

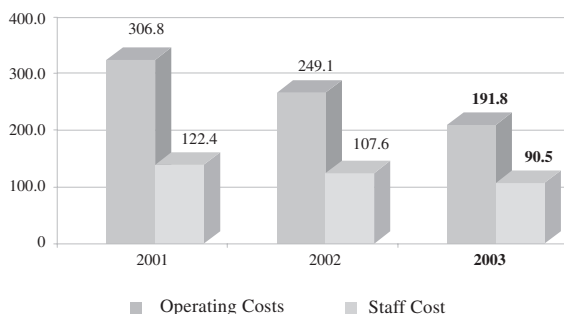
Financial Review

Results

During the year under review, the Group continued to record increasing revenue growth and improvements in operating results. The consolidated turnover increased by 27.1% to HK\$402.5 million compared to HK\$316.7 million for the prior year.

Operating costs reduced from HK\$249.1 million in 2002 to HK\$191.8 million reflecting the improvements in operating efficiencies within the Group.

**Operating and Staff Costs
(HK\$ millions)**



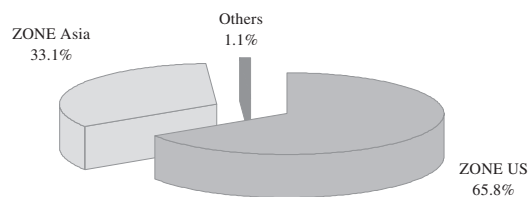
Operating costs before depreciation decreased by 27.1% from HK\$202.2 million in 2002 to HK\$147.4 million. Staff cost decreased from HK\$107.6 million in 2002 to HK\$90.5 million indicating further productivity gains being achieved.

EBITDA improved by HK\$132.9 million from negative HK\$109.1 million for the previous year to positive HK\$23.8 million for 2003.

The increase in turnover and improved operating results were due mainly to the strong full-year contribution from the core telecommunication business. Revenue from the ZONE telecommunication business increased by 33.4% to HK\$398.1 million in 2003, compared to HK\$298.5 million in 2002.

Turnover from ZONE US increased by 49.3% from HK\$177.5 million in 2002 to HK\$265.0 million in 2003. ZONE US achieved positive EBITDA for the year despite increasing competition, particularly in the residential segment of the market. Healthy growth in the corporate segment and continuing enhancements in operating efficiencies were key factors contributing to the positive EBITDA for ZONE US. ZONE US accounted for 65.8% of the total Group turnover in 2003, compared to 56.0% for the previous year.

% Turnover Contribution



ZONE Hong Kong and ZONE Singapore achieved net profit for the year and collectively recorded a 9.9% increase in the turnover from HK\$121.1 million for the previous year to HK\$133.1 million for 2003.

The Group's gross profit increased by 86.5% from HK\$89.8 million in 2002 to HK\$167.4 million. The gross profit as percentage of turnover increased from 28.3% for 2002 to 41.6% for 2003.

Operating loss for the year was HK\$21.1 million compared to HK\$156.0 million for the previous year. Consolidated net loss attributable to shareholders declined to HK\$19.8 million from HK\$186.3 million in the year of 2002.

Assets

As at 31 December 2003, the net assets of the Group amounted to HK\$176.6 million compared to HK\$196.4 million as at 31 December 2002. With the total number of issued ordinary shares as at 31 December 2003 of 470,894,200, the net asset value per share was HK\$0.38.

Net current assets improved from HK\$3.0 million as at 31 December 2002 to HK\$22.8 million as at 31 December 2003. This is mainly due to the decrease in trade and other payable from HK\$81.2 million to HK\$58.6 million as at 31 December 2003.

Liquidity and financing

The Group relied on its internal resources to fund its operations during the year.

Cash and bank balances (excluding pledged deposits) were HK\$30.9 million as at 31 December 2003 compared to HK\$31.1 million in 2002. The Group's pledged deposits reduced from HK\$7.7 million as at 31 December 2002 to HK\$3.3 million as at 31 December 2003. The Group had no bank borrowings during the year.

As at 31 December 2003, the Group's liabilities under equipment lease financing reduced to HK\$0.6 million compared to HK\$7.4 million in 2002.

Financial Review (continued)

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets improved from 3.8% as at 31 December 2002 to 0.3% as at 31 December 2003.

Foreign exchange exposure

Since most of the Group's assets and liabilities, revenue and payments are denominated in Hong Kong

dollars or United States dollars, the Group considers that there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged.

Contingent liabilities and commitments

As at 31 December 2003, there are no material contingent liabilities and commitments.