



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

2004
Third Quarterly Report

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 board of Directors (the "Directors") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months ("Three-Month Period") and nine months ("Nine-Month Period") ended 31 December 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Three months and Nine months ended 31 December 2004

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	5,441	3,320	16,043	6,656
Other revenue		25	14	108	258
Telecom operators costs		(3,412)	—	(10,666)	—
Materials and equipment		—	(1,999)	—	(4,094)
Employment costs		(1,423)	(1,453)	(4,262)	(3,919)
Research and development expenses		(242)	(253)	(803)	(1,114)
Depreciation of fixed assets		(43)	(419)	(225)	(1,496)
Other operating expenses		(734)	(1,034)	(2,725)	(2,606)
Loss from operations		(388)	(1,824)	(2,530)	(6,315)
Share of loss of an associate		(12)	—	(12)	—
Amortization of goodwill arising on acquisition of associate		(131)	—	(131)	—
Finance costs		(14)	(16)	(49)	(48)
Loss before taxation		(545)	(1,840)	(2,722)	(6,363)
Taxation	3	—	(48)	—	(60)
Loss after taxation		(545)	(1,888)	(2,722)	(6,423)
Minority interests		(134)	(14)	(350)	(60)
Loss attributable to shareholders		(679)	(1,902)	(3,072)	(6,483)
Loss per share — basic	4	0.15 cent	0.43 cent	0.7 cent	1.53 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months ended 31 December 2004

	Unaudited							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Shares issue costs HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
At 1 April 2004	34,320	35,303	16,375	2,943	—	531	(68,916)	20,556
Translation adjustments	—	—	—	—	—	104	—	104
Capitalisation issue	—	—	—	—	—	—	—	—
Issue of shares	210	—	—	—	—	—	—	210
Share issue expenses	—	—	—	—	—	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	(3,072)	(3,072)
At 31 December 2004	<u>34,530</u>	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>—</u>	<u>635</u>	<u>(71,988)</u>	<u>17,798</u>
At 1 April 2003	5,323	38,587	16,375	2,943	(3,410)	664	(60,372)	110
Translation adjustments	—	—	—	—	—	(103)	—	(103)
Capitalisation issue	20,351	(20,351)	—	—	—	—	—	—
Issue of shares	8,646	24,420	—	—	—	—	—	33,066
Share issue expenses	—	(7,353)	—	—	3,410	—	—	(3,943)
Acquisition of a subsidiary	—	—	189	—	—	—	—	189
Loss for the period	—	—	—	—	—	—	(6,483)	(6,483)
At 31 December 2003	<u>34,320</u>	<u>35,303</u>	<u>16,564</u>	<u>2,943</u>	<u>—</u>	<u>561</u>	<u>(66,855)</u>	<u>22,836</u>

Notes:

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

The Group is principally engaged in the development, provision and sale of mobile Internet communication telecommunications and related services in Hong Kong and other Asian countries. Revenues recognised during the periods are as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of MobileSurf-installed pocket personal computers and computer accessories	—	47	—	465
Subscription fees from provision of MobileSurf service	—	10	7	35
Service fees from provision of mobile data solutions and related services	5,441	3,127	16,036	5,949
Fees for development of customised software	—	136	—	136
Fees for provision of mobile messaging service	—	—	—	71
	5,441	3,320	16,043	6,656

3. Taxation

No provision for Hong Kong profits tax has been made in the accounts, as the Group had no assessable profits arising in or derived from Hong Kong during the nine months ended 31 December 2004 and 31 December 2003.

No provision for overseas (the PRC, Singapore, Taiwan and the USA) income taxes has been made as the Group operating in these countries were operating at a loss during the nine months ended 31 December 2004 and 31 December 2003.

Taxation in the unaudited condensed consolidated profit and loss account represents the withholding taxes which have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the periods.

4. Loss per share

The calculation of the basic loss per share for the Three-Month Period and Nine-Month Period is based on the unaudited net loss attributable to shareholders for the three months period and nine months period ended 31 December 2004 of approximately HK\$679,000 and HK\$3,072,000 (2003: HK\$1,902,000 and HK\$6,483,000) and on the weighted average number of approximately 442,042,133 shares and 441,017,354 shares in issue for the three months period and nine months period ended 31 December 2004 (2003: 440,000,000 shares and 424,800,000 shares).

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

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group made a net loss of HK\$3,072,000 for the nine months ended 31 December 2004, declined by 53% from HK\$6,483,000 recorded in the corresponding period last year.

The Group's unaudited consolidated turnover for the Three-Month Period and the Nine-Month Period rose to approximately HK\$5,441,000 and HK\$16,043,000, representing an increase of approximately 64% and 141% respectively over the corresponding periods last year. As a result, loss per share narrowed to HK\$0.15 cent and HK\$0.7 cent representing significant reductions of approximately 65% and 54% respectively compared to the corresponding periods last year. The improvement in turnover is mainly due to the fast growing of mobile entertainment business in the Asia Pacific region.

Business Review

The mobile entertainment industry continues to experience steady growth in the Asia Pacific region. The Group is focused on enhancing the value of the mobile data driven business in order to position as a key value driver of the mobile entertainment business. The mobile data industry continues its move towards multimedia technologies, which make rich content development and distribution our Group's highest growth areas. The multimedia products and services create radically new end-user experience and business models.

The roll out of the 3G networks have started across the region during the last 3-6 months in Taiwan, Singapore, Malaysia and Australia. The mobile entertainment segment is moving fast towards with richer and user-friendlier content experience delivering real value for the subscribers. The Group has confirmed several strategic alliances with key service providers to fulfill the needs of the operators to introduce new services in the markets. The Group continues its positioning between the telecom operators and the content owners, enabling business for all the parties involved.

3G subscribers are proven to be high-end customers, who have the highest Average Revenue Per User (ARPU) level and heavy users of the services provided by the Group. When the user base is starting to reach a critical mass, this will have positive impact on the Group's earnings and operating margin. The Group is in a unique position when it comes to our regional presence and our large distribution network across Greater China and the Asia Pacific region and the Group continues to develop this network across the region in its existing markets as well as the expansion to the new and still developing markets.

By focusing on the 3G services, the Group built on its existing 2G and 2.5G businesses of downloading, infotainment, and entertainment areas. The Group has been launching several new services with the key operators in various markets. These services included the Euro 2004 mobile services in Singapore, Hong Kong and Macau; Olympics mobile services in Singapore and Hong Kong; mobile comic channel in Singapore, 3G services in Australia and more than 20 various multimedia services on video streaming or downloading capabilities under 2.5G, 2.75G and 3G in Hong Kong and Taiwan market. The Group has a very strong position especially in the sport and multimedia services for mobile users across the region through key partnerships with the leading global news agencies.

In addition, the Group partnerships with The Interactive TV (Channel 27 in I-Cable Television) to deploy the mobile download platform across Television media in Hong Kong. The Group believes this cooperation will educate and increase more popularity to the general public of mobile services.

The growth experienced by the Group in the year 2004 should hopefully continue steadily in 2005.

Prospects

The Group continues the process of building up an Asian wide Chinese community for the overseas Chinese people. This is done through the Group's own brand "Dock-M" and now renamed the "Chinese Station". The Chinese Station mobile entertainment portal with Chinese content focus is going to be launched nation wide in Australia, New Zealand, Malaysia, Thailand, Philippines and Singapore.

More and more 3G services have been launched beginning year 2005 with operators in Hong Kong, Taiwan, Singapore, Malaysia and Australia. 3G trials in the PRC are also expected sometimes later in 2005. The group plans also to expand its business operation towards the IVR business, which has extremely strong foothold as content download channel across Asia Pacific region. The European market will also be explored through partnerships with key services providers there. Since the operating expenses are significant higher in Europe due to the higher cost of living and the strong Euro, the Group will try to enter that market via business partnerships rather than direct investments at this time.

The Group will also start providing the leading operators in Hong Kong, Taiwan, Singapore, Malaysia and Australia with the quality sport services through various platforms (SMS, WAP, MMS, JAVA, 3G). These sport services include Football, Tennis, Basketball, Golf, etc. In addition, the Group will be focusing to aggregate with more branded content for Asia Pacific mobile distribution.

As the mobile devices and the networks develop even further, various brands are also entering to the mobile content space. The Group has positioned itself as an enabler for these brands and has various on-going projects already across the region. These brands include famous Canto-Pop stars, entertainment brands, on-line service providers and so on. The Groups long track record and deep knowledge of the mobile technologies creates a clear competitive edge for the Group and add value for the brands.

With the Group's experience of 3G services deployment, the Group will extend these key capabilities and multimedia services into other 3G operators in 2005.

At present, the Group covers a total of over 30 telecom operators and portals in 13 markets in the Asia Pacific region. This number is expected to increase steadily in regions such as Thailand, the Philippines and Indonesia. The scale in terms of quantity and quality in terms of content remains the Group's strongest differentiation point from its main competitors in the region.

Research and Development

The Group has extended its Mobilesurf platform into video streaming and download capabilities on various mobile handsets. This is a significant development that allows our platform to deliver our content and services across 2.5G, 2.75G, and 3G networks. As third-generation wireless technologies come closer to the everyday life of users, the Group believes services that provide interactive communication and multimedia applications will be the trends for the coming years. The Group is currently focusing the deployment of such new communication concepts combining multiple-party interactivity of instant messaging with multimedia services on mobile devices.

Sales and Marketing

The business of mobile data is keep increasing over the next three years, rising from under 10% of operators' revenues in 2002 to over 20% in 2005, with further growth expected.

The Group has generated substantial revenue from its recurring business with telecommunication operators over the past months. The Group has expanded its business into 3G services with Hutchison Telecom and other video services in 2.5G and 2.75G networks. In addition, the Group is now deploying more value-added services with operators' sales channels in Australia, New Zealand, Singapore, Thailand and Taiwan. The Group's sales network now covers 13 markets across the South East Asian region with almost 30 telecommunication operators. In Hong Kong and Taiwan, the Group operates with all the local telecommunication players. From the products' point of view, the Group has maintained its focus on developing completely new and user-friendly services and streamlined its distribution channel to deliver third party content even further to maximize revenues and maximize the potential of the Group's service delivery engine that is connected to the operator infrastructure.

The Group co-operated with Hutchison Telecom to successfully launch many multimedia services and is currently the leading provider of 3G/2.5G multimedia services to operators in the region. The Group further extended applications into two areas: (1) deploying the interactive features on our platform; and (2) providing an user-friendly interface of connecting with a variety of branded content that centralizing its platform as a major hub between network operators and content providers across Asia Pacific region.

The Group has deployed more JAVA applications with a variety of content, e.g. Daily Bulletin applications for 2.5G and co-operated with various handset manufacturers. With these built-in applications, users can browse all LIVE news and reports including betting information, breaking news, local news, international news, weather and air pollution, and traffic conditions once they purchase the handsets.

The Group is also focusing in to the various carefully selected customer segments in its markets. These segments include for example overseas Chinese community as well as sport fans community. The Group has developed tailor made products and services to these target segments and is rolling them out according to the roadmap agree with local operators. Product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

The Group also continues to scale its operation through the regional partners and benefit from the unique regional sales and distribution network that is in place. The Group also continues actively looking for new strategic partners on the content side, whose products and brands it can take in to the distribution.

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

As at 31 December 2004, 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 (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) 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 5.46 to 5.68 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	Approximately percentage of issued share capital
Mr. Chan Chung	(Note)	176,169,861	39.9%
Mr. Chan Wai Kwong, Peter	Beneficial owner	<u>4,064,036</u>	<u>0.9%</u>
		<u><u>180,233,897</u></u>	<u><u>40.8%</u></u>

Note: By virtue of the SFO, Mr. Chan Chung is deemed to be interested in the 176,169,861 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 underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Mr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103
			400,000	0.091%			

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 (the "Pre-IPO Share Option Scheme"). 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
Mr. Chan Chung	(Note 1)	(Note 2)	1,400,000	0.32%

Notes:

1. 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.
2. 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 May 2004 to 2 February 2005.

Save as disclosed above, as at the date of this announcement, 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 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, 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 shareholder	Capacity	Number of shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	176,169,861	39.9%
Mr. Chan Chung	(Note 1)	176,169,861	39.9%
Vodatel Information Limited	Beneficial owner	63,804,466	14.4%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	63,804,466	14.4%
Go Capital Limited	Beneficial owner	31,902,233	7.2%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	7.2%
OUB.com Pte Ltd	Beneficial owner	27,303,584	6.2%
United Overseas Bank Limited ("UOB")	(Note 4)	27,303,584	6.2%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	23,881,144	5.4%
			73.1%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, 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 176,169,861 Shares held by Silicon.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 63,804,466 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 63,804,466 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 quarterly report of Vodatel, as at 17 November 2004, Mr. Jose 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 interim report of Culturecom, as at 29 December 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

4. UOB is deemed, by virtue of the SFO, to be interested in the 27,303,584 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 27,303,584 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 12 March 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

5. 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 the 23,881,144 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	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
UOB	(Note 2)	1,400,000	0.32%	9 May 2004 — 2 February 2005	0.103
			0.32%		

Notes:

1. These share options were granted to OUB.com Pte Ltd by Silicon pursuant to an option agreement dated 28 March 2002.

2. 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 of UOB, as at 12 March 2004, 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 4)	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$3,200,000	41,025,640	9.3%
Vodatel	(Note 2)	HK\$3,200,000	41,025,640	9.3%
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%
				14.5%

Notes:

- 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. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed of to Vodatel Information Limited on 14 April 2004.
- 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 quarterly report of Vodatel, as at 17 November 2004, Mr. Jose 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 29 December 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 442,042,133 Shares in issue as at the date of this announcement. The conversion price of the convertible notes may change from time to time.
5. During the period ended 31 December 2004, neither Vodatel Information Limited and Go Capital 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	(Note)	(Note)	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 May 2004 to 2 February 2005.

Save as disclosed above, as at the date of this announcement, 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 required to be entered in the register maintained by the Company pursuant to Section 336 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.

SHARE OPTIONS

The Company adopted a share option scheme (the "Share Option Scheme") and the Pre-IPO Share Option Scheme on 27 March 2003. The summary of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in Appendix IV of the Prospectus dated 30 April 2003 under the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme". On 26 April 2004 and 30 August 2004, share options were granted to certain employees to subscribe for 750,000 shares and 192,500 shares of the Company at an exercise price of HK\$0.32 each and the aforesaid share options were exercisable after one year from the date of grant.

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for Shares. Details of the share options granted under the Pre-IPO Share Option Scheme outstanding as at 31 December 2004 are set out as below:

Name	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
		Out-standing as at 1 April 2004	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Out-standing as at 31 December 2004					
Executive Directors											
Mr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103	
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103	
Other Participants											
Employees in aggregate (Note)	27 March 2003	1,080,000	942,500	—	(192,500)	1,830,000	0.414%	9 May 2003 — 8 May 2013	1.00	0.103	
Business Consultant											
Mr. Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.114	
		<u>1,780,000</u>	<u>942,500</u>	<u>—</u>	<u>(192,500)</u>	<u>2,530,000</u>	<u>0.573%</u>				

Note: Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Save as disclosed above, no options pursuant to the Pre-IPO Scheme have been exercised and cancelled during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the nine months ended 31 December 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

SPONSOR'S INTEREST

On 14 June 2004, a co-sponsor agreement has been entered into between the Company and Kingston Corporate Finance Limited ("Kingston") who has received and will receive fees for acting as the Company's retained sponsors for the period from 21 June 2004 to 31 March 2006.

On 13 Aug 2004, a sponsor agreement has been entered into between the Company and Kingston who will receive fees for acting the Company's sole sponsor for the period 13 Aug 2004 to 31 March 2006.

Save as disclosed above, as at 31 December 2004, neither Kingston nor their directors, employees or their respective associates (as referred to in Note 3 to Rule 11.04 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.

COMPLIANCE WITH RULES 5.35 TO 5.45 OF THE GEM LISTING RULES

The Company has complied throughout the period of nine months ended 31 December 2004 the minimum standards of good practice concerning the general management responsibilities of the Directors as set out in Rules 5.35 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 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 nine months ended 31 December 2004 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.

As at the date of this announcement, the Board comprises of executive directors namely Mr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; non-executive directors namely Mr. Goh Yu Min; and independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond.

By Order of the Board

Chan Chung

Chairman

Hong Kong, 7 February 2005