

Turnover

The turnover of the Group for the year ended 30th June, 2002 was mainly attributable to the rental income from the investment properties. As the property market experienced a downturn during the year under review, less favorable terms on rental rates were concluded when the expired tenancy was renewed during the year. As a result, a significant decrease in turnover was recorded for the year ended 30th June, 2002.

Liquidity, financial resources, capital structure and contingent liabilities

As at 30th June, 2002, the Group's gearing ratio, calculated on the basis of the Group's interest bearing debts (comprising bank and other borrowings and overdrafts and obligations under finance leases) over shareholders' funds, increased substantially to 1.6 times (2001: 0.3 times). The substantial increase in gearing ratio was mainly attributable to the reduction in shareholders' fund resulted from diminution in value of investment properties, impairment loss recognised in respect of other investment and impairment losses recognised in respect of goodwill in subsidiaries and associates.

As at 30th June, 2002, the short-term and long-term interests bearing debts (as defined above) amounted to approximately HK\$93 million (2001: HK\$68 million) and HK\$0.2 million (2001: HK\$24 million) respectively. During the year under review, the Group's bank balances and borrowings were denominated either in Hong Kong dollars, United States dollars or the People's Republic of China (the "PRC") Renminbi. The PRC Renminbi borrowings, amounted to approximately HK\$1.9 million (2001: Nil), were charged with fixed rate interest. The interests of borrowings denominated in Hong Kong dollars and United States dollars were calculated on prevailing prime rates plus basis. The Group did not hold any financial instruments and foreign currency net investment for hedging purposes. The Group's exposure to exchange fluctuation is considered minimal.

During the year under review, the Company issued 718,000,000 new shares, of which 680,000,000 shares were issued as consideration shares for the acquisition of an investment project and the balance of 38,000,000 shares were issued upon exercise of share options during the year.

The corporate guarantee provided to a related company for securing its leasing facility had an outstanding balance of HK\$2.95 million as at 30th June, 2002 (2001: HK\$3.30 million). The corporate guarantee was given with back-to-back guarantee by the related company.

Properties portfolio

The Group's properties portfolio were valued at approximately HK\$129 million (2001: HK\$166 million) at the year end date by FPD Savills (Hong Kong) Limited ("FPD Savills") on an open market value existing use basis.

- Properties owned in Hong Kong: Revaluation deficits of approximately HK\$12.5 million (2001: HK\$9.9 million) has been charged to the consolidated income statement due to diminution in values.
- Property held for sale in the PRC: Diminution in value of approximately HK\$33.2 million (2001: HK\$1.5 million) has been charged to the consolidated income statement due to diminution in values.
- Leasehold land and buildings in the PRC: Impairment loss of approximately HK\$0.8 million (2001: nil) has been charged to the consolidated income statement due to diminution in values.

The Group's properties portfolio were pledged to secure facilities amounting to HK\$72.5 million (2001: HK\$87.6 million).

Comment on segmental information

As the Group has been directed to information technology related field business, no contribution had been recorded from such business stream due to immature development during the year under review.

The persistent recession on the general business environment does adversely affect especially those information technology related business. Thus, the Board of Directors has made provisions for several investments.

Staff and remuneration policies

The Group's remuneration and salaries policies are in line with prevailing market practices. Performance of employees are reviewed annually on appraisal basis.