

# Management Discussion and Analysis

## 1 Results analysis

For the year ended 31 March 2006, the Group recorded a turnover from continuing operations of approximately HK\$24.1 million as compared to approximately HK\$18.8 million in 2005. The turnover was originated from two business segments namely property investments and aircraft charter. The investment properties business improved slightly. The start-up of aircraft charter business in the second half of the reporting year was the key contributor to the 28.1% overall increase in turnover.

The loss attributable to shareholders for the year ended 31 March 2006 amounted to approximately HK\$1.4 million while last year reported a profit attributable to shareholders of HK\$9.1 million. The overall results in 2006 were adversely affected by the following key factors: (a) the newly adopted HKFRS2 resulting to a charge of employee share option benefits of approximately HK\$1.8 million; (b) on 12 September 2005, the Company entered into a sales and purchase agreement to dispose of the entire technology arm of the Group to New World Mobile Holdings Limited ("NWM") (Stock code: 862) for a sales consideration of 16,153,846 NWM shares. At the balance sheet date, these NWM shares were classified as financial assets at fair value through profit or loss for which an unrealised loss arising from changes in the fair value of HK\$14.5 million was included in the income statement; (c) start-up costs were incurred to build up the aircraft charter business; and (d) the higher interest rate environment and the issuance of interest bearing convertible notes during the year caused the significant increase in finance costs. The loss in current year was alleviated by profit from discontinued operations of approximately HK\$19.4 million arising from the disposal of the technology related services as mentioned in (b) above.

## 2 Liquidity and financial resources

As at 31 March 2006, the Group's equity holders' fund amounted to HK\$427.1 million (2005: HK\$226.2 million) and the net asset value per share was HK\$0.29 (2005: HK\$0.52).

The Group's funding was derived from internal resources and corporate financing activities. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2006 amounted to HK\$155.8 million (2005: HK\$141.5 million). In respect of the secured bank loan of approximately HK\$151.7 million as at 31 March 2006, it was subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the financial statements, however, does not represent the total bank loan amount has to be repaid within one year from 31 March 2006. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK\$385 million as at 31 March 2006 is well in excess of the balance of the secured loan. Therefore, the Directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

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On 19 May 2005, the Company completed a placing of 58,000,000 ordinary shares at a subscription price of HK\$0.24 per share to independent investors under which a net proceeds of approximately HK\$12.8 million was raised for the Group's working capital. The closing price of the share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited on 19 May 2005 was HK\$0.35.

In February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK\$0.15 per share. Accordingly, a net proceeds of approximately HK\$143 million was raised.

The Company also issued 2.5% redeemable convertible notes at a nominal value of HK\$200 million in February 2006. The net amount received by the Company was approximately HK\$195.5 million.

As at 31 March 2006, the cash and bank balances were HK\$171.5 million (2005: 41.7 million). Undrawn banking facilities of the Group as at 31 March 2006 were approximately HK\$12.8 million (2005: HK\$37.1 million). Liquidity ratio was improved to 1.29 (2005: 0.28) due to fund raising exercises shown above.

## 3 Gearing

At the balance sheet date, the gearing ratio of the Group was stood at 0.40 (2005: 0.38) which was calculated based on the Group's total borrowings to total assets.

## 4 Financial risk management

Details of the financial risk management adopted by the Group are set out in note 3 to the financial statements.

## 5 Pledge of assets

Investment properties with a carrying amount of HK\$385 million (2005: 385 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

## 6 Contingent liabilities

In 2004, a PRC governmental institute has bought a litigation against the Company and certain of its former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents by the former subsidiaries in the PRC amounting to RMB5 million (equivalent to approximately HK\$4.8 million). The litigation is still in progress up to the date of this report. While the outcomes of such contingencies cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.