

## FINANCIAL RESULTS

The Group's overall turnover for the year ended 31st March, 2002 amounted to approximately HK\$64.3 million, representing a decrease of 27% over last year. Significant decrease in turnover was mainly due to the disposal of air ticketing and hotel reservation business by the Group in October 2000.

For the year ended 31st March, 2002, the Group's consolidated net loss attributable to shareholders was HK\$195.5 million (2001: loss of HK\$111,891,000) and the loss per share for the year was HK7.18 cents (2001: loss of HK4.18 cents per share). The loss for the year under review was mainly due to:

- (i) increase in administrative expenses for the year of approximately HK\$37 million or of 63% over the previous year, which mainly attributable to the increase in staff costs by approximately HK\$12 million, approximately HK\$9 million was incurred for the Group's marketing and promotion activities and administrative expenses of approximately HK\$16 million was incurred for our operations in PRC and Macau;
- (ii) an non-recurring losses of HK\$8 million from write-off of goodwill arising on acquisition of a subsidiary company;
- (iii) impairment loss on the Group's unlisted investment securities and club debentures of approximately HK\$36 million;
- (iv) allowances of approximately HK\$42 million for the other debtors and deposits, of which approximately HK\$35 million represented allowance made for the Group's investment in an internet services provider in PRC; and
- (v) amortisation of development costs of approximately HK\$26.5 million, and research and development expenditures incurred during the year of approximately HK\$10.6 million were charged to profit and loss accounts this year.

At 31st March, 2002, the Group's net asset value was HK\$451,958,000 and net asset value per number of 2,787,560,000 shares of the Company was approximately HK\$0.16 (2001: HK\$0.22).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2002, the Group had bank and cash balances in aggregate of approximately HK\$76 million and marketable listed securities of approximately HK\$21 million. The Group has no significant exposure to foreign exchange rate fluctuations.

On 8th May, 2001, the Company had placed through a placing agent 300,000,000 warrants conferring rights to subscribe up to HK\$81,000,000 in aggregate in cash for shares of HK\$0.10 each in share capital of the Company at an initial subscription price of HK\$0.27 per share during the period from 10th May, 2001 to 9th May, 2002, both days inclusive. Net proceeds of the placement approximately HK\$25,500,000 was used for general working capital of the Group. As at 31st March, 2002, the Company had 227,600,000 outstanding warrants conferring rights to subscribe up to HK\$61,452,000 in cash for shares of HK\$0.10 each in the company.

As at 31st March, 2002, the Group's total liabilities amounted to HK\$24 million and represented approximately 5% (2001: 4%) to the shareholders' equity.

In view of the Group's cash and marketable securities on hand as well as the proceeds received from warrants exercised after the year ended 31st March, 2002, the Directors believe that the Group's liquidity position remains healthy and has sufficient financial resources to meet its working capital requirements and any commitments for future expansion should the opportunities arise.

## DEVELOPMENT COSTS OF I.T. PROJECTS

At 31st March, 2002, accumulated expenditures incurred for the development of Chinese language computer operating system, chinese character database chip, chinese electronic books and other application software amounted approximately to HK\$107.9 million (2001: HK\$25.2 million). These development costs are deferred and written off over its estimated useful life range from two to five years from the date of commencement of commercial operations. For the year ended 31st March, 2002, the amortisation of development costs amounted to HK\$26.5 million (2001: Nil). Research and development expenditures incurred as expenses during the year amounted to HK\$10.6 million (2001: Nil).

## EMPLOYMENT AND REMUNERATION POLICIES

At 31st March, 2002, the Group had a total of 215 employees of which 143 are based in Hong Kong, 50 based in Macau and 22 based in the PRC. Total staff costs incurred during the year amounted to approximately HK\$53,344,000 (2001: HK\$39,552,000). Remuneration packages are maintained at competitive level and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance. The Group has also committed itself to its staff training and development and structured training programs for all employees.