

OUTLOOK

The global economy is expected to maintain its momentum in the coming year, and in particular, we shall continue to benefit from China's continued robust growth. We will strive to strengthen our position in the niche markets of providing wireless integrated solutions tailored to customers' specialised requirements, as well as enhancing our value-added services to help our customers achieve significant savings.

While the Group is reinforcing its core wireless business and striving for other growth drivers such as e-gaming and online entertainment to pave way for top-line growth and bottom-line improvement in the years ahead, there emerges increasingly different macro-economic dynamics that may affect the performance of global corporations and therefore their results, ourselves included. Among the unforeseen events, the latest threat is a possible widespread outbreak of avian flu. We believe we have the experience and the contingency plans in place to cope with such circumstances and to mitigate the effects, but fundamentally, we are not immune to such short term shocks.

FINANCIAL POSITION

Liquidity and Financial Resources

The Group continued to maintain strong financial position throughout the period under review. The Group financed its operation and business development with internally generated resources, capital markets instruments, and banking facilities provided by its principal bankers. In October 2005, Kantone completed a top-up placing of 240 million Kantone shares at the issue price of HK\$0.73 per share (the "Placing"). Kantone raised net proceeds of about HK\$168 million, which would be applied to the investment in and future development of the e-lottery business, and the general working capital of Kantone Group. As a result of the Placing, the Group's shareholder base has been enlarged and its liquidity position has been further enhanced.

As at 31 December 2005, the Group had HK\$287 million (30 June 2005: HK\$139 million) liquid assets made up of deposits, bank balances and cash. Equity attributable to equity holders of the Company stood at HK\$1,433 million (30 June 2005: HK\$1,081 million). With net current assets of HK\$421 million, the Group maintained a comfortable level of liquidity. The gearing ratio of the Group as at 31 December 2005, defined as the Group's total borrowings to equity attributable to equity holders of the Company, was 0.09 (30 June 2005: 0.12). The change in gearing ratio was mainly attributable to the Placing.