

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the year, the Group recorded a consolidated turnover of HK\$51,791,000 as compared to HK\$128,875,000 in 2001, and a loss of approximately of HK\$95,103,000 as compared to a loss of approximately HK\$138,404,000 in 2001. The loss for the current year is mainly due to the impairment loss on investment securities of HK\$63,382,000; the share of the losses of an associated company of HK\$11,393,000; and the provision for unrealized loss on short-term listed investments of HK\$6,692,000.

Liquidity and financial resources

As at 31st December 2002, the Group held cash deposits of HK\$4,267,000, a decrease of HK\$116,555,000 compared to 31st December 2001 mainly due to the reclassification of DVN as an associated company. The current ratio decreased from 1.59 at the prior year end to 1.18 as at 31st December 2002. The gearing ratio, representing long term liabilities to net worth, decreased from 0.24 at 31st December 2001 to 0.18 at 31st December 2002.

Capital and funding structure

The Group did not issue any share capital for any fund raising activities during the year. In addition to the internal generated cash flows, the Group also made use of import banking facilities and advances from a fellow subsidiary to finance its operations during the year. There were no significant exposures to foreign currency fluctuations. All borrowings during the year were based on current market interest rate. The Group had no long term bank loan and no bank overdrafts outstanding as at year end. The Group will rely on internal generated cash flows and the realization of its assets to fund future cash flow requirements.

Significant investments held

As previously announced, DVN ceased to be the subsidiary of the Company on 13th December 2002 as a result of the Company no longer had of board control over DVN, although the shareholding held by the Group did not change. From that date, the Company started using equity accounting to account for the results of DVN in the accounts. In addition, the Group had 15,000,000 non-voting exchangeable preference shares of a subsidiary of DVN amounting to HK\$143,508,000 at 31st December 2002. The carrying value of these preference shares has been assessed and provision for impairment in value of approximately HK\$63,000,000 has been made at 31st December 2002. Save as disclosed herein, there was no significant change in investments held during the year. As the Group values short-term investments in listed shares at market value in accordance with Hong Kong Statement of Standard

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Accounting Practice (“SSAP”) 24 “Accounting for investments in securities”, the Group is exposed to fluctuation in the equity value of the companies in which it has invested. In addition, the value of the Group’s short-term investments may be impacted by sentiment towards the equity market as well as the stock itself. Other than the aforesaid, the Group has not made any material acquisition or disposal of assets during the year.

Pending Litigation and Contingent Liabilities

At 31st December 2002, the Group had a pending litigation and the details of which have been discussed in note 33 to the accounts. The Group had no material contingent liabilities outstanding as at the year end.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

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During the year, the Group employed more than 400 full-time employees. At 31st December 2002, as DVN was not considered as a subsidiary of the Group, the Group has approximately 40 staff. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel including engineering and product development are offered discretionary year-end bonuses based on individual merit. The Group also provides necessary in-house training programs for all staff. The Group has also adopted a share option scheme to recognize and acknowledge the contribution the employees. Details of share option schemes were disclosed in the Report of the Directors.