

OUTLOOK

With better global economic prospects and China's stable and continued robust economy, the Directors are confident that the Group is well-positioned to benefit from further business growth. A strong financial position and low gearing ratio will also place the Group favourably in capturing viable investment opportunities when they arise. In the meantime, the Group will continue to engage in product development advances that will make it easier and faster for customers to use and apply, and invest in technology innovations for niche markets that expand its portfolio of solutions and offerings. Strategic alliances and co-operation with industry leaders and international technology partners will continue to be forged.

FINANCIAL POSITION

Liquidity and Financial Resources

The Group's financial position remains strong with a low debt leverage and a net cash position. As at 31 December 2004, the Group had HK\$817 million made up of deposits, bank balances and cash. The gearing ratio at the period-end was 0.03 (30 June 2004: 0.04), which calculation was based on the Group's total borrowings of HK\$149 million (30 June 2004: HK\$173 million) and shareholders' funds of HK\$4,480 million (30 June 2004: HK\$4,232 million).

Total borrowings comprise bank borrowings of HK\$105 million (30 June 2004: HK\$105 million); other borrowings, which represent block discounting loans, of HK\$12 million (30 June 2004: HK\$17 million); obligations under finance leases of less than HK\$1 million (30 June 2004: less than HK\$1 million); and convertible bonds of HK\$32 million (30 June 2004: HK\$51 million). Finance costs for the Period amounted to HK\$4.2 million (Previous Period: HK\$11.2 million).

As at 31 December 2004, certain land and buildings of the Group with a net book value of HK\$11 million (30 June 2004: HK\$10 million) were pledged to a bank as security for banking facilities granted to a subsidiary of the Group.

Exposure to Exchange Rate Fluctuations

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expense, and where exposure to foreign exchange is anticipated, appropriate hedging instruments such as forward contracts will be used.