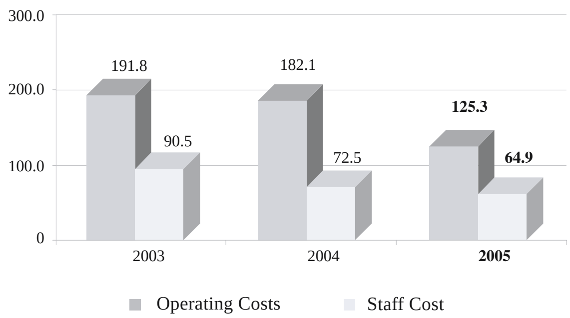
Financial Review

Results

During the year under review, the Group continued to record increases in revenue growth. The consolidated turnover increased by 5.0% to HK$422.6 million compared to HK$402.7 million for the prior year.

Operating costs reduced from HK$182.1 million in 2004 to HK$125.3 million reflecting further improvements in operating efficiencies within the Group.

Operating and Staff Costs (HK$ millions)

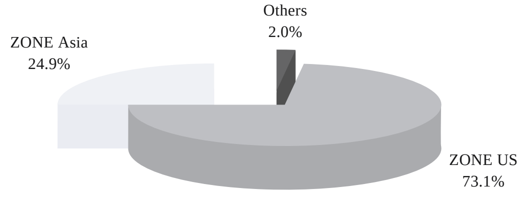


Operating costs before depreciation decreased by 9.5% from HK$133.2 million in 2004 to HK$120.5 million. Staff cost decreased from HK$72.5 million in 2004 to HK$64.9 million indicating additional productivity gains being achieved.

EBITDA for the Group recorded a substantial increase of 282.1% to HK$45.2 million for 2005 compared to HK$11.8 million for 2004.

Turnover from ZONE US increased by 12.8% from HK$273.7 million in 2004 to HK$308.7 million in 2005 which accounted for 73.1% of total Group turnover in 2005 compared to 68.0% for the previous year.

% Turnover Contribution



ZONE Asia, comprising the Group's telecommunications business in Hong Kong and Singapore, collectively, recorded an 18.0% decrease in turnover from HK$128.5 million for the previous year to HK$105.4 million for 2005, but managed to achieve an operating profit for the year of HK$20.8 million.

The Group's gross profit increased by 4.8% from HK$147.8 million in 2004 to HK$154.9 million in 2005.

The operating profit for the year was HK$38.6 million compared to a loss of HK$32.4 million for the previous year.

The consolidated net profit attributable to shareholders was HK$47.1 million compared to a net loss of HK$131.6 million for 2004.

Assets

As at 31 December 2005, the net assets of the Group amounted to HK$91.1 million (2004: HK$43.6 million).

Liquidity and Financing

The Group relied on its internal resources to fund operations during the year.

Cash and bank balances (excluding pledged deposits) were HK$58.7 million as at 31 December 2005 (2004: HK$44.4 million). The Group had pledged deposits amounting to HK$2.5 million as at 31 December 2005 (2004: HK$2.8 million) and had no bank borrowings during the year.

As at 31 December 2005, the Group's liabilities under equipment lease financing further decreased to HK$0.8 million (2004: HK$1.0 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 0.9% (2004: 2.3%).

Foreign Exchange Exposure

Since most of the Group's assets and liabilities, revenue and payments are denominated in Hong Kong dollars and United States dollars, the Group considers that there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. As the cash contribution from the Singapore operations continues to grow, the Group will closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, will take any necessary action to reduce such exchange risks.

Contingent Liabilities and Commitments

As at 31 December 2005, there were no material contingent liabilities and commitments.