FINANCIAL REVIEW

During the period under review, cost controls and the realignment of our business focus have improved the Group's financial position over the same period last year. Profit attributable to shareholders was HK$5.8 million compared to a loss of HK$52.5 million in the same period last year.

The gross profit ratio of the Group's international telecommunications business rose from 30% to 38%, the Internet access business cut its operating loss from HK$72.6 million to HK$34.1 million. Overall, the Group's operating efficiency improved dramatically as a result of tighter cost control, total operating costs dropped by 27% as compared to the last corresponding period. The content and e-commerce businesses have been scaled down since last November and will pose no further drain to the Group.

As at 28th February 2001, the Group had cash and bank balances of HK$578.7 million and outstanding borrowing of HK$68.8 million. The cash and bank balances of the Group are primarily denominated in Hong Kong dollars and US dollars while the Group's borrowing of HK$36.8 million is primarily denominated in Japanese yen. The Group's exposure to foreign exchange fluctuations is not significant.

Capital expenditure was HK$86.8 million during the period, of which approximately HK$46.6 million was spent developing the local wireless fixed network; HK$4.8 million was spent on upgrading the switching system and HK$35.4 million was earmarked for construction of the Group's international telecommunications facilities. The major expenditures in the second half of the year will be the continuing development of the local wireless fixed network infrastructure.