



MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡（控股）有限公司*

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 30 JUNE 2003

** for identification purpose only*

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

RESULTS

The Directors are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2003, together with the unaudited comparative figures for the corresponding period in 2002 as follows:

		For the three months ended 30 June	
	Note	2003 HK\$	2002 HK\$
Turnover	2	600,486	943,824
Other revenue		174,220	2,072
Materials and equipment		(308,118)	(175,080)
Employment costs		(1,145,805)	(796,490)
Research and development expenses		(434,181)	(601,974)
Depreciation of fixed assets		(555,904)	(635,073)
Other operating expenses		(533,273)	(980,265)
Loss from operations		(2,202,575)	(2,242,985)
Finance costs		(17,312)	—
Loss before taxation		(2,219,887)	(2,242,985)
Taxation	3	—	962
Loss attributable to shareholders		<u>(2,219,887)</u>	<u>(2,243,947)</u>
Loss per share - basic	4	<u>HK0.56 cents</u>	<u>HK0.69 cents</u>

Notes:

1. Principal accounting policies

These unaudited consolidated condensed accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 issued by the Hong Kong Society of Accountants.

The principal accounting policies adopted in the preparation of these quarterly accounts are consistent with those used in the annual accounts for the year ended 31 March 2003, except that the Group has adopted the new and revised SSAPs which became effective on 1 January 2003. The adoption of these new and revised SSAPs has no material effect on the Group's results.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Turnover

	For the three months ended 30 June	
	2003	2002
	HK\$	HK\$
Sales of MobileSurf-installed pocket personal computers and computer accessories	140,250	13,220
Subscription fees from provision of MobileSurf service	13,975	34,924
Service fees from provision of mobile data solutions and related services	398,261	345,680
Fees for development of customised software	—	500,000
Fees for provision of mobile messaging service	48,000	50,000
	<u>600,486</u>	<u>943,824</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 Cayman Islands income tax. Subsidiaries incorporated in the British Virgin Islands were exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the three months ended 30 June 2003 (three months ended 30 June 2002: Nil). No provision for overseas (Singapore, Taiwan and the United States of America) income taxes has been made as the Group operating in these countries were operating at a loss for the three months ended 30 June 2003 (three months ended 30 June 2002: Nil).

There was no significant unprovided deferred taxation for the period under review.

4. Loss per share

The calculation of basic loss per share is based on the unaudited net loss attributable to shareholders for the three months ended 30 June 2003 of approximately HK\$2,219,887 (three months ended 30 June 2002: HK\$2,243,947), and on the weighted average number of approximately 394,065,934 shares in issue for the three months ended 30 June 2003 (three months ended 30 June 2002: 325,793,053).

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

5. Movements in reserves

Movements in reserves during the periods are as follows:

	Share premium	Capital reserve (i)	Capital redemption reserve	Shares issue costs	Cumulative translation adjustments	Accumulated deficit	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1 April 2003	38,587,328	16,375,000	2,943,891	(3,409,811)	663,339	(60,372,525)	(5,212,778)
Loss for the period	—	—	—	—	—	(2,219,887)	(2,219,887)
Share issue costs	—	—	—	(3,930,289)	—	—	(3,930,289)
Capitalisation of share premium (ii)	(20,350,811)	—	—	—	—	—	(20,350,811)
Premium on issue of ordinary shares	24,420,000	—	—	—	—	—	24,420,000
Translation adjustments	—	—	—	—	114	—	114
As at 30 June 2003	<u>42,656,517</u>	<u>16,375,000</u>	<u>2,943,891</u>	<u>(7,340,100)</u>	<u>663,453</u>	<u>(62,592,412)</u>	<u>(7,293,651)</u>
As at 1 April 2002	38,587,328	16,375,000	2,943,891	—	630,282	(51,622,078)	6,914,423
Loss for the period	—	—	—	—	—	(2,243,947)	(2,243,947)
Translation adjustments	—	—	—	—	7,796	—	7,796
As at 30 June 2002	<u>38,587,328</u>	<u>16,375,000</u>	<u>2,943,891</u>	<u>—</u>	<u>638,078</u>	<u>(53,866,025)</u>	<u>4,678,272</u>

- (i) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiary acquired through exchanges of shares.
- (ii) On 6 May 2003, the Company issued approximately 260,908,000 shares of US\$0.01 each to its shareholders in proportion of their respective shareholdings in the Company, by capitalisation of HK\$20,350,811 from share premium resulting from the placing.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2003 (three months ended 30 June 2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The consolidated turnover of the Group for the three months ended 30 June 2003 amounted to HK\$600,486 (three months ended 30 June 2002: HK\$943,824). Loss attributable to shareholders was narrowed to HK\$2,219,887 (three months ended 30 June 2002: HK\$2,243,947), while loss per share was HK0.56 cents (three months ended 30 June 2002: HK0.69 cents), representing a significant reduction of 18.8% compared to the corresponding period last year.

The outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the Asia Pacific region over the past few months had an adverse impact on the economy in the region. The situation also affected the Group’s performance during the period under review. Several business agreements, including some confirmed purchase orders, were postponed. At the same time, as the business of customized software developments targeted the PRC market and required a frequent physical presence in the PRC in addition to visiting sites and providing site support, the Group’s performance was also affected by SARS.

The Group's operating expenses were reduced by approximately 6.6% to HK\$2,977,281 (three months ended 30 June 2002: HK\$3,188,882) narrowing the loss attributable to shareholders. This was due to the effective cost-control measures adopted by the Group over the past few months including a temporary salary deduction for the management, employees and directors.

During the review period, service fees from the provision of mobile data solutions and related services, and the sales of MobileSurf-installed pocket personal computers and computer accessories, made the major contribution to the Group's income, accounting for 66% and 23% of turnover, both recorded a progressive rise compared to the corresponding period last year and the previous quarter ended 31 March 2003. This development indicates that the Group is now making progress in achieving recurring revenues from its mobile data services with mobile operators and is less dependent on software development contracts from independent and related parties.

Prospects

With the retreat of SARS in late June, the overall economic environment is gradually turning positive and the Group is confident that its business will recover and develop further in the next few months.

Looking ahead, with its sophisticated research and development capabilities, the Group will continue to focus on strengthening its development in applications and solutions for MobileSurf with new and added features. At the same time, the Group will enhance its business with the various telecommunication operators. To achieve this end, MTel Limited ("MTel"), a wholly-owned subsidiary of the Group, is partnering Hutchison Telecom to launch the Soccer Betting Java Application for 2.5G and 3G networks that will enable users to browse the LIVE odds, matches, team analysis, and news & commentaries. This service, to be launched in early August 2003, will be extended to other telecommunication operators, which is yet to be confirmed.

Additionally, MTel will extend the JAVA applications into Daily Bulletin applications for 2.5G. Users can browse LIVE news and reports including breaking news, local and international news, weather and air pollution reports, traffic conditions around Hong Kong, etc. In addition, market information will also be included in this application with the availability of financial news, currencies, stock quotes and indexes and stock portfolio, etc. CNN News and alert features will also be implemented in phase II. This service is expected to be launched in early September 2003.

Furthermore, MTel is experienced in providing multi-media content and reformatting techniques, as it has been providing this service to Hong Kong CSL Limited since November 2002 on its general packet radio service (GPRS) network. With this experience, MTel will be partnering a leading telecommunication operator to launch a multi-media service for their advance Enhanced Data rates for Global Evolution (EDGE) network in September 2003. MTel will provide the multi-media content and the reformatting technique for the various mobile handsets.

At the same time, to enhance public awareness of the Group's products, a Movie Channel for 3G network has been developed. Through this channel users can view movie trailers instantly on their mobile phones, along with detailed movie information for current and upcoming movies i.e. synopses, casting, venues, movie commentaries and news, etc.

To strengthen its brandname, the Group has been working with key film distributors in Hong Kong to line-up different movie tie-in promotions with mobile operators. MTel has received the distribution rights to use content from various movies to develop mobile services such as multimedia messages services (MMS), wallpapers, ringtones and Java games, etc, allowing users to download these services on their mobile phones for their enjoyment and entertainment. MTel, as the content manager and provider of technical support, is proud to provide these one-stop-shop services for both its content partners and mobile operators.

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

As at 30 June 2003 the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying Shares 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 (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 5.40 to 5.58 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	Approximate percentage of issued share capital
Chan Chung	<i>(Note)</i>	180,265,861	41.0%
Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>184,329,897</u>	<u>41.9%</u>

Note: By virtue of the SFO, Mr. Chan Chung is deemed to be interested in the 180,265,861 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 Share Options							Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option	Exercise price per share
			Granted	Out-standing as at 1 April 2003	Granted during the 3 months under review	Exercised during the 3 months under review	Cancelled during the 3 months under review	Out-standing as at 30 June 2003	Out-stand- ing percentage of issued share capital				
			HK\$	HK\$									
Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	300,000	-	-	-	300,000	0.068%	9 May 2004 - 8 May 2014	1.00	0.103	
Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	100,000	-	-	-	100,000	0.023%	9 May 2004 - 8 May 2014	1.00	0.103	
			<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<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 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
Chan Chung	(Note 1)	(Note 2)	1,400,000	0.32%

Notes:

- 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.
- 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 November 2003 to 4 August 2004.

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, debentures or underlying Shares 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 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, 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, 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	180,265,861	41.0%
Chan Chung	(Note 1)	180,265,861	41.0%
Vodatel Information Limited	Beneficial owner	31,902,233	7.3%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	31,902,233	7.3%
Go Capital Limited	Beneficial owner	31,902,233	7.3%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	7.3%
Universal Line Venture Limited	Beneficial owner	31,902,233	7.3%
Chan How Chung, Victor	(Note 4)	31,902,233	7.3%
OUB.com Pte Ltd	Beneficial owner	25,269,451	5.7%
United Overseas Bank Limited ("UOB")	(Note 5)	25,269,451	5.7%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 6)	23,881,144	5.4%
			74.0%

Notes:

1. Silicon, a company incorporated in BVI, 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 180,265,861 Shares held by Silicon.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 31,902,233 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 31,902,233 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 2003 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 2003 no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. Mr. Chan How Chung, Victor is deemed, by virtue of the SFO, to be interested in the 31,902,233 Shares to be held by Universal Line Venture Limited as Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor.
5. 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 17 March 2003 no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
6. 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	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 November 2003 - 4 August 2004	0.103
UOB	(Note 4)	1,400,000	0.32%	9 November 2003 - 4 August 2004	0.103
			<u>0.78%</u>		

Notes:

1. 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.
2. UOB is deemed, by virtue of the SFO, to be interested in the share options to subscribe for 2,042,133 shares 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 17 March 2003 no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
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 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 latest annual report of UOB, as at 17 March 2003 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	Capacity	Amount of convertible notes of the Company issued	Number of underlying Shares (Note 5)	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$1,600,000	20,512,820	4.7%
Vodatel	(Note 2)	HK\$1,600,000	20,512,820	4.7%
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%
Universal Line Venture Limited	Beneficial owner	HK\$1,600,000	20,512,820	4.7%
Chan How Chung, Victor	(Note 4)	HK\$1,600,000	20,512,820	4.7%
				14.6%

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.
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 2003, 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 interim report of (Culturecom, as at 30 September 2002), no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. Mr. Chan How Chung, Victor is deemed, by virtue of the SFO, to be interested in the convertible notes held by Universal Line Venture Limited as Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor.
5. 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.
6. During the year ended 31 March 2003, neither Vodatel Information Limited, Go Capital Limited or Universal Line Venture Limited has converted, in part or in whole, its convertible notes into Shares.

Short positions in underlying Shares of equity derivatives

Name	Capacity	Number and description of equity derivatives	Number of underlying Shares	Percentage of issued share capital
Silicon	<i>(Note)</i>	<i>(Note)</i>	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 November 2003 to 4 August 2004.

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 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the three months ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 30 April 2003 entered into between the Company and Kim Eng Capital (Hong Kong) Limited ("Kim Eng") and REXCAPITAL Hong Kong Limited ("RexCapital"), Kim Eng and RexCapital have received and will receive fees for acting as the Company's retained sponsors for the period up to 31 March 2006.

Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor. Mr. Chan How Chung, Victor is a director of RexCapital and also the chairman, executive director and a substantial shareholder of REXCAPITAL International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of Stock Exchange. RexCapital is an indirect wholly-owned subsidiary of REXCAPITAL International Holdings Limited.

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

Save as disclosed above, as at 30 June 2003, neither Kim Eng and RexCapital 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, 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.

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 2003 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.

By Order of the Board
Chan Chung
Chairman

Hong Kong, 6 August 2003