

Financial Review

Results

The Group's turnover for the period under review increased by HK\$0.3 million to HK\$201.5 million compared to HK\$201.2 million for the corresponding period in 2003.

The gross profit for this period was HK\$74.7 million compared to HK\$84.9 million for the corresponding period in the previous year.

The gross profit for the period ended 30 June 2003 took into account an amount of HK\$8.2 million which was the provision for rebate of Universal Services Contributions ("USC") from PCCW — HKT Telephone Limited. The amount was offset against the cost of sales of the Group in 2003.

The gross profit for the period as a percentage of total turnover was 37.1% compared to 42.2% (or 38.1% if excluding the provision for rebate of USC) for the period ended 30 June 2003.

The Group's EBITDA for the period under review was HK\$7.8 million compared to HK\$14.3 million for the prior period.

The operating loss for the period was HK\$17.7 million compared to HK\$8.6 million for the previous corresponding period.

Consolidated net loss attributable to shareholders was HK\$17.7 million compared to HK\$8.3 million for the previous corresponding period.

Interim dividend

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2004 (30 June 2003: Nil).

Liquidity and financing

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

Bank balances and cash (excluding pledged deposits) were HK\$34.3 million as at 30 June 2004 (31 December 2003: HK\$30.9 million). The Group had pledged deposits amounting to HK\$3.2 million as at 30 June 2004 (31 December 2003: HK\$3.3 million). The Group had no bank borrowings during the period under review.

As at 30 June 2004, the Group's liabilities under equipment lease financing amounted to HK\$0.5 million (31 December 2003: HK\$0.6 million).

As at 30 June 2004, the net assets of the Group amounted to HK\$158.9 million (31 December 2003: HK\$176.6 million). The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 0.3% (31 December 2003: 0.3%).

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

As at 30 June 2004, there were no material contingent liabilities.

Save as aforesaid, the directors are not aware of any other material changes from information disclosed in the 2003 annual report.