

BUSINESS REVIEW

The consolidated turnover of the Group for the six months ended 30 June 2005 amounted to approximately HK\$25.8 million, decreased by 22% when compared to that of the corresponding period last year. The consolidated turnover from the continuing operations of the Group for the six months ended 30 June 2005 increased by 9% from approximately HK\$23.7 million to approximately HK\$25.8 million. Gross profit was approximately HK\$10.6 million, decreased by 30%. Loss for the period amounted to approximately HK\$22.8 million, decreased by 53% as compared to that of the corresponding period last year.

The Group has adopted a number of new/revised accounting standards generally accepted in Hong Kong in the year of 2005. The Group, having adopted these accounting standards, recorded loss of approximately HK\$10.2 million for the six months ended 30 June 2005 which all are non-cash item or notional interest adjustments. These adjustments include the costs of issue of share options at approximately HK\$8.0 million, increase in imputed interest expenses on convertible preference shares (debt portion) at approximately HK\$1.8 million, decrease in fair value of investment properties at approximately HK\$1.3 million and reduction of amortisation of prepaid lease payment for a property in Hong Kong at approximately HK\$0.9 million.

The equity attributable to equity holders of the parent were increased to approximately HK\$90.5 million and the net current liabilities were amounted to approximately HK\$20.9 million as at 30 June 2005.

Entertainment Media Division

The turnover of this Division in the first six months of 2005 was approximately HK\$21.4 million, increase of 19% when compared to the corresponding period of last year. The loss of this Division in the first six months of 2005 was approximately HK\$3.3 million, decrease of 91% when compared to the corresponding period of last year. Last year, this Division had written off goodwill at approximately HK\$28 million. By excluding this goodwill write-off, this Division still reduced its loss by 52%.

In Hong Kong and Macau, Cellcast (Asia) Limited ("CAL") continued to contribute majority of the revenue in this Division. CAL, which trades under the brand "Yeahmobile", continues to maintain the leading position in the telecommunication value-added services ("VAS") industry. It continues to offer ring tone, MP3 ring tone, connecting tones, wallpaper, Java games download, sports information, personalized voice mail and community services. The delivery means continued to shift from voice based triggered to Short Message Services ("SMS") based or WAP based triggered as mobile data usage continues to grow. The VAS market has changed in such a way that usage is driven more by mobile operators rather than service providers ("SP's"). This was due to increased customers sophistications, aggressive pricing and promotion by mobile operators. The above factors have pressured the performance of CAL.

BUSINESS REVIEW (continued)**Entertainment Media Division (continued)**

In addition to content provisioning, CAL continues to provide Interactive Voice Response (“IVR”) platform for certain mobile network operators in Hong Kong and Macau. CAL also continues to provide IVR and SMS platform for TVB and RTHK. CAL also provided mobile platform solutions for corporate clients.

In Macau, TelecomInno (Macau) Company Limited provided the on-line gaming services under the brand name of “www.gamedegift.com”. Although it had 3,800 registered customers, due to the high marketing cost and barrier in fund collection via internet credit card payment method, the growth of this business was not satisfactory and its contribution to the revenue of the Group was insignificant. The Group will cease this service in the second half year of 2005 and will deploy the resources to other profitable businesses of the Group.

In PRC, New Power Limited (“NPL”) continues to offer services in Java games, community, graphics, sports information, jokes and certain ring tone. Following the tightening of control over SP’s by Ministry of Information Industry (“MII”) and China Mobile, the VAS market in PRC has gone through substantial consolidation with the number of SP’s operating on a national basis greatly reduced to fewer than 500. Reduced competition and the introduction of Multi-Media Services (“MMS”) products have brought considerable improvement to the results of NPL. Coupled with the early introduction of new MMS products, the performance of NPL has been impressive during the first half of 2005. However, the same growth rate in the first half of 2005 might not substantiate throughout the year as China Mobile has implemented the Mobile Internet Service Centre (“MISC”) platform for MMS products in the second half.

In Japan, Drive Limited (previously known as “Limited Liability Company Prehit”) has started the contents distribution business through the digital content downloading kiosk machines, namely “DigiRaku”, located in book stores, video rental shops and other chain stores in various major cities in Japan since February 2005. As at 30 June 2005, 200 units of DigiRaku have been installed in Japan. DigiRaku enables Japan customers to download entertainment contents, including movies, pictures, music, games in a quick, easy and secure way and avoid personal information leakage problem. It is expected that Drive Limited will contribute significant revenue to the Group in the coming years.

BUSINESS REVIEW (continued)**Entertainment Media Division (continued)**

In Hawaii, Visual Paradise Inc. ("VP") engaged in content aggregation business in U.S. so that the Group can obtain various types of video and audio contents and recordings and distribute via DigiRaku to Japanese market. Revenue generated was not significant since VP is still in the development stage. The Group will input more resources in this business and further effort will be put in aggregation of audio and video contents from U.S. and Asia for distribution in Japan through DigiRaku.

Property Investment Division

This Division continues to contribute stable revenue and cash flow to the Group through its properties situated in Hong Kong and Guangzhou, PRC. For the six months ended 30 June 2005, this Division generated total revenue at approximately HK\$2.1 million, an increase of approximately HK\$0.5 million comparing with that of 2004. However, this Division suffered a loss of approximately HK\$0.8 million (2004: profit at approximately HK\$0.8 million) because of property valuation losses in Guangzhou properties.

The Group had announced the disposal of two non-wholly owned subsidiaries which held all the Group's properties in Guangzhou, PRC. Details of the disposal were published on the announcement dated 29 June 2005 and the completion was taken placed on 29 August 2005. After the disposal of Guangzhou properties, the monthly rental income reduced by approximately HK\$60,000.

Telecommunication Division

In the first six months of 2005, the turnover of this Division amounted to approximately HK\$2.8 million. Due to the severe competition in the Hong Kong and the US telecommunication industries and the limited capital employed, the loss of this Division amounted to approximately HK\$3.2 million for the six month ended 30 June 2005.

In view of the investment return under the limited capital employed in this Division, the development of this Division was not satisfactory and limited. The Group will further restructure this Division in the second half of 2005 and would continue to provide maintenance and support services to its bilateral correspondent in Japan.