

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Arthur Andersen & Co, Certified Public Accountants, Hong Kong.

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6th July, 2000

The Directors
AcrossAsia Multimedia Limited
BNP Prime Peregrine Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to AcrossAsia Multimedia Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) for inclusion in the prospectus of the Company dated 6th July, 2000 (“the Prospectus”).

The Company was incorporated in the Cayman Islands on 6th March, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company has not carried on any business since its incorporation, except that in May 2000 it acquired 50.13% equity interest in PT Multipolar Corporation Tbk, 57.62% equity interest in PT Broadband Multimedia Tbk, 85.60% equity interest in PT Natrindo Global Telekomunikasi, 85.24% equity interest in PT Natrindo Kartu Panggil, and 100.00% equity interest in Cyberworks Group Limited through a series of share exchanges and loans capitalisation. Consequently, the Company became the holding company of the Group.

As at the date of this report, no audited financial statements have been prepared by the Company and Cyberworks Group Limited as they were not subject to any statutory audit requirements, and no audited financial statements have been prepared by PT AsiaNet Multimedia, PT Lippo On Line, PT Link Net, and PT LippoShop.com

as they were incorporated subsequent to 31st December, 1999. We have, however, reviewed all relevant transactions of Cyberworks Group Limited for the years covered by this report, and carried out such procedures as we considered necessary for inclusion of the financial information relating to the company in this report.

For the purpose of this report, we have audited the combined results of operations of the Group for the years ended 31st December, 1998 and 1999 and the combined net assets of the Group as at 31st December, 1999, presented in accordance with International Accounting Standards issued by the International Accounting Standards Committee, which have incorporated the consolidated financial statements of PT Multipolar Corporation Tbk and the financial statements of PT Broadband Multimedia Tbk for the years ended 31st December, 1998 and 1999, and the financial statements of PT Natrindo Global Telekomunikasi and PT Natrindo Kartu Panggil for the year ended 31st December, 1999, which were audited by us, and the financial statements of PT Natrindo Global Telekomunikasi and PT Natrindo Kartu Panggil for the year ended 31st December, 1998, which were audited by Ernst & Young, Registered Public Accountants in Republic of Indonesia.

We have examined the audited financial statements or management accounts of the companies now comprising the Group for the years ended 31st December, 1998 and 1999, or since their respective dates of incorporation where this is a shorter period. Our examinations were made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The summaries of the combined results of the Group for the years ended 31st December, 1998 and 1999 and of the combined net assets of the Group as at 31st December, 1999 ("the Summaries") set out in this report have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group on the basis set out in Section 1 below, after making such adjustments as are appropriate.

The Directors of the companies now comprising the Group are responsible for preparing financial statements of the respective companies which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of the Company are also responsible for the summaries of the combined results of the Group for the years ended 31st December, 1998 and 1999 and of the combined net assets of the Group as at 31st December, 1999. It is our responsibility to form an independent opinion on the summaries of the combined results and of the combined net assets of the Group.

In our opinion, the Summaries, together with the notes thereon, give, for the purpose of this report, a true and fair view of the combined results of the Group for each of the years ended 31st December, 1998 and 1999 and of the combined net assets of the Group as at 31st December, 1999.

1. BASIS OF PRESENTATION

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries and associated companies:

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Principal subsidiaries				
PT Multipolar Corporation Tbk (c)	Republic of Indonesia 5th December, 1975	RP 935,884,000,000	50.13%	Investment holding and system integration services
<i>Subsidiary</i>				
PT Sharestar Indonesia	Republic of Indonesia 6th June, 1990	Rp 250,000,000	50.13%	Shares registrar services
PT Broadband Multimedia Tbk (formerly known as PT Tanjung Bangun Semesta Tbk) (d)	Republic of Indonesia 6th January, 1994	Rp 187,150,000,000	65.99% (a)	Broadband communication network
PT AsiaNet Multimedia (f)	Republic of Indonesia 10th April, 2000	US\$1,333,333	97.51% (b)	Investment holding
<i>Subsidiaries</i>				
PT Natrindo Global Telekomunikasi	Republic of Indonesia 11th April, 1994	Rp 25,000,000,000	85.60%	Telecommunication services and general satellite
PT Natrindo Kartu Panggil	Republic of Indonesia 24th December, 1997	Rp 5,000,000	85.24%	Provider of prepaid telephone calling cards

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
PT Lippo On Line (f)	Republic of Indonesia 29th March, 2000	Rp 12,500,000,000	97.03%	Multimedia and content provision
PT Link Net (f)	Republic of Indonesia 28th March, 2000	Rp 12,500,000,000	97.04%	Broadband Network and Internet services
PT LippoShop.com (f)	Republic of Indonesia 24th March, 2000	Rp 12,500,000,000	89.28%	e-commerce
PT Dialmart Indotama	Republic of Indonesia 18th August, 1998	Rp 3,000,000,000	80.36%	Phone and catalog shopping
Cyberworks Group Limited	The British Virgin Islands 19th August, 1999	US\$1,000	100%	Investment holding
<i>Subsidiaries</i>				
Cyber Trade Group Inc. (f)	The British Virgin Islands 7th October, 1999	US\$50,000	100%	Portal site operations
AsiaPay Limited (f)	The British Virgin Islands 19th April, 2000	US\$1	100%	Investment holding
Kindman Investment Limited (f)	Hong Kong 22nd October, 1999	HK\$2	100%	Development of e-commerce payment solutions
Asia MobileNet (HK) Limited (f)	Hong Kong 20th March, 2000	HK\$2	82.50%	Design and implementation of software technology
e-Planet Telemedia Limited (f)	The British Virgin Islands 5th January, 2000	US\$295	79.66%	Investment holding
Communication Resources Pte Limited (f)	Singapore 16th March, 1991	S\$847,074	51.33%	Books and magazines publications
Digital Access Sdn. Bhd (f)	Malaysia 9th November, 1993	Rm100,000	40.63%(g)	Books and magazines publications
MediaManager Pte. Ltd. (f)	Singapore 6th February, 1997	S\$4,982,200	59.42%	Multimedia production
Principal associated companies				
PT Matahari Putra Prima Tbk (e)	Republic of Indonesia 11th March, 1986	Rp1,352,997,000,000	19.54%(h)	Department stores operations
PT Multifiling Mitra Indonesia	Republic of Indonesia 9th July, 1992	Rp 1,000,000,000	25.07%	Record filing services
Systech On-Line Limited (f)	Hong Kong 15th October, 1999	HK\$20,000	30.00%	Software development

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Digital Content Development Corporation Limited (f)	Hong Kong 25th January, 1999	HK\$2,000,000	20.0%	3D computer animation production
Cyber Pacific Group Limited (f)	The British Virgin Islands 29th March, 2000	US\$10,000	45%	Investment holding
International Messaging Associates Limited (f)	Hong Kong 31st March, 1992	HK\$10,000	42.53%	Development of Internet messaging software and solutions
IMA Philippines, Inc. (f)	The Philippines 22nd December, 1997	Php3,400,000	45%	Development of Internet messaging software and solutions
聯傳科技股份有限公司 (KeyTrend Technology Inc.) (f)	Taiwan 26th August, 1997	NT\$30,000,000	42.86%	Certification authority, data encryption, public key infrastructure and e-commerce payment solutions

All the above principal subsidiaries comprising the Group and principal associated companies are private limited companies or, if incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private limited company, except for PT Multipolar Corporation Tbk, PT Broadband Multimedia Tbk, and PT Matahari Putra Prima Tbk (see Notes (c), (d) and (e) below).

Notes:

- a. The Company directly owns 57.62% equity interest in PT Broadband Multimedia Tbk and PT Multipolar Corporation Tbk (a 50.13% owned subsidiary) owns 16.68% equity interest in PT Broadband Multimedia Tbk.
- b. The Company directly owns 95.00% equity interest in PT AsiaNet Multimedia and PT Multipolar Corporation Tbk (a 50.13% owned subsidiary) owns 5.00% equity interest in PT AsiaNet Multimedia.
- c. PT Multipolar Corporation Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in the Republic of Indonesia.
- d. PT Broadband Multimedia Tbk is listed on the Surabaya Stock Exchange in the Republic of Indonesia.
- e. PT Matahari Putra Prima Tbk is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange in the Republic of Indonesia.
- f. These companies were acquired or incorporated subsequent to 31st December, 1999.
- g. e-Planet Telemedia Limited a 79.66% owned subsidiary, owns 51% equity interest in Digital Access Sdn. Bhd. Accordingly, Digital Access Sdn. Bhd. is considered a subsidiary.
- h. PT Multipolar Corporation Tbk a 50.13% owned subsidiary, owns 39% equity interest in PT Matahari Putra Prima Tbk. Accordingly, PT Matahari Putra Prima Tbk is considered an associated company.

The summary of the combined results includes the results of the companies now comprising the Group, as if the acquisitions by the Company of 50.13% equity interest in PT Multipolar Corporation Tbk, 57.62% equity interest in PT Broadband Multimedia Tbk, 85.60% equity interest in PT Natrindo Global Telekomunikasi, 85.24% equity interest in PT Natrindo Kartu Panggil, and 100.00% equity interest in Cyberworks Group Limited by way of share exchanges and loans capitalisation had been in effect throughout the years covered by this report. The summary of the combined net assets of the Group as at 31st December 1999 has been prepared to present the assets and liabilities of the companies now comprising the Group as at that date as if the acquisitions by the Company of 50.13% equity interest in PT Multipolar Corporation Tbk, 57.62% equity interest in PT Broadband Multimedia Tbk, 85.60% equity interest in PT Natrindo Global Telekomunikasi, 85.24% equity interest in PT Natrindo Kartu Panggil, and 100.00% equity interest in Cyberworks Group Limited by way of share exchanges and loans capitalisation had been in effect as at 31st December, 1999.

Significant transactions and balances between companies now comprising the Group have been eliminated on combination.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with International Accounting Standards issued by the International Accounting Standards Committee, are as follows:

a. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment.

b. Associated companies

An associated company is a company, not being a subsidiary, in which the Group holds, directly or indirectly, 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its management. Investment in associated company is stated at the Group's share of net assets of the associated companies at the time of acquisition, plus the Group's share of undistributed post acquisition profits/losses and reserves of the associated company.

c. Goodwill

Goodwill arising on acquisition of interests in subsidiaries and associated companies, representing the excess of cost of acquisition over the Group's share of the fair value of separable net assets of the subsidiaries and associated companies acquired, is amortised on a straight-line basis over the estimated economic useful life. The Company's Directors review and evaluate, taking into consideration current results and future prospects of the related subsidiaries or associated companies, the carrying value of goodwill periodically.

d. Investments in securities*Held-to-maturity securities*

Held-to-maturity investments are stated in the balance sheet at cost less/plus any discount/premium unamortised to date. The discount/premium is amortised over the period to maturity and included as interest income/expense in the income statement. Provision is made when there is a permanent impairment in value. The carrying amounts of held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the income statement.

Investment securities

Investment securities held for trading purposes 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. Investment securities held for other purposes are stated at fair value and any such change in fair value is recorded as movements in the investment revaluation reserve in the period in which the change occurs.

e. Turnover and revenue recognition

Turnover comprises (i) the net invoiced value (excluding value-added tax) of hardware and computer equipment and software packages sold after allowances for returns and discounts, (ii) service fees for maintenance of software system and hardware equipment, (iii) service fees for technology solutions rendered, (iv) subscriptions for cable television programs distributed, (v) subscriptions for fast speed internet access, (vi) converter rental and installation as well as cable television membership joining fees, (vii) calling card connection fees, and (viii) service fees for share administrations.

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. Sales revenue is recognised when the hardware and computer equipment and software packages are delivered and title has passed. Fees for maintenance work of software system and hardware equipment, for rendering of technology solutions as well as for share administration services 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 while fees for subscriptions for fast speed internet access are recognised upon rendering of the access to the internet. Converter income is recognised on a time apportionment basis; income from installation fees are recognised when the installation service has been completed, whereas cable television 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. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

f. 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 liabilities are recorded in the period in which the temporary differences arise. Deferred tax assets are recorded to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

g. Staff retirement benefits

Contributions to staff retirement and insurance schemes are expensed in the period in which these are incurred.

h. 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.

i. Intangible assets

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

j. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs of fixed assets are expensed when incurred. The carrying value of fixed assets 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 its estimated useful life. The annual rates of depreciation are as follows:

Land use rights	–
Buildings	5%
Building renovations and leasehold improvements	10 to 50%
Office furniture, fixtures and computer and other equipment	12 to 50%
Cable television distribution network	10%
Construction in progress – Cable television distribution network during pre-maturity period	*
Equipment for rent	33%
Vehicles and helicopters	20 to 25%

* Refer to Section 2.n for depreciation policy.

Gains or losses on disposals of fixed assets are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

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

k. Construction in progress

Construction in progress consists of portions of the cable television distribution network still under construction. 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 fixed assets accounts at the end of prematurity period (see Section 2.n).

I. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the moving average method of costing and includes costs of purchase 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 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 in the amount of inventories recognised as an expense in the period in which the reversal occurs.

m. 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.

n. 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, are fully capitalised. For projects already earning revenues, depreciation is computed monthly by dividing the projects' total estimated capitalised cost 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 the month with the expected number of subscribers at the end of the prematurity period.
- Cost related 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.

o. 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 statements of the individual companies.

The Group prepares combined financial statements in Hong Kong dollars. On combination, 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 translations are dealt with as movement of cumulative translation adjustments.

During the years ended 31st December, 1998 and 1999, substantially all of the Group's transactions were denominated in Indonesian Rupiah. The rate of exchange in effect on 31st December, 1999 was HK\$1/Rp917.43, and the average exchange rates during the years ended 31st December, 1998 and 1999 were HK\$1/Rp787.40 and HK\$1/Rp1,000.00, respectively.

p. Financial Instruments

The Group's financial instruments consist of cash and bank deposits, short-term investments (including listed equity securities and held-to-maturity securities), accounts receivable, bank borrowings, finance lease payables and accounts payable. The book values of these instruments are considered to be representative of their fair values.

3. RESULTS

The following is a summary of the combined results of the Group for each of the years ended 31st December, 1998 and 1999, prepared on the basis set out in Section 1 above:

	Note	1998 HK\$'000	1999 HK\$'000
Turnover	(a)	175,854	272,909
Cost of sales and services rendered		<u>(121,171)</u>	<u>(183,641)</u>
Gross profit		54,683	89,268
Other revenues	(a)	118,328	971
Distribution and selling expenses		(9,425)	(8,099)
General and administrative expenses		(73,081)	(86,606)
Write-off and loss on disposals of investments	(b)	<u>(228,785)</u>	<u>(40,370)</u>
Loss from operations		(138,280)	(44,836)
Interest income		28,992	7,953
Interest expense		<u>(97,326)</u>	<u>(23,140)</u>
Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations	(c)	(206,614)	(60,023)
Share of profit (loss) of associated companies	(d)	(105,483)	114,298
Loss attributable to discontinued operations	(e)	<u>(57,732)</u>	<u>(30,778)</u>
Profit (Loss) before taxation		(369,829)	23,497
Taxation	(f)	<u>87,639</u>	<u>(14,237)</u>
Profit (Loss) after taxation but before minority interests		(282,190)	9,260
Minority interests		<u>133,825</u>	<u>(5,114)</u>
Profit (Loss) attributable to shareholders		<u><u>(148,365)</u></u>	<u><u>4,146</u></u>
Dividend	(g)	<u><u>-</u></u>	<u><u>-</u></u>
Earnings (Loss) per share – Basic	(h)	<u><u>HK(4.09) cents</u></u>	<u><u>HK0.11 cents</u></u>

The profit (loss) attributable to shareholders would have been impacted as follows after adjustment for notional directors' emoluments under service contracts detailed in Section 3(i)(iii) below:–

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit (Loss) attributable to shareholders	(148,365)	4,146
Adjustment for notional directors' emoluments	(13,778)	(13,778)
	<u>(162,143)</u>	<u>(9,632)</u>

Notes:

a. Turnover and revenue

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

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Revenue from distribution and maintenance of hardware equipment and software packages, and service fees for technology solutions rendered	163,566	189,866
Subscriptions for cable television programs	–	19,970
Subscriptions for fast speed internet access	–	50
Converter rental, installation and joining fees	–	6,346
Calling card connection fees	3,713	6,658
Shares administration fees	8,575	50,019
Total turnover	175,854	272,909
Interest income	28,992	7,953
Net exchange gain	85,445	–
Net gain on disposals of fixed assets	29,811	–
Others	3,072	971
Total revenue	<u>323,174</u>	<u>281,833</u>

b. Write-off and loss on disposals of investments

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

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Write-off of advances to entities disposed (i)	209,787	–
Write-off of investments (ii)	–	14,725
Loss on disposal of investments (iii)	18,998	25,645
	<u>228,785</u>	<u>40,370</u>

- (i) Write-off of advances to entities disposed represented write-off of advances to PT Multipolar Perkasa amounting to approximately HK\$154,002,000 and to PT Jasacentury Permainusantara amounting to approximately HK\$55,784,000. These entities had accumulated significant losses, and accordingly, the Company's Directors consider that collectibility of the advances is remote.

- (ii) Write-off of investments represents write-off of investments in PT Surabaya Land of approximately HK\$6,470,000, PT Ningz Pacific of approximately HK\$8,015,000, PT Jakarta Polo & Equestrian Club of approximately HK\$80,000, and PT Primasarana Mulia of approximately HK\$160,000. The write-offs were made because of the cumulative losses experienced by these entities and accordingly, the Company's Directors consider that realisability of the investments is remote.
- (iii) Loss on disposal of investments mainly represented loss on disposal of equity interest in PT Matahari Putra Prima Tbk, which amounted to approximately HK\$19,028,000 and HK\$30,386,000 during the years ended 31st December, 1998 and 1999, respectively.

Following the above write-offs and disposals, the Group retained no equity interests in these investments as at 31st December, 1999, except for PT Matahari Putra Prima Tbk, an associated company in which the Group had 19.54% equity interests.

c. Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations

Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations was stated after charging and crediting the following:

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
After charging:		
Bad debt expenses/Provision for bad and doubtful debts	5,469	2,179
Provision for obsolete and slow-moving inventories	790	394
Staff costs	14,212	15,001
Operating lease rentals in respect of rented premises	2,464	5,628
Interest expense on		
– bank loans wholly repayable within one to two years	90,633	891
– promissory notes	4,259	21,161
– finance leases	2,434	1,064
– loans from related companies	–	24
	<u>97,326</u>	<u>23,140</u>
Net loss on disposal of fixed assets	–	27
Net exchange loss	–	1,369
Depreciation of fixed assets		
– owned assets	5,534	11,186
– leased assets	2,827	1,633
	<u>8,361</u>	<u>12,819</u>
Less: Amount included under cost of sales and services provided	<u>(2,513)</u>	<u>(7,468)</u>
	<u>5,848</u>	<u>5,351</u>
Amortisation of goodwill	25,912	20,607
Amortisation of intangible assets	606	761
Auditors' remuneration	<u>1,074</u>	<u>1,000</u>
After crediting:		
Net exchange gain	85,445	–
Interest income from bank deposits	28,992	7,953
Net gain on disposal of fixed assets	<u>29,811</u>	<u>–</u>

d. Share of profit (loss) of associated companies

The share of profit (loss) of associated companies is as follows:

	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
PT Matahari Putra Prima Tbk	(104,794)	113,296
PT Multifiling Mitra Indonesia	1,408	1,002
PT Ningz Pacific	(2,097)	–
	<u>(105,483)</u>	<u>114,298</u>

As at 31st December, 1998, PT Multipolar Corporation Tbk (a 50.13% owned subsidiary) of the Company, had 57.37% equity interest in PT Matahari Putra Prima Tbk and, accordingly, the investment in PT Matahari Putra Prima Tbk was accounted for using consolidation accounting. During 1999, PT Multipolar Corporation Tbk disposed of certain of its equity interest in PT Matahari Putra Prima Tbk, thereby reducing its equity interest in PT Matahari Putra Prima Tbk to 38.97%. As a result, the investment in PT Matahari Putra Prima Tbk no longer qualifies for consolidation and was accounted for using the equity method of accounting in 1999 with retroactive reclassification to de-consolidate the accounts in 1998.

Had the 1998 accounts been not reclassified, the Group's results of operations for the year ended 31st December, 1998 would have been as follows:

	HK\$'000
Turnover	2,981,874
Cost of sales and services rendered	<u>(1,931,134)</u>
Gross profit	1,050,740
Other revenues	97,735
Distribution and selling expenses	(498,482)
General and administrative expenses	(890,375)
Write-off of advances to entities disposed	<u>(209,787)</u>
Loss from operations	(450,169)
Interest income	391,860
Interest expense	<u>(367,927)</u>
Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations	(426,236)
Share of loss of associated companies	(689)
Loss attributable to discontinued operations	<u>(32,115)</u>
Loss before taxation	(459,040)
Taxation	<u>130,850</u>
Loss after taxation but before minority interests	(328,190)
Minority interests	<u>179,825</u>
Loss attributable to shareholders	<u><u>(148,365)</u></u>

e. Loss attributable to discontinued operations

Loss attributable to discontinued operations represents the net results of PT Multipolar Pratama and its subsidiaries, PT Cipta Anekatronika and PT Gema Anekatronika, which were previously accounted for using consolidation accounting. The investments in these subsidiaries were disposed of in December 1999 and, therefore, the accounting for such subsidiaries no longer qualifies for consolidation. Accordingly, their results of operations were de-consolidated and the net results are shown as loss on discontinued operations. The combined results of the above subsidiaries are as follows:

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	–	987
Cost of sales and services	–	(1,320)
Gross profit	–	(333)
Other revenues	–	127
Distribution and selling expenses	–	(859)
General and administrative expenses	(4,082)	(7,536)
Loss from operations	(4,082)	(8,601)
Interest income	35	34
Interest expense	(4)	(4)
Share of loss of associated companies	(53,675)	(22,189)
Loss before taxation	(57,726)	(30,760)
Taxation	(6)	(18)
Loss attributable to shareholders	<u>(57,732)</u>	<u>(30,778)</u>

f. Taxation

Taxation charges consisted of:

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Provision for current taxation:		
The Company and its subsidiaries	1,421	2,906
Associated companies	3,940	5,784
	<u>5,361</u>	<u>8,690</u>
Provision for (Write-back of) deferred taxation:		
The Company and its subsidiaries	(30,900)	904
Associated companies	(62,100)	4,643
	<u>(93,000)</u>	<u>5,547</u>
	<u>(87,639)</u>	<u>14,237</u>

During the years ended 31st December, 1998 and 1999, substantially all of the Group's profit was derived from subsidiaries and associated companies incorporated and operated in Republic of Indonesia. These subsidiaries and associated companies were subject to Indonesian income tax at a maximum of 30% of profit after deduction of allowable expenses and losses.

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

Reconciliation of the Indonesian statutory tax rates to the effective tax rates during the years ended 31st December, 1998 and 1999 is as follows:

	1998	1999
Statutory tax rate	(30.00%)	30.00%
Allowance on deferred tax assets	8.00%	22.54%
Interest income received, net of tax	(2.35%)	(9.76%)
Non-deductible loss on sale of shares of stock	1.54%	38.79%
Deductible share issuance cost charged against reserve	(0.76%)	(13.17%)
Difference between statutory tax rate and effective tax rate of associated companies	0.66%	(36.95%)
Non-deductible expenses	0.05%	29.31%
Others	(0.84%)	(0.17%)
Effective tax rate	<u>(23.70%)</u>	<u>60.59%</u>

g. Dividend

No dividend has been paid or declared by the Company since its incorporation.

During the years ended 31st December, 1998 and 1999, no dividend was paid or declared by PT Multipolar Corporation Tbk., PT Broadband Multimedia Tbk, PT Natrindo Global Telekomunikasi, PT Natrindo Kartu Panggil, or Cyberworks Group Limited.

h. Earnings (Loss) per share

The calculation of basic earnings (loss) per share for the years ended 31st December, 1998 and 1999 is based on the profit (loss) attributable to shareholders during the years and on the weighted average number of approximately 3,629,599,000 shares in issue during the years ended 31st December, 1998 and 1999, by reference to approximately 4,884,615,000 shares in issue as at the date of this prospectus.

i. Directors' and senior executives' emoluments*i. Details of emoluments paid to directors of the Company were:*

No directors received any emoluments for the years ended 31st December, 1998 and 1999. No director waived any emoluments during the years covered by this report. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the years ended 31st December, 1998 and 1999.

Under the arrangements currently in force, the aggregate amount of fees and other emoluments payable to the directors of the Company for the year ending 31st December, 2000 is estimated to be approximately HK\$11,000,000.

ii. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	1998 HK\$'000	1999 HK\$'000
Basic salaries and allowances	<u>3,193</u>	<u>3,810</u>
Number of directors	–	–
Number of employees	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>

During the years ended 31st December, 1998 and 1999, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of five highest paid individuals (including directors and other employees) whose remuneration fall within the following bands are as follows:

	1998	1999
Nil to HK\$1,000,000	5	4
HK\$1,000,001 to HK\$1,500,000	<u>–</u>	<u>1</u>
	<u>5</u>	<u>5</u>

iii. *Notional adjustments:*

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years subsequent to 31st December, 1999, with effect from April 2000 to June 2000, where appropriate, to June 2003. The annual remuneration and benefits in kind to the directors of the Company amounted to approximately HK\$13,478,000. Had the directors rendered their services and the service contracts been effective during the years ended 31st December, 1998 and 1999, the combined results of the Group after taxation would have been impacted as follows:

	1998 Hk\$'000	1999 HK\$'000
Notional directors' emoluments*	13,778	13,778
Directors' emoluments paid	–	–
	<u>13,778</u>	<u>13,778</u>

* *The individual annual emoluments are approximately HK\$4,730,000, HK\$4,011,000, HK\$2,961,000, HK\$1,726,000, HK\$50,000, HK\$50,000, HK\$50,000, HK\$50,000, HK\$50,000 and HK\$50,000.*

j. **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 companies now comprising the Group and related companies during the years covered by this report are summarised below:

	1998 HK\$'000	1999 HK\$'000
Continuing		
Sale of hardware and software packages and rendering technology solution and maintenance services to PT Bank Lippo Tbk*	26,663	25,866
Payment of insurance premium to PT Lippo General Insurance Tbk*	445	974
Payment of interest on loans obtained from PT Bank Lippo Tbk*	90,634	891
Receipt of interest income on time deposits placed with PT Bank Lippo Tbk*	23,084	6,010
Receipt of share administration fee for services rendered to PT Asuransi Lippo Life Tbk*	213	221
	<u>213</u>	<u>221</u>
Discontinuing		
Sale of fixed assets to PT Bank Lippo Tbk*	36,025	–
Sale of hardware and software packages and rendering technology solution and maintenance services to:		
– PT Matahari Putra Prima Tbk	3,659	610
– PT Asuransi Jiwa Lippo Utama*	2,931	579
Payment of professional fees for services rendered by PT Centronics	165	137
Payment of rental charges by PT Datakom for office space	–	107
Receipt of share administration fee for service rendered to PT Bank Lippo Tbk*	–	5,621
	<u>–</u>	<u>5,621</u>

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

In the opinion of the Directors of the Company, the above related party transactions were carried out in the usual course of business of the Group and on normal commercial terms.

k. Staff retirement benefits

The Indonesian companies of the Group contributes to the government's statutory insurance and retirement fund (ASTEK) 5.7% of the basic salary of their employees, and have no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions. The ASTEK fund is responsible for the entire insurance claim related to the accident incurred by the employees during work and to the entire pension obligations of the retired employees. During the years ended 31st December, 1998 and 1999, the Group contributed approximately HK\$441,000 and HK\$465,000, respectively, to the fund.

4. NET ASSETS

The following is a summary of the combined net assets of the Group as at 31st December, 1999, prepared on the basis set out in Section 1 above.

	<i>Notes</i>	<i>HK\$'000</i>
Non-current assets:		
Investments in associated companies	<i>(a)</i>	644,998
Long-term investment	<i>(b)</i>	18,530
Goodwill	<i>(c)</i>	254,264
Intangible assets	<i>(d)</i>	1,076
Fixed assets	<i>(e)</i>	211,922
Deferred tax assets	<i>(f)</i>	23,484
Long-term prepayments and receivables	<i>(g)</i>	7,519
Due from related companies	<i>(h)</i>	33,209
		<hr/>
Total non-current assets		1,195,002
Current assets:		
Inventories	<i>(i)</i>	17,759
Accounts receivable	<i>(j)</i>	18,754
Prepayments, deposits and other current assets		31,195
Short-term investments	<i>(k)</i>	1,692
Cash and bank deposits	<i>(l)</i>	38,292
		<hr/>
Total current assets		107,692
Current liabilities:		
Long-term bank borrowings, current portion	<i>(p)</i>	(65,400)
Finance lease obligations, current portion	<i>(m)</i>	(4,362)
Accounts payables		(16,957)
Receipts in advance	<i>(n)</i>	(7,937)
Accruals and other payables		(60,248)
Estimated liabilities for losses of discontinued operations	<i>(o)</i>	(253,508)
Taxation payable		(5,639)
Due to related companies	<i>(p)</i>	(456)
		<hr/>
Total current liabilities		(414,507)
Net current liabilities		<hr/>
		(306,815)
Total assets less current liabilities		<hr/>
		888,187
Non-current liabilities:		
Long-term bank borrowings, non-current portion	<i>(q)</i>	(93,740)
Finance lease obligations, non-current portion	<i>(m)</i>	(4,362)
		<hr/>
Total non-current liabilities		(98,102)
Minority interests		<hr/>
		(355,156)
Net assets	<i>(r)</i>	<hr/> <hr/>
		434,929

Notes:

a. Investment in associated companies

Investment in associated companies consisted of:

	<i>HK\$'000</i>
Listed shares, at cost	1,002,353
Unlisted shares, at cost	546
	<u>1,002,899</u>
Less: excess of acquisition cost over the Group's share of fair value of separable net assets of the associated companies acquired	<u>(426,948)</u>
	575,951
Add: Share of undistributed post-acquisition profits of associated companies	<u>69,047</u>
	<u>644,998</u>
Quoted market value of listed shares	<u>1,350,661</u>

b. Long-term investment

Long-term investment represents investment in 2.07% equity interest in shares of PT Siloam Gleneagles Health Care Tbk (a company listed on the Surabaya Stock Exchange in Republic of Indonesia), which is principally engaged in hospitals and health clinics operations. As at 31st December, 1999, such investment was carried at quoted market value of approximately HK\$18,530,000, with the excess of quoted market value over cost of approximately HK\$5,450,000 recorded in investment revaluation reserve.

c. Goodwill

	<i>HK\$'000</i>
Premiums on acquisition of investments in subsidiaries and associated companies:	
– associated companies	426,948
– subsidiaries	25,474
	<u>452,422</u>
Less: Accumulated amortisation and write-offs	<u>(198,158)</u>
	<u>254,264</u>

d. Intangible assets

	<i>HK\$'000</i>
Intangible assets – exclusive right to market and distribute a particular brand of software and hardware products in Indonesia	1,669
Less: Accumulated amortisation	<u>(593)</u>
	<u>1,076</u>

e. Fixed assets

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Land use rights and buildings	3,240	472	2,768
Building renovations and leasehold improvements	1,120	439	681
Furniture, fixtures, and office equipment	30,219	12,823	17,396
Cable television distribution network	2,246	125	2,121
Construction in progress			
– Cable television distribution network during the prematurity period	189,219	5,333	183,886
Equipment for rent	11,564	11,289	275
Vehicles and helicopters	10,583	5,788	4,795
	<u>248,191</u>	<u>36,269</u>	<u>211,922</u>

The land use rights with a net book value of HK\$1,215,000 related to right to use a plot of land in Republic of Indonesia. The buildings with an aggregate net book value of HK\$1,553,000 were residential units in Republic of Indonesia, which were held for own use.

Helicopters with an aggregate net book value of HK\$3,579,000 were held under finance leases.

f. Deferred tax assets

Deferred tax assets represented the taxation effects of the following items:

	<i>HK\$'000</i>
Accumulated losses carried forward	42,686
Provision for bad and doubtful debts	5,879
Depreciation on construction in progress in relation to cable television distribution network during the prematurity period	1,619
Others	851
	<u>51,035</u>
Less: Provision and allowance for unrealisable amount	(27,551)
	<u>23,484</u>

g. Long-term prepayments and receivables

Long-term prepayments and receivables consisted of:

	HK\$'000
Rental and other deposits	1,602
Prepaid expenses	1,401
Advance payments for acquisition of land	1,362
Indonesian Income Tax recoverable	1,013
Advances to suppliers	964
Loans to employees*	995
Others	182
	<u>7,519</u>

* No individual employee had a loan exceeding HK\$100,000.

h. Due from related companies

	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
	<u>5,697</u>	<u>33,209</u>	

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

The outstanding balance with PT Lippo Securities Tbk represents deposits for purchase of listed shares which were subsequently refunded in cash in March 2000. The outstanding balance with PT Multifiling Mitra Indonesia represents non-interest bearing advances for acquisition of long-term investments which is not intended to be settled before 31st December, 2000.

The above balances were unsecured, non-interest bearing, and without pre-determined repayment terms. Had interest been charged on the outstanding balances during the years covered by this report based on the interest rate earned by the Group on savings deposits of approximately 41% per annum and 12% per annum for the years ended 31st December, 1998 and 1999, respectively, the Group would have earned interest, net of tax, of approximately HK\$202,000 and HK\$739,000 for the years ended 31st December 1998 and 1999.

i. Inventories

Inventories, representing mainly computer hardware equipment and software packages for trading purposes, consisted of:

	HK\$'000
Merchandise on hand	15,196
Merchandise in transit	4,164
	<u>19,360</u>
Less: Provision for obsolete and slow-moving inventories	(1,601)
	<u>17,759</u>

j. Accounts receivable

Accounts receivable consisted of:

	<i>HK\$'000</i>
Accounts receivable	20,132
Less: Provision for bad and doubtful debts	(1,378)
	<u>18,754</u>

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 exceed management's projection.

Approximately HK\$11,608,000 of the accounts receivable were pledged as collateral of the Group's banking facilities (see Section 7).

k. Short-term investments

Short-term investments comprised:

	<i>HK\$'000</i>
Listed securities – Jakarta Stock Exchange in the Republic of Indonesia, stated at quoted market value	1,407
Revenue sharing bonds – unlisted	276
Others	9
	<u>1,692</u>

l. Cash and bank deposits

Approximately HK\$3,594,000 of the Group's bank deposits as at 31st December, 1999 were pledged to secure the Group's long-term bank borrowings (see Section 7).

Approximately HK\$32,246,000 of the Group's cash and bank deposits were denominated in Indonesian Rupiah.

Approximately HK\$31,211,000 of the Group's bank deposits as at 31st December, 1999 were deposited with PT Bank Lippo Tbk, a related company.

m. Finance lease obligations

Analysis of finance lease obligations is as follows:

	<i>HK\$'000</i>
Finance lease obligations repayable	
– within one year	4,362
– between one to two years	4,362
	<u>8,724</u>
Less: Amount repayable within one year, classified under current liabilities	(4,362)
	<u>4,362</u>

n. Receipts in advance

Receipts in advance represented unearned revenue mainly arising from the sale of prepaid telephone calling cards and cable television programs subscription fees received in advance.

o. 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 sales of the Group's equity 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 30th September, 2000 are 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 assets disposal or any proceeds from the past and future claims on such assets.

p. Due to related companies

	<i>HK\$'000</i>
PT Centronics	260
PT Datakom Asia	169
PT Multifiling Mitra Indonesia*	27
	<hr/>
	456
	<hr/> <hr/>

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

The outstanding balances with PT Centronics and PT Datakom Asia represents monies due for professional services rendered and rental for office premises, respectively, which were subsequently settled in April 2000 and January 2000, respectively. The outstanding balance with PT Multifiling Mitra Indonesia represents the balance of interest on loans from PT Multifiling Mitra that have already been settled in April 2000.

The above balances were unsecured and non-interest bearing.

q. Long-term bank borrowings

Analysis of long-term bank borrowings is as follows:

	<i>HK\$'000</i>
Loans repayable	
– within one year	65,400
– between one to two years	93,740
	<hr/>
	159,140
Less: Amount repayable within one year, classified under current liabilities	(65,400)
	<hr/>
	93,740
	<hr/> <hr/>

The long-term bank borrowings were loaned from PT Bank Lippo Tbk, a related company, and were secured by, among others, the Group's bank deposits amounting to approximately HK\$3,594,000.

Refer to Section 7 for details of the Group's banking facilities and the securities therefor.

r. Net assets of the Company

The Company was incorporated on 6th March, 2000. On the basis as set out in Section 1 above, the net assets of the Company as at 31st December, 1999 amounted to approximately HK\$434,929,000, representing investments in subsidiaries.

s. Reserves

Movements of reserves of the companies now comprising the Group during each of the years ended 31st December, 1998 and 1999 were:

	Capital reserves HK\$'000	Investment revaluation reserves HK\$'000	Equity transaction of associated and discontinued entities HK\$'000	Cumulative translation adjustments HK\$'000	Retained Earnings (Accumulated deficit) HK\$'000
Balance as at 1st January, 1998	-	-	(16,530)	(582,781)	(162,059)
Share in equity transactions of associated company	-	-	(4,733)	-	-
Loss for the year	-	-	-	-	(148,365)
Translation adjustments	-	-	-	21,699	-
Balance as at 31st December, 1998	-	-	(21,263)	(561,082)	(310,424)
Issuance of capital stock	12	-	-	-	-
Share in equity transactions of associated company	-	-	12,343	-	-
Profit for the year	-	-	-	-	4,146
Revaluation increment in respect of non-trading investment securities	-	6,557	-	-	-
Translation adjustments	-	-	-	12,112	-
Balance as at 31st December 1999	<u>12</u>	<u>6,557</u>	<u>(8,920)</u>	<u>(548,970)</u>	<u>(306,278)</u>

t. Distributable reserve

The Company was incorporated on 6th March, 2000 and has not carried on any business since its incorporation, except for the acquisition of subsidiaries. Accordingly, the Company had no reserve available for distribution to shareholders as at 31st December, 1999.

5. COMMITMENTS

The Group had the following significant commitments which were not provided for in the summary of the combined net assets of the Group set out in Section 4 above:

a. Operating lease commitments

As at 31st December, 1999, the Group had commitments in respect of rented premises under various non-cancelable operating lease agreements extending to July 2003, amounting to approximately HK\$5,207,000. The amount of commitments payable within the next twelve months is analysed as follows:

	<i>HK\$'000</i>
Leases expiring within a period	
– not exceeding one year	1,092
– more than one year but not exceeding two years	535
– more than two years but not exceeding five years	937
	<hr/>
	2,564
	<hr/> <hr/>

b. Capital commitments

As at 31st December, 1999, PT Broadband Multimedia Tbk, a subsidiary of the Company, had capital commitments (authorised and contracted for) of approximately HK\$6,200,000 for acquisition and installation of HFC Passive Network and Fiber Optics.

6. CONTINGENT LIABILITIES

As at 31st December, 1999, the Group had no material contingent liability not provided for in the financial statements.

7. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31st December, 1999, the Group had banking facilities of approximately HK\$391 million for long-term loans. These credit facilities were secured by:

- (i) the Group's bank deposits of approximately HK\$3,594,000 as at 31st December, 1999;
- (ii) the Group's accounts receivable of approximately HK\$11,608,000 as at 31st December, 1999; and
- (iii) the Group's approximately 1,054,586,000 shares in PT Matahari Putra Prima Tbk, an associated company of the Group, (representing approximately 19.54% of issued share capital therein), with the quoted market value of these pledged shares amounting to approximately HK\$1,350,661,000 as at 31st December, 1999.

8. SEGMENT INFORMATION

The Group classifies its products and services into two core business segments, namely broadband network and technology solution enabler. Broadband network includes distribution of cable television programs, provision of fast speed internet access, converter rental and installation, and calling card connection service. Technology solution enabler includes distribution and maintenance of hardware equipment and software packages as well as provision of technology solutions. The Group's other business segment represents administration of shares of other listed companies. Also, the Group has associated companies engaged in retail business and record filing services.

- (i) Information regarding the results of the Group for the year ended 31st December, 1998 analysed into business segments is as follows:

	Broadband network	Technology solution enabler	Other business segment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>3,713</u>	<u>163,566</u>	<u>8,575</u>	<u>175,854</u>
Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations	<u>(13,845)</u>	<u>(201,842)</u>	<u>9,073</u>	<u>(206,614)</u>
Depreciation of fixed assets	<u>1,958</u>	<u>5,301</u>	<u>1,102</u>	<u>8,361</u>
Bad debt expenses/Provision for bad and doubtful debts	<u>-</u>	<u>5,232</u>	<u>237</u>	<u>5,469</u>

- (ii) Information regarding the results of the Group for the year ended 31st December, 1999 analysed into business segments is as follows:

	Broadband network	Technology solution enabler	Other business segment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>33,024</u>	<u>189,866</u>	<u>50,019</u>	<u>272,909</u>
Loss before share of profit (loss) of associated companies and loss attributable to discontinued operations	<u>2,288</u>	<u>(67,182)</u>	<u>4,871</u>	<u>(60,023)</u>
Depreciation of fixed assets	<u>8,191</u>	<u>2,725</u>	<u>1,903</u>	<u>12,819</u>
Bad debt expenses/Provision for bad and doubtful debts	<u>266</u>	<u>1,019</u>	<u>894</u>	<u>2,179</u>

- (iii) Information regarding the net assets of the Group as at 31st December, 1999 analysed into business segments is as follows:

	Broadband network	Technology solution enabler	Other business segment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	<u>200,207</u>	<u>975,345</u>	<u>19,450</u>	<u>1,195,002</u>
Fixed assets				
Cost	204,130	36,823	7,238	248,191
Less: accumulated depreciation	<u>(8,923)</u>	<u>(23,992)</u>	<u>(3,354)</u>	<u>(36,269)</u>
Net book value	<u>195,207</u>	<u>12,831</u>	<u>3,884</u>	<u>211,922</u>
Current assets	<u>25,572</u>	<u>64,123</u>	<u>17,997</u>	<u>107,692</u>
Current liabilities	<u>34,622</u>	<u>365,339</u>	<u>14,546</u>	<u>414,507</u>
Non-current liabilities	<u>-</u>	<u>98,102</u>	<u>-</u>	<u>98,102</u>

The Group's share of loss of an associated company engaged in retail business amounted to approximately HK\$104,794,000 for the year ended 31st December, 1998; for the year ended 31st December, 1999, the Group's share of profit of that associated company amounted to approximately HK\$113,295,000. The Group's share of loss of an associated company engaged in trading of automotive amounted to approximately HK\$2,097,000 for the year 31st December, 1998. The Group's share of profit of an associated company engaged in record filing services amounted to approximately HK\$1,408,000 and approximately HK\$1,002,000 for the years ended 31st December, 1998 and 1999, respectively. The carrying value of the Group's investment in associated companies engaged in retail business and record filing as of 31st December, 1999 amounted to approximately HK\$641,555,000 and HK\$3,443,000, respectively.

9. 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.

10. SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31st December, 1999 and up to the date of this report:

- a. The Group undertook the following significant acquisitions of subsidiaries and associated companies:

Name	Percentage of equity interest attributable to the Group	Consideration paid
Subsidiaries		
e-Planet Telemedia Limited	79.66%	S\$5,140,000
MediaManager Pte Limited	59.42%	S\$4,132,956
Communication Resources Pte Limited	51.33%	S\$360,000
Digital Access Sdn. Bhd.	40.63%	S\$100,000
Cyber Trade Group Inc.	100%	US\$150,000
Associated Companies		
Digital Content Development Corporation Limited	20%	HK\$11,700,000
Systech On-Line Limited	30%	HK\$6,000
Cyber Pacific Group Limited	45%	US\$1,750,000

The resulting goodwill of approximately HK\$41,603,000 is capitalised and are to be amortised over three years.

The results of operations and net assets of the subsidiaries and associated companies acquired are as follows:

(i)

	MediaManager Pte Limited HK'000	Communication Resources Pte Limited HK'000	Digital Access Sdn. Bdn HK'000	Cyber Trade Group Inc. HK'000
Results of operations for the year ended 31st December, 1998				
Turnover	2,405	6,010	2,281	–
Cost of sales and services rendered	(234)	(2,979)	(1,556)	–
Gross profit	2,171	3,031	725	–
Other revenues	831	38	–	–
General and administrative expenses	(5,379)	(3,252)	(705)	–
Profit (Loss) from operations	(2,377)	(183)	20	–
Interest expense	(18)	(1)	–	–
Profit (Loss) before taxation	(2,395)	(184)	20	–
Taxation	–	(10)	(7)	–
Profit (Loss) after taxation	<u>(2,395)</u>	<u>(194)</u>	<u>13</u>	<u>–</u>
Results of operations for the year ended 31st December, 1999				
Turnover	197	6,025	2,695	–
Cost of sales and services rendered	(429)	(1,907)	(1,417)	–
Gross profit (loss)	(232)	4,118	1,278	–
Other revenues	1,265	496	–	–
General and administrative expenses	(4,889)	(3,337)	(1,006)	(165)
Profit (Loss) from operations	(3,856)	1,277	272	(165)
Interest expense	(90)	–	–	–
Profit (Loss) before taxation	(3,946)	1,277	272	(165)
Taxation	–	(120)	–	–
Profit (Loss) after taxation	<u>(3,946)</u>	<u>1,157</u>	<u>272</u>	<u>(165)</u>
Net assets as at 31st December, 1999				
Fixed assets	541	97	331	–
Current assets	2,848	4,446	1,506	135
Current liabilities	(4,257)	(2,761)	(1,365)	–
Non-current liabilities	–	(13)	–	–
Net assets (liabilities)	<u>(868)</u>	<u>1,769</u>	<u>472</u>	<u>135</u>

* *e-Planet Telemedia Limited was incorporated on 5th January, 2000.*

** *AsiaPay Limited and Asia MobileNet Limited were incorporated on 19th April, 2000 and 20th March, 2000, respectively; accordingly, there were no operating results for the years ended 31st December, 1998 and 1999. Kindman Investment Limited and KeyTrend Technology Holdings Limited were incorporated on 22nd October, 1999 and 1st October, 1999, respectively. However, they were inactive during the remaining period of the track record period up to 31st December, 1999; accordingly, no results of operations were incorporated into the Group.*

For the financial effects attributable to the Group, refer to the percentage of equity interest in these subsidiaries attributable to the Group shown above.

(ii)

	International Messaging Associates Limited HK\$'000	IMA Philippines, Inc. HK'000	Systech On-Line Limited HK\$'000	Digital Content Development Corporation Limited HK'000
Net loss of the associated companies				
For the year ended				
31st December, 1998	<u>(1,010)</u>	<u>(623)</u>	<u>-</u>	<u>-</u>
For the year ended				
31st December, 1999	<u>(1,618)</u>	<u>(833)</u>	<u>(551)</u>	<u>(5,621)</u>
Net liabilities of the associated companies as at 31st December, 1999	<u>(511)</u>	<u>(5,621)</u>	<u>(2,014)</u>	<u>(654)</u>

* *Cyber Pacific Group Limited was incorporated on 29th March, 2000.*

** *International Messaging Associates Limited and IMA Philippines, Inc. are 94.5% and 100%, respectively, held by Cyber Pacific Group Limited.*

For the financial effects attributable to the Group, refer to the percentage of equity interest in these associated companies attributable to the Group shown above.

- b. The Group acquired 14.29% equity interest in YesMobile Holdings Company Limited, which is accounted for as a long-term investment. YesMobile Holdings Company Limited was incorporated on 1st November, 1999 and was inactive during the remaining period of the track record period up to 31st December, 1999. The net assets of the investee company as at 31st December, 1999 were approximately HK\$6,240,000.
- c. Approximately HK\$156,022,000 were advanced to the Group from the Company's shareholders, within which approximately HK\$117,667,000 were capitalised into shares of the Company in May 2000 and the balance of approximately HK\$38,355,000 were converted into reserve of the Group.
- d. The Group completed a reorganisation in preparation for a listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate Reorganisation" of Appendix VI to the this prospectus; and
- e. At the special general meeting of the Company held on 22nd June, 2000, resolutions were passed to effect the transactions set out in the subsection headed "Resolutions of the shareholders of the Company dated 22nd June, 2000" of Appendix VI to this prospectus.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st December, 1999. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st December, 1999.

Yours faithfully,
ARTHUR ANDERSEN & CO
Certified Public Accountants