

During the Period, the Group had a realised turnover of RMB11,109,837,000 and a net profit of RMB177,657,000 representing an increase of RMB2,367,257,000 and RMB122,635,000 respectively as compared to the corresponding period in last year.

### FINANCIAL REVIEW

#### Liquidity and Financial Resources

As at 31 December 2003, the Group's total cash and bank balances amounted to RMB1,960,224,000 and the Group's total borrowings amounted to RMB1,277,887,000. The structure of such borrowings was as follows:

- (1) 70.24% was denominated in Renminbi;
- (2) 23.11% was due and repayable within 2 to 5 years; and
- (3) 70.24% was made on fixed interest rates.

#### Gearing Ratio

As at 31 December 2003, based on the Group's total borrowings and shareholder's equity of RMB1,277,887,000 and RMB3,096,868,000 respectively, as compared to RMB2,500,437,000 and RMB2,919,211,000 respectively as at 31 December 2002, the gearing ratio was 41.26%. The gearing ratio as at 31 December 2002 was 85.65%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

#### Current Ratio and Working Capital

As at 31 December 2003, the Group's current asset and current liabilities amounted to RMB5,823,740,000 and RMB3,641,449,000 respectively. As at 31 December 2003, the Group's working capital amounted to RMB2,182,291,000, as compared to RMB1,760,633,000 as at 31 December 2002 and the current ratio as at 31 December 2003 was 1.60.

#### Charge of Group Assets

As at 31 December 2003, the Group had pledged to banks its bank savings of approximately RMB292,800,000 to secure banking facilities for the Group. As at 31 December 2003, no borrowings were guaranteed by China Great Wall Computer Group Company, the ultimate holding company of the Group.

#### Exchange Rate Fluctuations

The Group did not hedge against risks associated with foreign exchange fluctuations. During the Period, approximately 75.75% of the Group's turnover was revenue in US dollars. The Group's borrowings were predominantly denominated in RMB. If US dollars had risen against the RMB, it would have affected the Group favorably. If US dollars had fallen against the RMB, it would have had a negative impact upon the Group. Since the official exchange rate of RMB for US dollars has been relatively stable, no material adverse effect to the Group's business performance or financial status has resulted from foreign exchange fluctuations.