

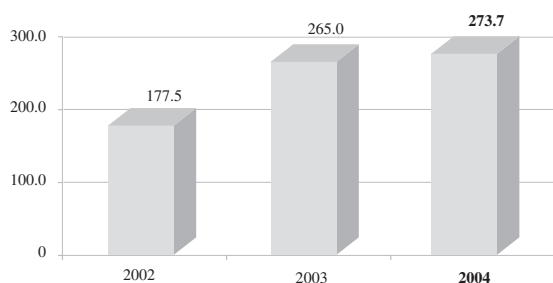
Business Review

During the year under review, the Group continued to develop its ZONE telecommunications businesses (“ZONE”) in the United States, Hong Kong and Singapore, making significant progress in its strategy to expand its services in the rapidly growing area of Voice over Internet Protocol (“VoIP”) communications. The Group has developed key strategic partnerships that will strengthen its operating efficiencies and accelerate penetration into existing and new markets. For example, ZONE US recently entered into an agreement with Belkin Corporation, the global leader in connectivity solutions, to create a business partnership in launching ZONE broadband phone services in the US.

In light of the rapid technological developments and recent changes in the market dynamics of the telecommunications industry, particularly in the US, and the Group resolving to outsource some business processes in its telecommunications operations in the US, certain existing equipment of the Group, including related hardware and software, were written off to reflect the changes in the manner in which ZONE US’s business will continue to be conducted, and hence non-recurring restructuring costs of HK\$100.5 million, including impairment and disposal losses of HK\$95.8 million, were recognised during the year. The Group believes that such third-party business process outsourcing will help to reduce future capital expenditures and technological risks, accelerate introducing new products and services to the market and improve its overall operational efficiency.

ZONE US continued to expand its existing business beyond its current territory and set up a sales presence in the Southeast, including Florida and Atlanta. In addition to the pending launch of its VoIP products, ZONE US will capitalise on its technology outsourcing and business partnership strategy to launch other new services, including mobile, DSL broadband access and data-related services and continue to expand its range of telecommunications offerings for corporate customers.

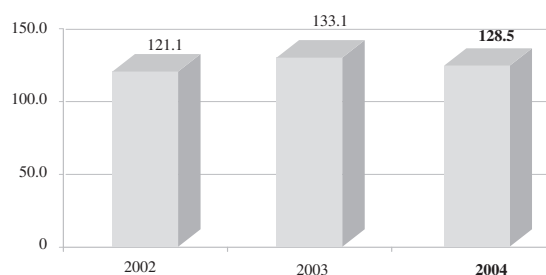
**Turnover of ZONE US
(HK\$ millions)**



Hong Kong remained a highly competitive telecommunications market despite signs of improvement in the general economy. International direct dialling (“IDD”) rates continue to fall, a trend that is compounded by certain fixed-line operators using low price IDD services to attract local line customers. ZONE Hong Kong’s turnover and profit margin were affected as a result of churn from the more price-sensitive segment of its customer base. However, ZONE Hong Kong has been able to maintain a loyal base of customers and has endeavoured to capture new customers who appreciate quality of service, ability to provide suitable value-added services and responsiveness to customer needs. During the year 2004, ZONE Hong Kong also launched its pilot VoIP services to target the SME market.

In 2004, ZONE Singapore recorded another year of increase in revenue and income growth. It continues to sign up some sizable corporate customers and has also been successful in securing a number of government and quasi-government contracts for the provision of IDD and others telecom services. The service platform upgrade scheduled in 2004 was completed, providing for more robust system redundancies and implementation of other value-added services.

**Turnover of ZONE Asia*
(HK\$ millions)**



* ZONE Hong Kong and ZONE Singapore

Looking ahead, the Group will continue to expand its existing businesses in the US, Hong Kong and Singapore by utilising its internal resources and, whenever possible, leveraging on its current and future partnerships with other industry players in the regions. The Group’s dedication to financial prudence and operational efficiency will continue to guide its operating companies in their ongoing objectives to increase revenue and improve operating results. As the Group expands its customer services and sales capabilities and strives to be a more sales focussed organisation, it will continue to explore new opportunities to satisfy the telecommunications needs of new and existing customers.