

RESULTS

The Group recorded a loss attributed to shareholders of approximately HK\$21,130,000 for the year ended 31st December, 2004 compared with a loss attributable to shareholders of approximately HK\$37,767,000 for the corresponding period in 2003. The basic and diluted loss per share for the year was HK1.52 cents, compared with the basic and diluted loss per share of HK3.03 cents for the previous year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at the balance sheet date, the Group had net current liabilities of approximately HK\$25,919,000 (2003: net current assets of HK\$16,216,000) and had cash and cash equivalents of approximately HK\$33,618,000 (2003: HK\$4,431,000). During the year, the Group has not made any bank borrowings (2003: HK\$458,000).

The Group's gearing ratio was 1.17 as at 31st December, 2004 as compared with 1.18 as at 31st December, 2003. The gearing ratio is calculated by dividing total liabilities by total assets.

CAPITAL STRUCTURE

In August 2004, China United Telecom Limited ("China United"), the substantial shareholder of the Company, exercised its option in part pursuant to the option agreement entered in August 2002 and subscribed for 111,000,000 shares at a subscription price of HK\$0.20 per share. As at 31st December, 2004, the issued share capital of the Company was HK\$291,505,459.20 divided into 1,457,527,296 shares of HK\$0.20 par value each.

TREASURY POLICIES

The business activities of the Group are mainly funded by shareholders' fund and cash generated from operating activities.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are either denominated in Hong Kong dollars or Renminbi which were quite stable during the year. No financial instruments have been employed for hedging purposes by the Group.

The Group is not exposed to significant capital market risk as the Group does not have material equity investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

EMPLOYEES

As at 31st December, 2004, the Group employed 27 (2003: 32) staff in Hong Kong. Remuneration is reviewed annually and a discretionary bonus will be declared based on the performance of the staff. Also, the 2002 share option scheme adopted by the Company in June 2002 (the “2002 Share Option Scheme”) is in operation.