

RESULTS ANALYSIS

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$36.2 million, representing a 46% reduction from HK\$66.7 million in 2002 while operating losses had been narrowed down to HK\$39 million, 76% decrease compared with HK\$163.7 million last year. Such losses were mainly attributed to the impairment losses for investments and deficit on revaluation of investment properties. If excluding those impairment losses and deficit, the Group recorded approximately HK\$6.9 million operating profit, an improvement of 112% compared with last year.

The turnover mainly came from two business streams: the technology related services and property investments. The decrease in turnover was mainly due to the exit of information technology ("IT") business in Hong Kong market which contributed 57% of the total IT revenue in previous year. In addition, the turnover was also impacted by the sluggish property rental market in Hong Kong, resulting in a decrease of 22% compared with the previous year.

During the year, facing the difficult business environment, the Group conducted effective measures in controlling costs and increasing operating efficiency. The net operation spending was significantly reduced by 80% from HK\$143.4 million to HK\$29.2 million.

After the strategic move of shifting IT business operations to the People's Republic of China (the "PRC") in 2002 coupling with significant cost reduction, the Group had finally managed to turn the IT business from a loss of HK\$50.9 million last year into a profit of HK\$4.1 million after taking into account the written back of provision for liabilities on liquidation of certain subsidiaries, whereas the property investments also contributed HK\$11.1 million profit before taking into account the deficit on revaluation of investment properties.

Loss attributable to shareholders was reduced to HK\$44.7 million, a decrease by 76% compared with last year.

FINANCIAL RESOURCES

Fund raising exercise

In April 2002, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share. The total net proceeds of approximately HK\$94 million have been fully utilized during the year in repayment of the Group's borrowings, business expansion and as working capital, which were in line with the proposed application as stated in the prospectus dated 20 March 2002.

Liquidity and financial resources

As at 31 March 2003, the Group's shareholders' fund amounted to HK\$254.1 million (2002: HK\$204.2 million). Net asset value recorded HK\$0.04 per share (2002: HK\$0.05 per share).

Apart from the rights issue exercise, the Group's funding was also derived from operations and revolving banking facilities provided by a bank in Hong Kong. Total net borrowings of the Group as at 31 March 2003 amounted to HK\$141 million (2002: HK\$187 million), of which HK\$46.9 million is payable within one year, HK\$12.5 million is payable in the second year, HK\$43.3 million is payable from third to fifth year and HK\$38.3 million is payable beyond the fifth year.

As at 31 March 2003, the cash and bank balances were HK\$12.3 million and including in the amount, an amount of HK\$6.1 million (2002: HK\$16.6 million) has been pledged as security for banking facilities granted to the Group. Undrawn banking facilities of the Group as at 31 March 2003 were approximately HK\$30 million. Liquidity ratio remains steady at 0.31:1 (2002: 0.31:1).

Gearing

At the balance sheet date, the gearing ratio of the Group was 0.37 (2002: 0.5) which was calculated based on the Group's total loans outstanding less cash balances to total assets.

Interest risk exposure and foreign currency exposure

Interests on bank loans and borrowings of the Group are chargeable based on certain agreed interest margins over the Hong Kong Interbank Offer Rate and fixed interest rates for PRC bank loan. As the Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Capital commitments

As at 31 March 2003, capital commitments of the Group amounted to HK\$5.8 million (2002: HK\$125 million). On 4 October 2002, the Group disposed of its entire interests of an investment together with the future commitment of HK\$112 million (2002: HK\$112 million). The balances mainly comprised contracted commitments relating to uncalled portion of other investments totalling HK\$4.2 million (2002: HK\$125 million).

Contingent liabilities

During the year, a guarantee in respect of credit facility granted by the Group to a former associated company amounting to HK\$86 million (2002: HK\$86 million) had been released.

INVESTMENT ACTIVITIES

As at 4 October 2002, the Group disposed of its entire interests in Draper Fisher Jurvetson ePlanet Ventures L.P. ("DFJ") to the General Partner of DFJ at a consideration of approximately HK\$23.7 million. Accordingly, a gain on disposal of the same amount was recognized as the investment had been fully provided for as of 31 March 2002. The proceeds shall be settled not later than six months after dissolution of DFJ. As at 31 March 2003, the recoverable amount was approximately HK\$11 million.

On 3 March 2003, the Group subscribed for the convertible notes issued by ITC Corporation Limited ("ITC"), a company incorporated in Bermuda and listed in Hong Kong, at the consideration of HK\$10 million. These convertible notes are repayable on 3 March 2006 and bear interest at prevailing commercial rate. The Group has an option to convert the notes into ordinary shares of ITC at an initial conversion price of HK\$0.3 per share, subject to the terms of the convertible notes.

Included in the Group's investment portfolio is Beijing Beida Jade Bird Universal Sci-Tech Company Limited (Stock Code 8095), whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. As at 31 March 2003, the market value of such investment over its book value amounted to HK\$32.6 million which was not reflected in the accounts.