

## RESULTS ANALYSIS

### Turnover

The Group's turnover was decreased by 21% to HK\$66.7 million for the financial year 2002 compared with HK\$84.4 million in 2001. The decrease in turnover was mainly due to the reduction of the revenue after the disposal of non-core business. While IT business is the Group's mainstream business, technology related revenue of HK\$44.1 million contributed 66% of the total revenue for the year, representing an increase of 28% compared with HK\$34.4 million which contributed 41% of total revenue for last year.

### Operating Loss

Overall operating loss was reduced by 88% to HK\$163.7 million from last year. The unexpected continuation of global downturn affected performance and valuation of many companies within the investment portfolio, comprising investment properties and hi-tech companies. The management decided to take a conservative approach to make a provision of HK\$106.9 million (2001: HK\$411.5 million) for diminution in value of these investments, which accounted for 65% of the operating loss. The remaining loss of HK\$56.8 million is the operating loss, an 81% decrease from last year due to the disposal of non-profitable and non-core businesses. Definite progress has been made by the Group in reducing its costs and enhancing operational efficiency, with an approximately 55% reduction in the operating expenditure.

### Loss Attributable to Shareholders

The Group's loss attributable to shareholders for the year was HK\$189.2 million, representing a decrease in loss of 87% compared with last year.

## INVESTMENT ACTIVITIES

During the year, the Group disposed of its entire interests in certain subsidiaries and associated companies which were principally engaged in property investments and investment holdings at a gain of approximately HK\$19.2 million. The disposal of Virtually Real Limited, a subsidiary which is engaged in multi-media content production and in which the Group has a 51% interest, recorded another disposal gain of approximately HK\$0.7 million.

In February 2002, the Group acquired the entire issued share capital of City Internet Holdings Corporation Limited ("CIH") at a consideration of HK\$7.8 million. The technology and services of CIH complement to the Group's well established geographical information system business and core technology in the area of Business Process Management software. In addition, the acquisition strengthens the Group's expansion into the wireless location based services and digital city services opportunities in the Greater China market.

## LIQUIDITY AND FINANCIAL RESOURCES

### Sources of Fund

The Group's sources of funding included cash generated from operations, short term loans and banking facilities provided by banks in Hong Kong and the Mainland China. Included in the banking facilities was a 7-year term loan, bearing a floating interest rate and the outstanding balance as at 31 March 2002 was HK\$135.0 million. The Group's banking facilities are secured by the Group's investment properties with carrying value of HK\$330.0 million and a charge on deposit in the amount of around HK\$16.6 million.

With the exception of a revolving bank loan of RMB10.0 million, all borrowings and cash of the Group were held in Hong Kong dollars as at 31 March 2002. As a result of consecutive cut in market interest rate and disposal of certain subsidiaries principally engaged in property investments, the Group's finance costs for the year have dropped by 71%.

As at 31 March 2002, the Group's total cash and bank balances amounted to approximately HK\$23.5 million.

In April 2002, the Company completed a rights issue of 1,941,563,720 shares at a subscription price of HK\$0.05 per share. The net proceeds from the rights issue amounted to approximately HK\$94 million and will be applied in accordance with the purposes as set out in the prospectus of the Company dated 20 March 2002. Taking into account the net proceeds from the rights issue and the aforesaid banking and loan facilities, the Group has sufficient fund to meet its commitment and operational requirement.

### Gearing Ratio

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was reduced to 41% (2001: 50%).

### Exposure on Foreign Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and US dollars. During the year under review, there has been minimal fluctuation in exchange rate between Hong Kong dollars and Renminbi, and between Hong Kong dollars and US dollars, and accordingly, the Group's exposure to currency exchange risk was minimal.

### Contingent Liabilities

The contingent liabilities of the Group have not changed materially from those disclosed in last year's annual report.