

Turnover

Due to the slump in the property sector, the rental income received by the Group has dropped by about 50%. This was the result of the decrease in monthly rental in respect of the renewal of tenancy agreement at the end of last financial year.

Liquidity, financial resources and capital structure

During the year, the Company had issued, in total, 815,000,000 shares (new shares after subdivision). In which, 165,000,000 shares (new shares after subdivision) were issued and raised approximately HK\$46 million by ways of cash placements. And, 650,000,000 shares (new shares after subdivision) were issued as consideration shares for a total sum of HK\$177 million for the purpose of acquisition of certain investment projects.

The Company negotiated with its bankers for the restructuring of certain bank loan facilities, and, approximately HK\$29 million revolving loan has been successfully converted into a 3 year medium term loan after the financial year. It increases the liquidity of the Group.

As at 30th June, 2001, the Group's gearing ratio (the ratio of interest bearing debts to shareholders' funds) improved from 46.9% in 2000 to 25.6% in 2001.

All of the Group's bank balances and borrowings were denominated in Hong Kong dollars and United States dollars, risk in exchange rate fluctuation would be immaterial.

During the year, the Company has granted a corporate guarantee to a related company for a sum of approximately HK\$5 million in return of a service fee. The corporate guarantee was given with a back-to-back guarantee from the related company.

By the end of September 2001, there were repayments in sum of approximately HK\$22 million to fully settle the remaining outstanding portion of bank loans due by a former wholly owned subsidiary of the Group. The contingent liabilities of the Group for the corporate guarantees granted in respect of such loan facilities to the former subsidiary in sum of approximately HK\$62 million was removed accordingly.

At the end of the year, the Group had short-term loans and overdraft facilities with banks and financial institutions totaling approximately HK\$67,754,000 (2000: HK\$78,833,000) and long-term borrowings amounted to HK\$24,028,000 (2000: HK\$23,652,000).

Properties portfolio

The Group's properties portfolio were valued at HK\$166,400,000 (2000: HK\$177,800,000) at 30th June, 2001 by FPD Savills (Hong Kong) Limited on an open market value existing use basis.

- Properties owned in Hong Kong: Revaluation deficits of approximately HK\$9,900,000 (2000: HK\$3,700,000) has been charged to the income statement due to diminution in values.
- Properties held for sale and properties under development owned in the PRC: Revaluation deficits of approximately HK\$1,500,000 (2000: HK\$26,690,000) has been charged to the income statement due to diminution in values.

Comment on segmental information

As the Group has gradually moved from property holding and investment businesses to information technology related field, expenditure on market research and project evaluation was incurred sharply. Due to the immature development and yet no contribution was recorded from the new business stream for the year, the unallocated corporate expenses raised about 2.8 times.

Staff and remuneration policies

The management has recognized that human assets are vital for the new business strategy of the Group and therefore staff salaries are remained at a competitive level. Employees with outstanding performance will be rewarded with discretionary bonus and share options. Other general fringe benefits include medical, insurance and mandatory provident fund scheme.