



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

2004
First Quarterly Report

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

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This report, for which the directors (the "Directors") of Mobile Telecom Network (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of Directors is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the three months ended 30 June 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 30 June 2004

	Note	For the three months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	5,463	600
Other revenue		74	174
Telecom operators costs		(3,855)	—
Materials and equipment		—	(308)
Employment costs		(1,450)	(1,146)
Research and development expenses		(291)	(434)
Depreciation of fixed assets		(120)	(556)
Other operating expenses		(1,025)	(533)
Loss from operations		(1,204)	(2,203)
Finance costs		(17)	(17)
Loss before taxation		(1,221)	(2,220)
Taxation	3	—	—
Loss after taxation		(1,221)	(2,220)
Minority interests		(26)	—
Loss attributable to shareholders		(1,247)	(2,220)
Loss per share — basic (HK cents)	4	0.28	0.56

Notes:

1. Basis of preparation

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 9 May 2003.

The unaudited condensed consolidated accounts are prepared under the historical cost convention, in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used in the preparation of these quarterly accounts are consistent with those used in preparation of the Group's annual accounts for the year ended 31 March 2004.

2. Turnover

The Group is principally engaged in the development, provision and sale of mobile Internet communication telecommunications and related services in Hong Kong and other Asian countries. Revenues recognised during the period are as follows:

	For the three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Sales of MobileSurf-installed pocket personal computers and computer accessories	—	140
Subscription fees from provision of MobileSurf service	5	14
Service fees from provision of mobile data solutions and related services	5,458	398
Fees for development of customised software	—	—
Fees for provision of mobile messaging service	—	48
	<u>5,463</u>	<u>600</u>

3. Taxation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. Subsidiaries incorporated in the British Virgin Islands are exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the three months ended 30 June 2004 (three months ended 30 June 2003: Nil).

No provision for overseas (the PRC, Singapore, Taiwan and the United States of America) income taxes has been made as the Group is operating in these countries at losses during the three months ended 30 June 2004 (three months ended 30 June 2003: Nil).

There was no material unprovided deferred taxation for the three months ended 30 June 2004 (three months ended 30 June 2003: Nil).

4. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2004 is based on the unaudited net loss attributable to shareholders for the three months ended 30 June 2004 of approximately HK\$1,247,000 (three months ended 30 June 2003: HK\$2,220,000) and on the weighted average number of approximately 440,000,000 shares in issue for the three months ended 30 June 2004 (three months ended 30 June 2003: 394,065,934 shares).

No diluted loss per share is presented as there was no dilutive potential ordinary share during the periods.

5. Movement of reserves

	Group						
	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Shares issue expenses HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	35,303	16,375	2,943	—	531	(68,916)	(13,764)
Translation adjustments	—	—	—	—	(9)	—	(9)
Loss for the period	—	—	—	—	—	(1,247)	(1,247)
At 30 June 2004	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>—</u>	<u>522</u>	<u>(70,163)</u>	<u>(15,020)</u>
At 1 April 2003	38,587	16,375	2,943	(3,410)	664	(60,372)	(5,213)
Capitalisation issue	(20,351)	—	—	—	—	—	(20,351)
Issue of shares	24,420	—	—	—	—	—	24,420
Shares issue expenses	(7,340)	—	—	3,410	—	—	(3,930)
Loss for the period	—	—	—	—	—	(2,220)	(2,220)
At 30 June 2003	<u>35,316</u>	<u>16,375</u>	<u>2,943</u>	<u>—</u>	<u>664</u>	<u>(62,592)</u>	<u>(7,294)</u>

6. Subsequent event

The following significant event took place subsequent to 30 June 2004 and up to the date of approval of this report:

On 4 August 2004, an options exercise notice was received from OUB.com Pte Ltd, an initial management shareholder and a substantial shareholder of the Company, in relation to exercise 2,042,133 share options at the exercise price of HK\$0.103 each.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2004 (three months ended 30 June 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the three months ended 30 June 2004, the Group continued to achieve outstanding results and recorded a turnover of approximately HK\$5,463,000, representing a remarkable growth of 810% over that of the corresponding period in 2003. This was mainly attributable to the fast growing of mobile entertainment business in the Asia Pacific region. As such, loss per share was therefore narrowed to HK cents 0.28 representing significant reductions of approximately 50% compared to the corresponding period last year.

During the periods under review, service fees from the provision of mobile data solutions and related services continued to be the major contributor to the Group's income, accounting for 99.9% of the Group's turnover and recording a progressive growth of HK\$5,060,000 or a growth rate of approximately 1,270% as compared to the corresponding period in 2003.

Business Review

The mobile entertainment industry continued to experience steady growth in the Asia Pacific region during the first half of 2004. The value of the mobile data business in which the Group operates, is seen as one of the key value drivers of the mobile business. Additionally, the launched of 3rd Generation ("3G") mobile telecom services in Hong Kong has sent a strong signal to the world that Hong Kong is the mobile industry leader in the Asia Pacific region.

Second half of 2004 will further demonstrate developments in 3G as some other countries in the Asia Pacific region, e.g. Taiwan, Singapore, Malaysia and Australia, will commercially launch their 3G services by the end of 2004. The mobile entertainment segment is moving towards a richer and user-friendlier contents thus delivering real value for the subscribers. The Group has confirmed strategic alliances with several content providers in order to fulfill the requirements in the markets where it operates.

The Group has its strategic focus in further developing its 3G's content services offering not only in Hong Kong but also other leading markets such as Taiwan, Singapore, Malaysia and Australia. The Group positions itself as the leader and the most innovative 3G's content service provider in the region. 3G subscribers are proven to be high-end customers, who have the highest Average Revenue Per User (ARPU) level and heavy users of the services provided by the Group.

Aiming to be a leader in 3G's content services provision, the Group continues to strengthen its core business in 2.5G. During the first half of 2004, we strengthened our position in Singapore, Australia, Taiwan and Hong Kong by launching several new services with our key accounts. These services included the Euro 2004 services in Singapore, own mobile entertainment portal in Australia, JAVA gaming platform integration in Taiwan and more than twelve 3G's content services rolled out with Hutchison, Three HK, including Soccer, Music MTV, Movie, Dining, Fortune Telling, Cartoon and etc. Beside 3G, the Group is also deploying video services with SmarTone and CSL via EDGE (2.75G) and GPRS (2.5G). The Group has a very strong position especially in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies.

The growth experienced by the Group in the beginning of the year will continue steadily towards the rest of the year with mobile data services being ranked at the top on the operators' lists of new services.

Prospects

The Group is in the process of building an Asian-wide Chinese community for the overseas Chinese. This is done through its own brand identity, the "Dock-M". The Dock-M mobile entertainment portal with a Chinese focus will be launched in Australia, New Zealand, Malaysia, Thailand, Philippines and Singapore. During the latter part of 2004, the Group will be launching 3G's content services in Singapore, Malaysia and Australia. The Group will also start providing the leading operators in Hong Kong, Singapore, Malaysia and Australia with the quality sport data services through various platforms, i.e. SMS, WAP, MMS and JAVA. These sport data services include the Olympics and the English Premier League.

For Australia, Hong Kong, Singapore and Taiwan markets, the Group believes 3G will become the mainstream services in the near future and the Group will develop applications and create more services with the 3G operators to bring 3G technology to the business (B2B) and the consumer (B2C) markets. The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provision since 1999. The Group's newly developed services include video messaging which enables the subscribers to download easily clips from films, music, sports and information services channels. For enlarging the contents portfolio, the Group has recently signed up with more content partners including established brands such as Press Association, AFP, Wild Candy and BlueSphere Games.

At present, the Group covers a total of over 30 telecom operators and portals in 13 markets in the Asia Pacific region. This number is expected to increase steadily into the regions such as Europe, Korea, Indonesia, the Philippines and Thailand. The scale in terms of contents' quantity and quality remains the Group's strongest differentiation point from our main competitors in the region.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2004, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares — interests in the Shares

Name of Directors	Capacity	Number of Shares held	Approximately percentage of issued share capital
Mr. Chan Chung	(Note)	176,169,861	40.0%
Mr. Chan Wai Kwong, Peter	Beneficial owner	<u>4,064,036</u>	<u>0.9%</u>
		<u>180,233,897</u>	<u>40.9%</u>

Note: By virtue of the SFO, Mr. Chan Chung is deemed to be interested in the 176,169,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

Long positions in underlying Shares of equity derivatives — interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per Share HK\$
Mr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103
			<u>400,000</u>	<u>0.091%</u>			

Note: Share options to Mr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) which was approved by the shareholders of the Company on 27 March 2003. All of the above share options are physically settled equity derivatives.

Short positions in underlying Shares of equity derivatives

Name of Director	Capacity	Number and description of equity derivatives	Number of underlying Shares	Approximate percentage of issued share capital
Mr. Chan Chung	(Note 1)	(Note 2)	1,400,000	0.32%

Notes:

1. Mr. Chan Chung is deemed, by virtue of the SFO, to be interested in the short positions taken by Silicon as he is the beneficial owner of the entire issued share capital of Silicon. He is also the sole director of Silicon.
2. Pursuant to an option agreement dated 28 March 2002, Silicon granted an option to OUB.com Pte Ltd pursuant to which OUB.com Pte Ltd may purchase 1,400,000 Shares from Silicon at a price of HK\$0.103 per Share (as adjusted in accordance with the terms of the agreement). The option is exercisable on any business day during the period from 9 May 2004 to 2 February 2005.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2004, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the persons who have, directly or indirectly, interests or had short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares — interest in the Shares

Name of shareholders	Capacity	Number of Shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	176,169,861	40.0%
Mr. Chan Chung	(Note 1)	176,169,861	40.0%
Vodatel Information Limited	Beneficial owner	63,804,466	14.6%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	63,804,466	14.6%
Go Capital Limited	Beneficial owner	31,902,233	7.3%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	7.3%
OUB.com Pte Ltd	Beneficial owner	25,269,451	5.7%
United Overseas Bank Limited ("UOB")	(Note 4)	25,269,451	5.7%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	23,881,144	5.4%
			73.0%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly wholly owned by Mr. Chan Chung. Mr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 176,169,861 Shares held by Silicon.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 63,804,466 Shares to be held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of Vodatel Hong Kong Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 63,804,466 Shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest quarter report of Vodatel, as at 31 March 2004, Mr. José Manuel dos Santos and Eve Resources Limited were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares to be held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest annual report of Culturecom, as at 31 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

4. UOB is deemed, by virtue of the SFO, to be interested in the 25,269,451 Shares to be held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 25,269,451 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 12 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
5. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 23,881,144 Shares to be held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 23,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at www.hkex.com.hk.

Long positions in underlying Shares of equity derivatives — interests in options of the Company

Name of shareholders	Capacity	Number of underlying Shares	Approximate percentage of the issued share capital	Exercise period	Exercise price per Share HK\$
OUB.com Pte Ltd (Note 1)	Beneficial owner	2,042,133	0.46%	9 November 2003 — 4 August 2004	0.103
UOB	(Note 2)	2,042,133	0.46%	9 November 2003 — 4 August 2004	0.103
OUB.com Pte Ltd (Note 3)	Beneficial owner	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
UOB	(Note 4)	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
			<hr/> 0.78% <hr/>		

Notes:

- These share options were granted to OUB.com Pte Ltd by the Company pursuant to an option agreement dated 28 March 2002 as amended by a supplemental agreement between the same parties dated 3 April 2003.
- UOB is deemed, by virtue of the SFO, to be interested in the share options to subscribe for 2,042,133 Shares to be held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the share options to subscribe for 2,042,133 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 12 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

On 4 August 2004, an options exercise notice was received from OUB.com Pte Ltd in relation to exercise 2,042,133 share options at the exercise price of HK\$0.103 each.

3. These share options were granted to OUB.com Pte Ltd by Silicon pursuant to an option agreement dated 28 March 2002.
4. UOB is deemed, by virtue of the SFO, to be interested in the share options to subscribe for 1,400,000 Shares to be held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with those directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the share options to subscribe for 1,400,000 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the annual report of UOB, as at 12 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

Long positions in underlying Shares of equity derivatives — interests in convertible notes of the Company (Note 1)

Name of shareholders	Capacity	Amount of convertible notes of the Company issued	Number of underlying Shares (Note 4)	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$3,200,000	41,025,640	9.4%
Vodatel	(Note 2)	HK\$3,200,000	41,025,640	9.4%
Go Capital Limited	Beneficial owner	HK\$1,800,000	23,076,923	5.2%
Culturecom	(Note 3)	HK\$1,800,000	23,076,923	5.2%
				<hr/> 14.6% <hr/>

Notes:

1. These convertible notes were issued pursuant to the subscription agreement dated 28 March 2002 entered into between the Company and Universal Line Venture Limited, Vodatel Information Limited, Go Capital Limited and OUB.com Pte Ltd as amended by a supplemental agreement dated 27 January 2003. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed of to Vodatel Information Limited on 14 April 2004.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the convertible notes held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of Vodatel Hong Kong Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the convertible notes which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest quarter report of Vodatel, as at 31 March 2004, Mr. José Manuel dos Santos and Eve Resources Limited were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of the SFO, to be interested in the convertible notes held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the convertible notes which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest annual report of Culturecom, as at 31 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 440,000,000 Shares in issue as at the date of this report. The conversion price of the convertible notes may change from time to time.

5. During the period ended 30 June 2004, neither Vodatel Information Limited and Go Capital Limited has converted, in part or in whole, its convertible notes into Shares.

Short positions in underlying Shares of equity derivatives

Name of shareholder	Capacity	Number and description of equity derivatives	Number of underlying Shares	Percentage of issued share capital
Silicon	(Note)	(Note)	1,400,000	0.32%

Note: Pursuant to an option agreement dated 28 March 2002, Silicon granted an option to OUB.com Pte Ltd pursuant to which OUB.com Pte Ltd may purchase 1,400,000 Shares from Silicon at a price of HK\$0.103 per Share (as adjusted in accordance with terms of the agreement). The option is exercisable for the period from 9 May 2004 to 2 February 2005.

Save as disclosed above, as at the date of this report, the Directors are not aware of any shareholder who has directly or indirectly, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital.

SHARE OPTIONS

The Company adopted a share option scheme (the "Share Option Scheme") and the Pre-IPO Share Option Scheme on 27 March 2003. The summary of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in Appendix IV of the Company's prospectus dated 30 April 2003 under the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme". On 26 April 2004, share options were granted to certain employees to subscribe for 750,000 Shares of the Company at an exercise price of HK\$0.32 each and the aforesaid share options were exercisable after one year from the date of grant.

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for Shares. Details of the share options granted under the Pre-IPO Share Option Scheme outstanding as at 30 June 2004 are set out as below:

Name	Date of grant	Number of share options					Approximate percentage of issued share capital	Option period	Consideration	
		Outstanding	Granted	Exercised	Lapsed	Outstanding			Exercise price per Share	
		as at	during	during	during	as at				
		1 April	the	the	the	30 June				
		2004	period under review	period under review	period under review	2004				
									HK\$	HK\$
Executive Directors										
Mr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	1,080,000	750,000	—	—	1,830,000	0.416%	9 May 2003 — 8 May 2013	1.00	0.103
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.114
		1,780,000	750,000	—	—	2,530,000	0.575%			

Note: Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Save as disclosed above, no options pursuant to the Pre-IPO Share Option Scheme have been exercised and cancelled during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the three months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed Shares.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the three months ended 30 June 2004, none of the Directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 (SAVE AS RULE 5.30) OF THE GEM LISTING RULES

The Company has complied throughout the three months ended 30 June 2004 the minimum standards of good practice concerning the general management responsibilities of the Directors as set out in Rules 5.28 to 5.39 (save as Rule 5.30 which is not applicable for the period under review) of the GEM Listing Rules.

SPONSOR'S INTEREST

Pursuant to a sponsors' agreement dated 30 April 2003 entered into between the Company and REXCAPITAL (Hong Kong) Limited ("REXCAPITAL"), REXCAPITAL have received fees for acting as the Company's retained sponsors for the period up to 31 July 2004.

On 30 July 2004, due to the departure of major personnel who were responsible for providing advisory services to the Company at REXCAPITAL, the Company and RexCapital have mutually agreed to terminate their sponsors' agreement dated 30 April 2003 with effect from 1 August 2004.

On 14 June 2004, a sponsor agreement has been entered into between the Company and Kingston Corporate Finance Limited ("Kingston") who have received and will receive fees for acting as the Company's retained sponsors for the period from 21 June 2003 to 31 March 2006.

Mr. Chan Wai Kwong, Peter, an initial management shareholder of the Company and a Director, is an executive director of REXCAPITAL International Holdings Limited, a holding company of REXCAPITAL.

Save as disclosed above, as at 30 June 2004, neither REXCAPITAL and Kingston nor their directors, employees or their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such Shares, pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

AUDIT COMMITTEE

As required by Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Group's unaudited results for the three months ended 30 June 2004 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this report, the Board comprises of executive directors namely Mr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; non-executive directors namely Mr. Chen Man Lung and Mr. Goh Yu Min; and independent non-executive directors namely Mr. Jeffery Matthew Bistrong and Mr. Charles George St. John Reed.

By Order of the Board

Chan Chung

Chairman

Hong Kong, 13 August 2004