

MANAGEMENT DISCUSSION AND ANALYSIS

In 2003, the Group continued to promote markets, conduct structural changes in business, asset restructurings and strengthening management so as to reach the target of turning loss into profits.

As at 31 December 2003, the total assets of the Group were HK\$2,731,200,000. The total liabilities were HK\$1,827,709,000, of which the current and the non-current portion of bank loans were HK\$609,774,000 and HK\$215,516,000, respectively. In terms of contingent liabilities, there was HK\$4,450,000 which was more or less the same to that of the end of 2002. As at 31 December 2003, the assets/liabilities ratio was 67% and the current ratio was 1.03, both were similar to that of the end of 2002.

The source of funding of the Group mainly comes from its internal financial resources and banking facilities. The Group's cash on hand and cash at bank as at 31 December 2003 was HK\$301,440,000, most of which was in HK dollars and the rest in RMB and US dollars.

CASIL Telecommunications Holdings Limited had issued a total of 40 million new shares in September 2003 and the net proceed was about HK\$11.4 million, and a total of 100 million new shares in March 2004 and the net proceed was about HK\$40 million. The shareholding of the Company in CASIL Telecommunications Holdings Limited reduced from 51.22% to 44.16%.

A couple of the Group's real estates and investments have been mortgaged to banks for financing with interest calculated at prime rate, and their remaining terms by installment varies from 3 to 10 years.

The Group now has more than 5,000 staff in the Mainland China and in Hong Kong. The Group will further improve human resources management, enhance assessment quality and reinforce internal supervision.