

During the year 2001, the Group had a turnover of RMB5,815,187,000 and a net loss of RMB135,586,000, representing a decrease of 8.9% and a decrease of 158.9%, respectively as compared to the figures for the previous corresponding year.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2001, the Group's total bank balances and cash was RMB2,500,027,000 and its total borrowings was RMB3,176,276,000. Of the borrowings, 92% was made in renminbi ("RMB") with the rest in foreign currency including USD\$28,000,000 and HK\$30,000,000.

Gearing ratio

As at 31 December 2001, the Group's total borrowings and shareholders' equity were RMB3,176,276,000 and RMB2,868,875,000 respectively, as compared to RMB1,642,750,000 and RMB3,040,393,000 respectively for the previous corresponding year. The Group's gearing ratio, being the ratio of the Group's total bank and other borrowings, after the deduction of cash and bank balances, to the Group's shareholders' equity, was 24%. The Group's total amount of cash and bank balances for the year ended 31 December 2000 was comparatively higher than the total borrowings.

Current ratio and working capital

As at the end of the year 2001, the amount of the Group's current assets was RMB5,659,736,000 as compared to RMB4,952,819,000 for the previous corresponding Year. The amount of the Group's current liabilities was RMB4,332,567,000 and its current ratio was 1.31.

Charge on group assets

As at the end of the year 2001, the Group and the Company pledged savings of RMB742,535,000 and RMB632,807,000 respectively in favor of banks in order to secure general credit and bank facilities. Also as at the end of the year 2001, approximately RMB1,090,000,000 of the Group's borrowings was guaranteed by the China Great Wall Computer Group Company (which was the sole promoter of the Company) and its subsidiaries.

Exchange rate fluctuations

The Group did not hedge against risk associated with foreign exchange fluctuations. During the year 2001, approximately 60% of the turnover of the Group was in US dollars. However, borrowings of the Group were predominately in RMB. If the US dollar rises against the RMB, the Group will benefit. But should the US dollar falls against the RMB, then this will have a negative impact upon the Group. Given that the exchange rate of RMB for the US dollar has been relatively stable, it is expected that foreign exchange fluctuations will not pose a substantial adverse effect upon the business performance or the financial status of the Group.