

Notes to the Condensed Financial Statements

For the six months ended 30 June 2004

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. TURNOVER AND SEGMENTAL INFORMATION

The analysis of the Group’s turnover and results by business segments and geographical segments during the period is as follows:

(a) *by business segments:*

	Six months ended 30 June					
	2004			2003		
	Telecom- munication services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	Telecom- munication services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover						
External sales	<u>201,240</u>	<u>216</u>	<u>201,456</u>	<u>198,006</u>	<u>3,167</u>	<u>201,173</u>
Result						
Loss from operations	<u>(10,161)</u>	<u>(138)</u>	<u>(10,299)</u>	<u>(1,112)</u>	<u>(1,004)</u>	<u>(2,116)</u>
Finance costs			(22)			(111)
Other operating income and expenses			(7,409)			(6,486)
Gain on disposal of discontinued operation			—			382
Loss from ordinary activities			<u>(17,730)</u>			<u>(8,331)</u>
Minority interests			<u>30</u>			<u>—</u>
Net loss attributable to shareholders			<u>(17,700)</u>			<u>(8,331)</u>

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2004

2. TURNOVER AND SEGMENTAL INFORMATION (continued)

(b) by geographical segments:

	Six months ended 30 June					
	2004			2003		
	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover						
External sales	135,183	66,273	201,456	129,716	71,457	201,173
Result						
(Loss) / Profit from operations	(5,383)	(4,916)	(10,299)	(3,757)	1,641	(2,116)
Finance costs			(22)			(111)
Other operating income and expenses			(7,409)			(6,486)
Gain on disposal of discontinued operation			—			382
Loss from ordinary activities			(17,730)			(8,331)
Minority interests			30			—
Net loss attributable to shareholders			(17,700)			(8,331)

3. OTHER REVENUE

	Six months ended 30 June	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	134	34
Others	340	214
	474	248

4. LOSS FROM OPERATIONS

This was arrived at after crediting:

	Six months ended 30 June	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gain on disposal of other investments	—	12

5. TAXATION

Hong Kong Profits Tax and overseas taxation have not been provided as the Group has no assessable profit for the period (30 June 2003: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2004 is based on the consolidated loss attributable to shareholders of HK\$17,700,000 (30 June 2003: HK\$8,331,000) and on the weighted average number of 470,894,200 (30 June 2003: 470,894,200) shares in issue during the period.

The fully diluted loss per share for the six months ended 30 June 2003 and 2004 are not shown because the potential shares would decrease the loss per share and would be regarded as anti-dilutive.

7. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation and amortisation.

8. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$2.3 million (31 December 2003: HK\$6.0 million) and the disposal was approximately HK\$0.1 million (31 December 2003: HK\$45.2 million).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Trade receivables	44,115	39,840
Other receivables		
Deposits, prepayments and other debtors	<u>7,743</u>	<u>7,649</u>
	<u>51,858</u>	<u>47,489</u>

The Group's credit terms on credit sales mainly range from 30 days to 90 days. Included in trade and other receivables are trade debtors (net of provision for bad and doubtful debts) with the following ageing analysis.

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Current	41,588	39,040
1 to 3 months	2,409	775
More than 3 months but less than 12 months	<u>118</u>	<u>25</u>
	<u>44,115</u>	<u>39,840</u>

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10. TRADE AND OTHER PAYABLES

	As at 30 June 2004 (Unaudited) <i>HK\$'000</i>	As at 31 December 2003 (Audited) <i>HK\$'000</i>
Trade payables	29,740	24,218
Other payables		
Accrued charges and other creditors	<u>31,116</u>	<u>34,383</u>
	<u>60,856</u>	<u>58,601</u>

Included in trade and other payables are trade creditors with the following ageing analysis.

	As at 30 June 2004 (Unaudited) <i>HK\$'000</i>	As at 31 December 2003 (Audited) <i>HK\$'000</i>
Current	20,935	18,832
1 to 3 months	6,524	3,167
More than 3 months but less than 12 months	<u>2,281</u>	<u>2,219</u>
	<u>29,740</u>	<u>24,218</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.