

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003 (For the six months ended 30 September 2002: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the second financial quarter ended 30 September 2003, the Group's turnover amounted to HK\$3,720 million, an increase of 26.5% compared to HK\$2,941 million recorded in the same period last year. Profit attributable to shareholders increased by 10.6% to HK\$58 million compared to HK\$52 million of the same period a year ago. As the clearing of mobile telephone inventory was carried out mainly in the second financial quarter with a significant loss incurred, the quarter's gross profit margin retreated to 5.38% which was considerably below the 7.73% recorded in the same period last year. Not taking into account the clearance of mobile telephone inventory, however, the gross profit margin was 7.45% and 7.72% respectively in the first and second financial quarters, representing only a small decline compared to the respective figures of 8.37% and 7.73% for the corresponding quarters last year.

The first half of the financial year marked a period of exceptional circumstances and formidable challenges for the Group. During the first financial quarter, the sudden outbreak of severe acute respiratory syndrome ("SARS") dealt a severe blow to the Group's operations, with the mobile telephone business being most affected for which a special provision of HK\$95 million was made. This together with a provision of approximately HK\$60 million made for certain trade receivables resulted in a net loss of HK\$149 million for the Group in the first financial quarter. Moreover, the increases in inventory and trade receivables had exerted strong pressure on the Group's cash flow as reflected by a net operating cash outflow of HK\$642 million during the first financial quarter. Facing these daunting challenges, the Group took decisive measures for a swift turnaround in the second financial quarter. First and foremost was the clearing of mobile telephone backlog, which was completed during the second financial quarter. Since adequate provision had been made for the inventory