OPERATION REVIEW

The Group has experienced major restructuring over the last two years, and was successful in reducing costs through the sale of non-core businesses and businesses outside of Hong Kong.

The technology platform LEON/REACH was completed and has been installed in the medical centres of QHA. The Group then with shareholders' permission, entered into a Licence Agreement with QHA which granted the QHA Group an exclusive and perpetual software licence to use and develop the LEON/REACH software within the Greater China Region for a consideration of HK$10 million.

The operation of healthcare transactions achieved a 20% growth in its revenue to HK$48.5 million in this year. The medical equipment distribution business continued to earn healthy revenue and profit and will continue to capture opportunities in the local market and source new ranges of specialty medical equipment from different suppliers. The disposal of the non-core telemarketing and healthcare businesses in Taiwan and Australia released significant human and financial investment.

FINANCIAL REVIEW

As mentioned above, the net loss from ordinary activities attributable to shareholders was HK$282.6 million (2001: loss of HK$2,170.0 million, restated). The loss was mainly attributable to impairment of goodwill/goodwill reserve, intangible assets and fixed assets arising during the year of approximately HK$237.3 million and relating to disposal/ inactive operations. This represents a basic loss per share of 88.5 cents per share for the year (2001: basic loss per share of HK$11.3, restated). No final dividend is recommended for the year.

Capital Structure and Treasury Policy

Equity and Debt Structure

	2002	2001
	HK$'000	HK$'000
Share capital	**4,423**	262,192
Reserves	**(22,969)**	(228,837)
Shareholders' funds/(deficit)	**(18,546)**	33,355
Loan from the ultimate holding company	**31,800**	42,900
Bank and other borrowings	**3,819**	83,544
	17,073	159,799

Reconciliation of Shareholders' Funds/(Deficit)

	HK$'000
Balance at 1 April 2001	33,355
Net proceeds from rights issue	34,946
Consideration shares issued for acquisition of a subsidiary, intangible assets and settlement of deferred acquisition consideration	83,459
Reserves released on disposal of a subsidiary	2,811
Impairment of goodwill previously eliminated against consolidated reserves	110,530
Net loss for the year	(282,617)
Other capital and reserve movements, net	(1,030)
	(18,546)

FINANCIAL REVIEW (con't)

The Group's shareholders' funds turned to a deficiency of approximately HK$18.5 million at 31 March 2002 from a positive value of approximately HK$33.4 million at 31 March 2001. The decrease was mainly the resultant effect of the net loss for the year of approximately HK$282.6 million, the rights issue of approximately HK$34.9 million, the impairment of goodwill previously eliminated against consolidated reserves of approximately HK$110.5 million and the new shares issued of HK$83.5 million for acquisition of a subsidiary, intangible assets and settlement of deferred acquisition consideration.

The Group used approximately HK$35 million out of the rights issue proceeds to repay outstanding bank and other borrowings. The balance of approximately HK$0.4 million was set aside for general working capital purpose. The remaining proceeds at 31 March 2002 amounted to approximately HK$0.4 million.

The Group's debt (bank and other borrowings and loan from the ultimate holding company) reduced from approximately HK$126.4 million at 31 March 2001 to approximately HK$35.6 million at 31 March 2002 because of the sale proceeds and elimination of bank loans associated with the disposal of the construction operations, the scheduled repayments of bank and other borrowings and the consideration from granting the software licence to QHA.

During the year, the Company issued convertible notes of HK$40 million as part of the consideration for entering into certain licence and co-operative arrangements with iBusinessCorporation.com Limited, i21 Limited and Excel Technology International Holdings Limited. Prior to the year ended 31 March 2002, the Company redeemed the convertible notes at a discount for approximately HK$26 million which enhanced the Group's financial position and reduced the Group's gearing.

Debt Maturity Profile

	2002 **HK$'000**	2001 HK$'000
Repayable:		
Within one year or on demand	**3,616**	121,974
In the second year	**31,935**	1,631
In the third to fifth years, inclusive	**68**	2,839
	35,619	126,444

The elimination of bank loans associated with the disposal of the construction operation and the repayment of bank and other borrowings during the year greatly reduced the Group's debts as at 31 March 2002. The revolving term loan granted by QHA originally repayable on 31 December 2001 was renewed during the year and is repayable on 31 December 2003. Accordingly, the balance of such loan amounted to HK$31.8 million as at 31 March 2002 is repayable in the second year.

FINANCIAL REVIEW (con't)

Net Debt/Equity

	2002 HK$'000	2001 HK$'000
Shareholders' funds/(deficit)	**(18,546)**	33,355
Net debt:		
Loan from the ultimate holding company	**31,800**	42,900
Bank and other borrowings	**3,819**	83,544
Cash and bank balances	**(9,607)**	(51,134)
	26,012	75,310

The gearing ratio comparing net debt to equity was negative at 31 March 2002.

Currency And Financial Risk Management

The Group's main operating subsidiaries are located in Hong Kong. Over 76% of the Group's sales and purchases were denominated in Hong Kong dollar, the rest were mainly in Taiwan and Australian dollars.

All debts are denominated in Hong Kong dollar. Interest was primarily charged on a floating rate basis with reference to the Hong Kong Best Lending Rate and HIBOR.

Over 99% of cash and bank balances are denominated in Hong Kong dollar. Any surplus cash is placed in savings accounts and short-term bank deposits to earn interest income.

The Group's assets denominated in foreign currency are limited primarily to its operations in Australia and Taiwan, which had been disposed of before the year end. The Group's exposure to foreign exchange risk is minimal and as such did not have any requirement to use financial instruments for hedging purpose.

Material Acquisition And Disposals Of Subsidiaries During The Year

During the year, the Group disposed of its remaining 50% interest in the construction operations for a consideration of HK$88 million. The Group regarded construction as a non-core operation and its disposal enabled the Group to concentrate its resources on its healthcare related businesses and generate additional working capital for the Group.

In May 2001, the Group acquired iClaims21 Limited for a total consideration of HK$10,000,000, which was satisfied by the issue of 40,000,000 new ordinary shares of the Group valued at HK$0.25 per share.

During the year, the Group disposed of the Australian operations for a nominal consideration of A$1 and the Taiwan operations for a consideration of HK$8 million. The proceeds have improved the liquidity and financial position of the Group and released the continuing support in the form of substantial human and financial resources from the Group to these overseas operations.

FINANCIAL REVIEW (con't)

Liquidity And Capital Resources

As at 31 March 2002, the Group's total borrowings (including interest-bearing bank and other borrowings, finance lease and hire purchases contract payables, and loan from ultimate holding company) were HK$35.7 million.

As at 31 March 2002, the Group's total borrowings of approximately HK$35.7 million were principally denominated in Hong Kong dollar. The portion of total borrowings repayable within 12 months was approximately HK$3.7 million. As at 31 March 2002, total cash and bank balances of the Group amounted to approximately HK$9.6 million. The amounts denominated in foreign currencies are not material. After deducting the cash and bank balances of approximately HK$9.6 million at 31 March 2002, the net borrowings of the Group were approximately HK$26.1 million at 31 March 2002. There was a negative gearing ratio of net debt to deficiency in shareholders' funds on 31 March 2002.

Pledge Of Assets

As at 31 March 2002, the Group pledged a leasehold property and a property for sale of the Group with a total carrying value of approximately HK$6.7 million to obtain certain banking facilities of the Group.

Contingent Liabilities

As at 31 March 2002, the Company had a guarantee amounted to HK$20 million given to a bank in connection with banking facilities granted to a subsidiary.

Employees

As at 31 March 2002, the Group had approximately 30 employees. In addition to salaries, the Group provides certain benefits including a medical scheme for its employees. The Group has also adopted a discretionary bonus program and a share option scheme for its employees, with awards determined based on the performance of the Group and individual employees.