

FINANCIAL REVIEW

RESULTS ANALYSIS

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK\$29.7 million, representing a 18% reduction from HK\$36.2 million in 2003 while operating losses had been trimmed down to approximately HK\$23.4 million, 40% decrease compared with approximately HK\$39.0 million last year.

The turnover was originated from two business streams namely, technology related services and property investments. The drop in the turnover contribution from the technology related services accounted for the overall decrease in current year. A modest increase of 4% when compared to last year was found in the turnover of property investments following the gradual recovery of the Hong Kong property market.

Operating loss for the year was mainly attributable to the loss from the provision of technology related services of HK\$23.7 million (2003: profit of HK\$4.1 million). The surge of operating loss in this business segment was due to the following reasons: firstly, the business was adversely affected by the unexpected outbreak of the Severe Acute Respiratory Syndrome in the People's Republic of China (the "PRC") resulting in a shrinkage of turnover; secondly, the Group directed more resources in setting up the infrastructure of both the mapping and city information and mobile entertainment services in alignment with the Group's expansion into mobile Internet market; thirdly, certain subsidiaries in this business segment were voluntarily liquidated in prior year, recording a one-off written back of over accrued expenses and provision for liabilities made in previous years by these subsidiaries totalling HK\$17.8 million which was reflected in 2003.

Loss attributable to shareholders was reduced to approximately HK\$26.2 million (2003: HK\$44.7 million), a decrease by 41% compared with last year since no deficit on revaluation of investment properties was recognised in current year (2003: HK\$24 million).

FINANCIAL RESOURCES

Liquidity and financial resources

As at 31 March 2004, the Group's shareholders' fund amounted to HK\$227.9 million (2003: HK\$254.1 million) and the net asset value per share was HK\$0.04 (2003: HK\$0.04).

The Group's funding was derived from internal resources and revolving banking facilities provided by a bank in Hong Kong. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2004 amounted to HK\$159 million (2003: HK\$141 million), of which HK\$61.3 million (2003: HK\$59.3 million) is payable within one year, HK\$14 million (2003: HK\$12.5 million) is payable in the second year, HK\$36.8 million (2003: HK\$43.3 million) is payable from third to fifth year and the balance is payable beyond the fifth year.

As at 31 March 2004, the cash and bank balances were HK\$13.6 million (2003: HK\$12.3 million), of which an amount of HK\$6.3 million (2003: HK\$6.1 million) has been pledged as security for banking facilities granted to the Group. Liquidity ratio slightly changed to 0.34 (2003: 0.31) due to short term loans advanced to related companies during the year.



FINANCIAL REVIEW

Gearing

At the balance sheet date, the gearing ratio of the Group was 0.41 (2003: 0.36) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate. 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 fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Capital commitments

As at 31 March 2004, the capital commitments of the Group amounted to HK\$2.1 million (2003: HK\$5.9 million), which was the contracted commitments related to uncalled portion of other investments.

Pledge of assets

Investment properties with a carrying amount of HK\$310 million (2003: HK\$310 million) and bank balance of HK\$6.3 million (2003: HK\$6.1 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

In March 2004, a PRC governmental institute filed a claim to the PRC court against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and total claims against the Group for an aggregate amount of RMB5 million and an injunction for further usage of such information. The litigation is in progress up to the date of this report. The directors have consulted lawyers in the PRC and considered these claims are without merits.

INVESTMENT ACTIVITIES

In prior year, the Group subscribed for the convertible notes issued by ITC Corporation Limited ("ITC"), a company listed in Hong Kong, at face value of HK\$10 million. These convertible notes were fully redeemed by ITC at face value during the year.

As at 31 March 2004, the market value of the Group's listed investments in Hong Kong over its book value amounted to HK\$59.4 million (2003: HK\$32.6 million) which was not reflected in the accounts.