

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 as these arise.

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's financial position remained strong with a low gearing and a net cash position. As at 31 December 2005, the Group had HK\$999 million made up of deposits, bank balances and cash. Current assets were approximately HK\$1,827 million (30 June 2005: HK\$1,637 million) and current liabilities amounted to approximately HK\$310 million (30 June 2005: HK\$329 million). With net current assets of HK\$1,516 million, the Group had maintained a high level of financial liquidity. The gearing ratio at the period-end, which calculation was based on the Group's total borrowings of HK\$219 million (30 June 2005: HK\$193 million) and equity attributable to equity holders of the parent of HK\$5.0 billion (30 June 2005: HK\$4.7 billion), was 0.04 (30 June 2005: 0.04).

Total borrowings comprise bank borrowings of HK\$145 million (30 June 2005: HK\$59 million); other borrowings, which represent block discounting loans, of HK\$6 million (30 June 2005: HK\$9 million); and convertible bonds of HK\$68 million, after taking into account of the fair value changes with the adoption of new accounting standards (see Note 3 for details) (30 June 2005: HK\$125 million). Finance costs for the Period amounted to HK\$4.4 million (Previous Period: HK\$4.2 million).