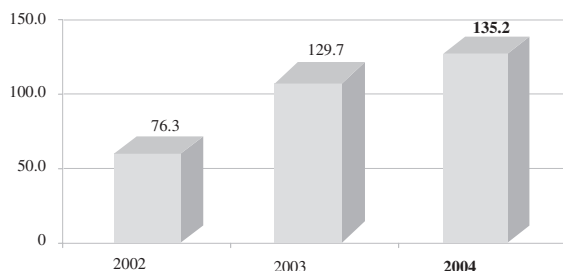


Business Review and Outlook

During the period under review, the Group focused on its telecommunications business with its operations in the United States, Hong Kong and Singapore accounting for almost the Group's entire turnover. Revenue for this period derived from the ZONE telecommunications business increased by 1.6% from HK\$198.0 million for the first six months of 2003 to HK\$201.2 million for the period under review.

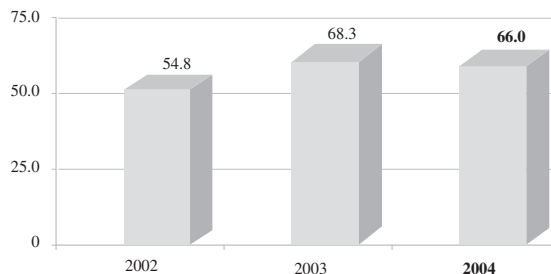
Total turnover of the Group was HK\$201.5 million compared to HK\$201.2 million for the same period in 2003. EBITDA for the Group was HK\$7.8 million for the six months ended 30 June 2004 compared to HK\$14.3 million for the prior period. Loss attributable to shareholders for the period was HK\$17.7 million compared to HK\$8.3 million for the previous corresponding period.

Turnover of ZONE US
For the six months ended 30 June
(HK\$ millions)



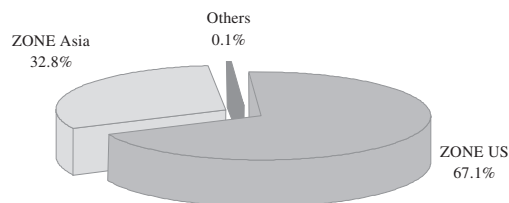
Turnover from ZONE operations in the United States ("ZONE US") increased by 4.2%, from HK\$129.7 million for the prior period to HK\$135.2 million. While ZONE US experienced growth in the corporate segment, the residential market segment continued to be affected by intense competition particularly from the major incumbent operators that are offering attractive bundled local and long distance services. ZONE US accounted for 67.1% of the total Group turnover for this period, compared to 64.5% for the previous corresponding period.

Turnover of ZONE Asia
For the six months ended 30 June
(HK\$ millions)



Turnover from ZONE Hong Kong and ZONE Singapore (collectively "ZONE Asia") for this period was HK\$66.0 million compared to HK\$68.3 million for the prior period. The operating environment remains very price sensitive, particularly in Hong Kong. Intense competition continues to trim operating margins and also increase in churn.

% Turnover Contribution



During this period, the Group pushed ahead with some of its strategic initiatives in pursuing expansion opportunities to complementary services. The Group is currently evaluating various technologies for deploying IP centric services and has also launched in Hong Kong an IP-based pilot programme to assess the marketing, operational and cross-boundary issues of providing those services internationally. Discussions are also in progress with potential strategic partners.

Looking ahead for the next period, the Group's existing business is likely to face ongoing competitive pressures and the market conditions are anticipated to remain challenging. The IP-related initiatives are not scheduled to be introduced until the end of the year. A modest revenue growth is expected from its existing business. The Group will continue to focus on enhancing financial and operational efficiencies.