(27,551)
	36,184	23,484

19. Non-current Prepayments and Receivables

Non-current prepayments and receivables (consolidated) consisted of:

	2000 HK$'000	1999 HK$'000
Advance payments for acquisition of property and equipment	**9,610**	2,326
Rental and other deposits	**4,775**	1,602
Loans to employees	**2,442**	995
Prepaid expenses	**1,080**	1,401
Indonesian income tax refundable	**–**	1,013
Others	**418**	182
	18,325	7,519

20. Due from Related Companies

The amounts due from related companies (consolidated) consisted of:

	Outstanding balance as at 1st January, 2000 *HK$'000*	Outstanding balance as at 31st December, 2000 *HK$'000*	Maximum balance outstanding during the year ended 31st December, 2000 *HK$'000*
PT Lippo Securities Tbk	**27,720**	**–**	**27,720**
PT Multifiling Mitra Indonesia	**5,489**	**4,174**	**5,489**
	33,209	**4,174**	

	Outstanding balance as at 1st January, 1999 *HK$'000*	Outstanding balance as at 31st December, 1999 *HK$'000*	Maximum balance during the year ended 31st December, 1999 *HK$'000*
PT Lippo Securities Tbk	–	27,720	27,720
PT Multifiling Mitra Indonesia	5,697	5,489	5,697
	5,697	33,209	

These companies are directly or indirectly owned, controlled or influenced by the principal shareholders of the Company, through share ownership, management agreements or others.

During the year ended 31st December, 2000, approximately HK$1,626,000 (1999 – Nil) due from PT Multifiling Mitra Indonesia bore interest at a rate of 8% per annum. The other amounts due from related companies were unsecured, non-interest bearing and without pre-determined repayment terms.

21. Inventories

Inventories (consolidated), representing mainly computer hardware equipment and software packages and consumer goods for trading purposes, consisted of:

	2000	1999
	HK$'000	*HK$'000*
Inventories, at cost	**38,958**	19,360
Less: Provision for obsolete and slow-moving inventories	**(2,132)**	(1,601)
	36,826	17,759

22. Trade Receivables

Trade receivables (consolidated) consisted of:

	2000	1999
	HK$'000	*HK$'000*
Trade receivables	**61,920**	20,132
Less: Provision for doubtful debts	**(3,876)**	(1,378)
	58,044	18,754

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provision for potential credit losses is maintained and such losses in the aggregate have not exceeded management's projection.

23. Short-term Investments

Short-term investments (consolidated) consisted of:

	2000	1999
	HK$'000	*HK$'000*
Listed securities, stated at quoted market value	**520**	1,407
Unlisted revenue sharing bonds	**92**	276
Others	**5**	9
	617	1,692

24. Cash and Bank Deposits

Approximately HK$150,419,000 (1999 – HK$30,656,000) of the Group's cash and bank deposits (including pledged bank deposits) were denominated in Indonesian Rupiah.

25. Long-term Bank Borrowings

Analysis of long-term bank borrowings (consolidated) is as follows:

	2000	1999
	HK$'000	*HK$'000*
Loans repayable		
– within one year	**110,954**	65,400
– between two to five years	**–**	93,740
	110,954	159,140
Less: Amount repayable within one year, classified under current liabilities	**(110,954)**	(65,400)
	–	93,740

The long-term bank borrowings bore interest at rates ranging from 8% to 20% per annum (1999 – 20% to 25% per annum) and were secured by 500,000,000 shares of PT Matahari Putra Prima Tbk, an associate (see Note 38).

26. Short-term Bank Loans

Short-term bank loans of approximately HK$29,726,000 (1999 – Nil) bore interest at rates ranging from 7.5% to 13.5% per annum and were secured by the Group's bank deposits of approximately HK$44,579,000 (see Note 38). The remaining portion of short-term bank loans bore interest at 21% per annum and were secured by 40,000,000 shares of PT Matahari Putra Prima Tbk, an associate (see Note 38).

27. Finance Lease Obligations

Analysis of finance lease obligations (consolidated) is as follows:

	2000	1999
	HK$'000	*HK$'000*
Payable during the following period		
– within one year	**7,411**	5,031
– over one year but not exceeding five years	**3,620**	4,618
Total minimum lease obligations	**11,031**	9,649
Interest	**(1,364)**	(925)
Present value of minimum obligations	**9,667**	8,724
Less: Current portion	**(6,490)**	(4,362)
	3,177	4,362

28. Receipts in Advance

Receipts in advance (consolidated) represented unearned revenue mainly relating to prepaid telephone calling cards, subscription fees for cable television programs received in advance, and shares administration fees received in advance.

29. Estimated Liabilities for Losses of Discontinued Operations

In accordance with the agreements entered into by the Group with certain third parties with respect to the disposal of the Group's investments in PT Multipolar Pratama, PT Cipta Anekatronika and PT Gema Anekatronika, the indebtedness of these entities (including their subsidiaries) as at 30th November, 1999 and their estimated expenses until 31st December, 2001 were to be borne by the Group. With respect to the settlement of these indebtedness, the Group has the right to receive the benefits generated from the remaining assets of these entities as at 30th November, 1999, either through disposal of assets or any proceeds from the past and future claims on such assets.

30. Due to Related Companies

Approximately HK$326,000 (1999 – Nil) of the amount due to a related company bore interest at a rate of 16% per annum. The other amounts due to related companies were unsecured, non-interest bearing and without pre-determined repayment terms.

31. Share Capital

	Number of shares	Amount
	'000	*HK$'000*
Authorised		
Upon incorporation of the Company, ordinary shares of US$1 each *(a)*	10,000	78,000
Increase in authorised share capital *(b)*	78,000	7,800
Reduction in authorised share capital *(d)*	(10,000)	(78,000)
Increase in authorised share capital *(f)*	149,922,000	14,992,200
	150,000,000	15,000,000
Issued and fully paid		
Upon incorporation of the Company *(a)*	–	–
Repurchase of shares *(c)*	–	–
Issued shares *(e)*	1	–
The Reorganisation *(g)*	4,734	474
Issue of shares through placing *(h)*	180,000	18,000
Capitalisation of share premium *(i)*	4,879,880	487,988
	5,064,615	506,462

31. Share Capital (continued)

Notes:

a. Upon incorporation, the Company's authorised share capital was US$10,000,000 (equivalent to HK$78,000,000), divided into 10,000,000 ordinary shares of US$1 (equivalent to HK$7.8) each; 2 shares of US$1 each were issued at par and were fully paid in cash.

b. On 6th April, 2000, the authorised share capital of the Company was increased to US$10,000,000 (equivalent to HK$78,000,000) and HK$7,800,000 by the creation of 78,000,000 ordinary shares of HK$0.1 each.

c. On 6th April, 2000, 2 shares of US$1 each were repurchased by the Company at par.

d. On 6th April, 2000, the authorised share capital was reduced to HK$7,800,000 by cancellation of 10,000,000 ordinary shares of US$1 each.

e. On 6th April, 2000, 1,000 shares of HK$0.1 each were issued for a total cash consideration of HK$7,786,000.

f. On 17th May, 2000, the authorised share capital of the Company was increased to HK$15,000,000,000, by the creation of 149,922,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the then existing shares in all respects.

g. On 5th May, 2000, 22nd May, 2000, 25th May, 2000 and 13th July, 2000, a total of 4,734,000 shares of HK$0.1 each were issued, credited as fully paid, as parts of the consideration for the Reorganisation described in Note 1.

h. On 13th July, 2000, 180,000,000 shares of HK$0.1 each were issued at HK$3.28 per share through placing, resulting in net cash proceeds of approximately HK$531,000,000.

i. On 13th July, 2000, share premium of approximately HK$487,988,000 was capitalised for issuance of approximately 4,879,880,000 shares of HK$0.1 each on pro-rata basis to the Company's shareholders before the placing described in (h) above.

The comparative figures of the Group's share capital as at 31st December, 1999 shown on the consolidated balance sheet represent the aggregate nominal value of the share capital of the Company's subsidiaries as at that date.

32. Distributable Reserves

Under the Companies Law of the Cayman Islands, a company's reserves are are both distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association, and provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution. As at 31st December, 2000, such profits and reserves amounted to approximately HK$332,928,000 (1999 – Nil).

33. Employee Share Options

a. Pre-IPO Share Option Plan

Pursuant to the Pre-IPO Share Option Plan adopted by the Company on 22nd June, 2000, the Company granted options to employees (including Directors of the Company) of the Group to subscribe for 74,259,000 shares of the Company of HK$0.10 each at HK$3.28 each. Movements of the Pre-IPO Share Option Plan for the year ended 31st December, 2000 are as follows:

	Number of shares subject to the options
Granted	74,259,000
Exercised	–
Lapsed	(2,373,430)
Outstanding as at 31st December, 2000	71,885,570

b. Share Option Scheme

Pursuant to the Share Option Scheme adopted by the Company on 22nd June, 2000, the Company may, after its listing, grant options to employees of the Group (including Directors of the Company) to subscribe for shares of the Company, subject to a maximum of 30% of the nominal value of the issued share capital. The subscription price will be determined by the Board of Directors of the Company, and will not be less than the highest of (i) the nominal value of the shares, (ii) the average of the closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of offer of the option, and (iii) the closing price of shares quoted on the GEM on the date of grant. No options under the Share Option Scheme were granted during the year ended 31st December, 2000.

34. Notes to the Consolidated Cash Flow Statement

a. Reconciliation of (loss) profit before taxation to net cash outflow from operating activities is as follows:

	2000 *HK$'000*	1999 *HK$'000*
(Loss) Profit before taxation	**(118,190)**	23,497
Share of profit of associates	**(120,700)**	(114,298)
Profit (Loss) attributable to discontinued operations	**(3,197)**	30,778
Interest income	**(14,023)**	(7,953)
Interest expense	**23,850**	23,140
Depreciation of property and equipment	**39,570**	12,819
Amortisation of goodwill	**25,824**	20,607
Amortisation of intangible assets	**470**	254
Net (gain) loss on disposal of property and equipment	**(332)**	27
Provision for impairment in value of long-term investments	**8,356**	–
Loss on revaluation of short-term investments	**1,075**	–
Increase in inventories	**(19,060)**	(16,542)
Increase in trade receivables	**(29,081)**	(22,669)
(Increase) Decrease in prepayments, deposits and other current assets	**(42,061)**	3,268
Increase (Decrease) in trade payables	**69,600**	(9,049)
Increase (Decrease) in receipts in advance	**1,224**	(480)
Increase in accruals and other payables	**66,816**	35,434
Increase in due to related companies	**18,191**	235
Net cash outflow from operating activities	**(91,668)**	(20,932)

b. Details of acquisitions of equity interests in subsidiaries are as follows:

	2000 *HK$'000*
Property and equipment	**5,740**
Inventories	**7**
Trade receivables	**10,209**
Prepayments, deposits and other current assets	**3,470**
Cash and bank deposits	**28,543**
Loans from minority shareholders	**(2,703)**
Finance lease obligations	**(1,622)**
Trade payables	**(8,108)**
Accruals and other payables	**(4,808)**
Taxation payable	**(46)**
Net assets of newly acquired subsidiaries at the dates of acquisitions	**30,682**
Less: Minority interests	**(130)**
Group's shares on net assets acquired	**30,552**
Goodwill	**15,941**
Consideration	**46,493**
Satisfied by:	
Cash	**40,628**
Issuance of shares of a subsidiary (Note 34f)	**5,865**
	46,493
Cash paid	**40,628**
Less: Cash and bank deposits acquired	**(28,543)**
Net cash outflow	**12,085**

34. Notes to the Consolidated Cash Flow Statement (continued)

c. Details of net assets acquired as a consequence of the acquisition of additional interest in a subsidiary are as follows:

	2000 HK$'000
Property and equipment	**2,874**
Inventories	**4**
Prepayments, deposits and other current assets	**226**
Cash and bank deposits	**1,037**
Trade payables	**(5,967)**
Accruals and other payables	**(8,696)**
Taxation payable	**(88)**
Net liabilities	**(10,610)**
Additional interest acquired of the subsidiary at the date of acquisition	**2.5%**
Net liabilities acquired	**(265)**
Goodwill	**773**
Consideration paid	**508**

d. Analysis of changes in financing is as follows:

	Long-term bank borrowings HK$'000	Short-term bank loans HK$'000	Finance lease obligations HK$'000	Minority interests HK$'000	Loans from associates HK$'000
31st December, 1998	187,200	149,760	14,113	281,937	–
Repayment of long-term bank borrowings	(28,060)	–	–	–	–
Repayment of short-term bank loans	–	(149,760)	–	–	–
Repayment of capital element of finance lease obligations	–	–	(5,389)	–	–
Loans from minority interests of subsidiaries	–	–	–	68,105	–
Share of profit	–	–	–	5,114	–
31st December, 1999	159,140	–	8,724	355,156	–
Repayment of long-term bank borrowings	(48,186)	–	–	–	–
New short-term bank loans	–	40,194	–	–	–
Inception of finance lease contracts	–	–	6,160	–	–
Repayment of capital element of finance lease obligations	–	–	(6,839)	–	–
Proceeds from issuance of shares of subsidiaries	–	–	–	55,123	–
Attributable to acquisition of subsidiaries	–	–	1,622	(135)	–
Loans from minority interests attributable to acquisition of subsidiaries	–	–	–	2,703	–
Loans from minority interests of subsidiaries	–	–	–	3,251	–
Share of profit	–	–	–	27,909	–
Increase in loans from associates	–	–	–	–	26,016
Translation adjustments	–	–	–	(101,652)	–
31st December, 2000	110,954	40,194	9,667	342,355	26,016

34. Notes to the Consolidated Cash Flow Statement (continued)

e. Share capital (including share premium and capital reserve)

	HK$'000
Issuance of shares	598,186
Shares issuance expenditures	(59,321)
Capitalisation of shareholders' loans	148,236
	687,101

f. Major non-cash transactions:

During the year ended 31st December, 2000, 4,734,000 shares of HK$0.10 each were issued by the Company and credited as fully paid as a consideration for the Reorganisation described in Note 1.

During the year ended 31st December, 2000, shareholders' loans of approximately HK$148,236,000 were capitalised as capital reseve.

During the year ended 31st December, 2000, a subsidiary of the Group issued shares of approximately HK$5,865,000 as part of the consideration for acquisition of another subsidiary. The remaining portion of HK$40,628,000 was settled by cash (see Note 34b).

During the year ended 31st December 2000, the Group entered into finance lease arrangements in respect of certain property and equipment with a total capital value at the inception of the leases of HK$6,160,000.

35. Pension Schemes

The Group maintained a defined contribution provident fund scheme for its employees in Hong Kong, which was managed by an independent trustee. All contributions were made by the Group at either 5% or 10% of the employees' basic salary. With the introduction of the mandatory provident fund scheme by the Government of Hong Kong SAR on 1st December, 2000, the Group's Hong Kong employees have switched from the defined contribution provident fund scheme to the mandatory provident fund, which is also managed by an independent trustee. Each of the Group and its Hong Kong employees contributes to the scheme at 5% of the employees' basic salary, with the maximum amount of contribution by each of the Group and the employee limited to HK$1,000 per month.

The Group's Indonesian subsidiaries contributed to the government's statutory insurance and retirement fund (ASTEK) at 3.7% and the Indonesian employees contributed another 2% of their basic salary. The ASTEK fund is responsible for the entire insurance claim relating to the accident incurred by the employees during work and the entire pension obligations of the retired employees.

During the year ended 31st December, 2000, the Group's Indonesian subsidiaries made accruals for employees benefits provided under the Decree of the Ministry of Manpower relating to settlement arising from employment termination and determination of severance pay, service pay and compensation. The accruals are determined based on the computation performed by an independent actuary.

During the year ended 31st December, 2000, the Group contributed approximately HK$5,941,000 (1999 – HK$465,000) to the pension schemes described above. As at 31st December, 2000, no forfeited contributions were available for the Group to reduce its future contributions.

36. Commitments

a. Operating lease commitments

The Group had commitments in respect of rented premises under various non-cancelable operating lease agreements extending to December 2003.

The total amount of commitments is analysed as follows:

	2000	1999
	HK$'000	*HK$'000*
Amounts payable		
– not exceeding one year	**16,541**	2,564
– more than one year but not exceeding two years	**5,608**	1,160
– more than two years but not exceeding five years	**7,182**	1,483
– more than five years	**5,997**	–
	35,328	5,207

The amount of commitments payable within the next twelve months is analysed as follows:

	2000	1999
	HK$'000	*HK$'000*
Leases expiring within a period		
– not exceeding one year	**8,498**	1,092
– more than one year but not exceeding two years	**2,404**	535
– more than two years but not exceeding five years	**5,202**	937
– more than five years	**437**	–
	16,541	2,564

b. Capital commitments

As at 31st December, 2000, the Group had capital commitments under signed contracts for the acquisition of property and equipment (mainly consisted of broadband communication network, cellular telecommunication network and leasehold improvements) amounting to approximately HK$172,327,000 (1999 – HK$6,200,000).

37. Contingent Liability

As at 31st December, 2000, the Group provided a corporate guarantee of approximately HK$134,420,000 to a vendor for supplying system hardware, licensing of certain firmware and software, and provision for ancillary services.

38. Banking Facilities and Pledge of Assets

As at 31st December, 2000, the Group had aggregate banking facilities of approximately HK$162,904,000 (1999 – HK$159,140,000) for short-term and long-term loans and bank guarantees. All of which were utilised as at the same date (1999 – All). These facilities were secured by:

(i) the Group's bank deposits of approximately HK$44,579,000 as at 31st December, 2000 (1999 – HK$3,594,000); and

(ii) the Group's 540,000,000 shares in PT Matahari Putra Prima Tbk, an associate, with a quoted market value of approximately HK$219,469,000 as at 31st December, 2000 (see Note 14).

39. Financial Instruments

The carrying amounts of the Group's cash and bank deposits, pledged bank deposits, trade receivables, short-term investment, short-term bank loans, finance lease obligations and trade payables approximate their fair values because of the short maturity of these instruments. As at 31st December, 2000, long-term bank borrowings were approximately HK$110,954,000 determined based on current market interest rates for comparable instruments. As at the same date, the book value of these liabilities was approximately HK$110,954,000.

There is no quoted market price for the Company's investment in unlisted subsidiaries and the Group's long-term investments. Accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

40. Concentration of Risk

(a) Credit risk

The carrying amounts of cash and bank deposits, pledged bank deposits, trade receivables, prepayments, deposits, other current assets and non-current assets, except for deferred tax assets, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

(b) Economic risk

A significant portion of the Group's operations may be adversely affected by significant political, economic uncertainties in Indonesia. Further, given the early stages of the Group's regional expansion efforts, there was no certainty that the Group's regional expansion plans will be successfully executed.

(c) Currency risk

A substantial portion of the Group's revenue and cost of sales and services rendered were denominated in US Dollars and Indonesian Rupiah. The Group also generated expenses and liabilities in US Dollars and Indonesian Rupiah. As a result, the Group was required to convert Indonesian Rupiah into other currencies, particularly US Dollars, to meet its foreign exchange liabilities as they became due. Any adverse movement in the exchange rate of Indonesian Rupiah against the US Dollars would have an adverse effect on the results of the Group.

Further, the Indonesian government may decide to introduce a scheme of exchange controls or other currency controls with a view to stabilising the exchange rate of the Indonesian Rupiah. The imposition of any such exchange controls may adversely affect the ability of the Group to exchange Indonesian Rupiah denominated revenue into US Dollars or other foreign currency denominated liabilities and may adversely affect the Group's financial condition.

40. Concentration of Risk (continued)

(d) Business risk

Majority of the Group's businesses were in an early stage of implementation, and the revenue, potential income and cash flows from these new businesses are unproven. The success of the Group's business strategies would also depend on many factors outside its control. Accordingly, evaluation of the Group's businesses and its prospects was difficult, and there could be no assurance that the Group would succeed in these businesses.

(e) Interest rate risk

The interest rates and terms of repayment of long-term bank borrowings and short-term bank loans of the Group are disclosed in Notes 25 and 26 to the accompanying financial statements respectively.

41. Segment Information

(a) Business segments

(i) Analysis of the Group's results of operations for the year ended 31st December, 1999 by business segment is as follows:

	Fixed line broadband communication services *HK$'000*	Cellular communi-cation services *HK$'000*	Internet enabling services *HK$'000*	E-Commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Turnover	26,316	6,658	239,935	–	–	272,909
Profit (Loss) before share of profit of associates and profit (loss) attributable to discontinued operations	3,333	(1,045)	(62,311)	–	–	(60,023)
Depreciation of property and equipment	6,679	1,512	4,628	–	–	12,819
Bad debt expenses/ Provision for doubtful debts	266	–	1,913	–	–	2,179
Amortisation of goodwill/intangible assets	–	–	20,861	–	–	20,861

41. Segment Information (continued)

(ii) Analysis of the Group's results of operations for the year ended 31st December, 2000 by business segment is as follows:

	Fixed line broadband communication services HK$'000	Cellular communi- cation services HK$'000	Internet enabling services HK$'000	E-Commerce HK$'000	Others HK$'000	Total HK$'000
Turnover	53,975	7,141	318,993	11,811	–	391,920
Loss before share of profit of associates and profit (loss) attributable to discontinued operations	(44,299)	(14,245)	(83,249)	(47,864)	(52,430)	(242,087)
Depreciation of property and equipment	20,923	1,604	12,289	3,985	769	39,570
Bad debt expenses/ Provision for doubtful debts	1,879	22	1,973	–	–	3,874
Amortisation of goodwill/intangible assets	–	–	22,311	3,950	33	26,294

(iii) Analysis of the Group's turnover by business segment is as follows:

	2000 HK$'000			1999 HK$'000		
	Sales to external customers	Sales to internal customers	Total	Sales to external customers	Sales to internal customers	Total
Fixed line broadband communication services	53,975	–	53,975	26,316	–	26,316
Cellular communication services	7,141	–	7,141	6,658	–	6,658
Internet enabling services	290,825	28,168	318,993	207,038	32,897	239,935
E-Commerce	11,811	–	11,811	–	–	–
	363,752	28,168	391,920	240,012	32,897	272,909

41. Segment Information (continued)

(iv) Analysis of the financial position of the Group as at 31st December, 1999 by business segment is as follows:

	Fixed line broadband communication services *HK$'000*	Cellular communi-cation services *HK$'000*	Internet enabling services *HK$'000*	E-Commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Non-current assets	198,035	5,060	991,907	–	–	1,195,002
Property and equipment						
Cost	199,473	8,374	40,344	–	–	248,191
Less: accumulated depreciation	(7,267)	(3,411)	(25,591)	–	–	(36,269)
Net book value	192,206	4,963	14,753	–	–	211,922
Current assets	20,274	2,410	85,008	–	–	107,692
Current liabilities	22,690	11,932	379,885	–	–	414,507
Non-current liabilities	–	–	98,102	–	–	98,102
Capital expenditures	183,124	325	3,358	–	–	186,807

(v) Analysis of the financial position of the Group as at 31st December, 2000 by business segment is as follows:

	Fixed line broadband communication services ***HK$'000***	**Cellular communi-cation services** ***HK$'000***	**Internet enabling services** ***HK$'000***	**E-Commerce** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
Non-current assets	**319,965**	**42,490**	**905,323**	**49,679**	**60,892**	**1,378,349**
Property and equipment						
Cost	**321,428**	**44,771**	**97,562**	**41,689**	**4,015**	**509,465**
Less: accumulated depreciation	**(23,958)**	**(3,971)**	**(28,511)**	**(3,758)**	**(769)**	**(60,967)**
Net book value	**297,470**	**40,800**	**69,051**	**37,931**	**3,246**	**448,498**
Current assets	**31,349**	**41,979**	**172,334**	**23,189**	**137,315**	**406,166**
Current liabilities	**99,330**	**11,310**	**444,379**	**33,362**	**11,212**	**599,593**
Non-current liabilities	**1,352**	**–**	**401**	**1,424**	**–**	**3,177**
Capital expenditures	**168,953**	**44,663**	**67,855**	**40,518**	**4,010**	**325,999**

41. Segment Information (continued)

(b) Geographical locations

(i) Analysis of turnover by geographical location is as follows:

	2000 HK$'000			1999 HK$'000		
	Sales to external customers	Sales to internal customers	Total	Sales to external customers	Sales to internal customers	Total
Indonesia	351,636	28,168	379,804	240,012	32,897	272,909
Singapore & Malaysia	12,096	–	12,096	–	–	–
Others	20	–	20	–	–	–
	363,752	28,168	391,920	240,012	32,897	272,909

(ii) Analysis of the financial position of the Group as at 31st December, 2000 by geographical location is as follows:

	Indonesia HK$'000	Singapore & Malaysia HK$'000	Others HK$'000	Total HK$'000
Non-current assets	1,290,142	12,155	76,052	1,378,349
Property and equipment				
Cost	496,988	2,551	9,926	509,465
Less: accumulated depreciation	(60,774)	(186)	(7)	(60,967)
Net book value	436,214	2,365	9,919	448,498
Current assets	253,153	11,922	141,091	406,166
Currents liabilities	580,046	10,317	9,230	599,593
Non-current liabilities	2,795	382	–	3,177
Capital expenditures	311,698	4,374	9,927	325,999

All assets and liabilities of the Group as at 31st December, 1999 were located in Indonesia.

42. Ultimate Holding Company

The Directors of the Company consider Lippo Cayman Limited, a company incorporated in the Cayman Islands, to be the ultimate holding company.

43. Subsequent Event

The following significant transaction took place subsequent to 31st December, 2000 and up to the date of this report:

On 17th January, 2001, pursuant to the Share Option Scheme, the Company granted options to employees of the Group to subscribe for 5,120,258 shares of the Company at a price of HK$3.11 per share, exercisable in batches from respective commencement dates during the period from 1st July, 2001 to 21st June, 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AcrossAsia Multimedia Limited (the "Company") will be held at Coral Room 1, 3rd Floor, Furama Hotel Hong Kong, One Connaught Road Central, Hong Kong on Wednesday, 25th April, 2001 at 11:00 a.m. for the following purposes:–

1. To receive and adopt the audited Consolidated Financial Statements of the Company and its subsidiaries and the Reports of the Directors and the Auditors for the year ended 31st December, 2000.

2. To consider the re-election of the retiring Directors and to authorise the Board of Directors to fix the Directors' remuneration.

3. To consider the re-appointment of Arthur Andersen & Co as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:–

   A. "**THAT**:–

      (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limted (the "GEM Listing Rules"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options including rights to subscribe shares, the making or granting of which might require the exercise of such powers to allot, issue and deal with additional shares in the capital of the Company after the end of the Relevant Period;

      (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any option granted under the Company's share option schemes or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of; and/or consultants and/or advisers to, the Company and/or any of its subsidiaries or associated companies of shares or rights to acquire shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this Resolution, and the said approval shall be limited accordingly;

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Cayman Islands or the Company's Memorandum and Articles of Association to be held; and

(iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange); and

(e) the authority conferred by this Resolution shall be in substitution for all previous authorities granted to the Directors of the Company, except that it shall be without prejudice to and shall not affect the exercise of the power of the Directors of the Company pursuant to such authorities to allot additional shares of the Company up to and in accordance with the approval therein contained prior to the date of this Resolution."

B. "**THAT**:–

(a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase issued shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Securities and Futures Commission, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company, on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors of the Company;

(c) the aggregate nominal amount of shares which are authorised to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Company's Memorandum and Articles of Association to be held; and

(iii) the authority set out in this Resolution being revoked or varied by way of ordinary resolution of the Company in general meeting."

C. "**THAT** conditional on the passing of Resolution 4B as set out in the notice convening this Meeting of which this Resolution forms a part, the general mandate granted to the Directors of the Company to allot and issue shares pursuant to the said Resolution 4A be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company under the authority granted pursuant to such Resolution 4B, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this Resolution."

By Order of the Board
Davy Kwok Fai Lee
Director and Company Secretary

Hong Kong, 26th March, 2001

Head Office and Principal Place of Business in Hong Kong:
Rooms 4207-8, 42nd Floor
Tower One
Lippo Centre
89 Queensway
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more separate proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's Head Office and Principal Place of Business in Hong Kong at Rooms 4207-8, 42nd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.