

MANAGEMENT DISCUSSION AND ANALYSIS

Following the merger with E2-Capital Limited in April 2000, the income statement of the Group was strengthened and it achieved a net profit of HK\$66,432,000 in the 2000, which showed a significant increase by 380% when compared with the net profit of 1999. The earnings per share showed almost a three-fold increase when compared with last year's figures, rising from 2.4HK cents per share in 1999 to 6.9HK cents in the 2000. This increase was mainly contributed by the broking services and investment banking services divisions, following the acquisition of the remaining 60% interest in Goodwill Financial Services (Holdings) Limited ("GFS") in April 2000 (which has since been renamed E2-Capital Securities (Holdings) Limited).

VISION

The Group maintained a strong balance sheet and healthy liquidity. Total bank borrowings stand at around HK\$200 million, and were mainly for financing properties under development. Total cash on hand stands at around HK\$325 million. The net gearing ratio of the Group is at a low level at less than 15%. The quick ratio improved from 1.5 at the end of 1999 to 1.6 at the end of 2000. Shareholders' fund also increased by around 45% from HK\$640 million in 1999 to HK\$931 million in 2000, with a net tangible asset per share at around HK\$0.83.

INVESTMENT BANKING SERVICES AND FINANCIAL PRODUCTS

The corporate finance division of the Group combined with that of E2-Capital provides a full range of investment banking services, from financial advisory, private equity and capital market fund-raising to structured finance and mergers & acquisitions. Turnover showed a dramatic increase from HK\$1 million in 1999 to HK\$22 million in 2000. With the Group's expansion into the Singapore, PRC and Japanese market, it has emerged as a significant player in the South East Asia region. In addition, the setting up of its operation in Silicon Valley has helped the Group to access potential opportunities in the US market.

BROKING SERVICES

Following a series of transactions in April 2000 in respect of the financial services division which included the acquisition of E2-Capital Limited and the acquisition of the remaining 60% interest in GFS, this division unit was restructured and combined with E2-Capital's original securities operation. Its contribution to the Group's operating profit showed a tremendous increase from HK\$2.4 million in 1999 to HK\$66 million in 2000. With effective cost control measures in place and an emphasis on profitable business sectors, the profit margin increased to 57% in 2000 compared to 4% in 1999.

The Group's proprietary OpenIBN™ (an on-line placement platform linking brokers and investors) and its online securities trading service ("e2trader.com") were respectively launched in the last quarter of 2000 and in the first quarter of 2001 and we expect both services to contribute to the Group's performance in 2001.

CONSULTING, MARKETING AND TECHNOLOGY SERVICES

Successful integration of E2 Tech Advisory (the management consulting arm of E2-Capital formed in March 2000), Keith Statham Associates Ltd. (the professional branding and marketing consulting company acquired by E2-Capital in April 2000), Alfacom Web Development Ltd. (the proficient technology company the Group took a stake in, in June 2000 and acquired in February 2001) and Sun Tech Technology (the technology service provider specializing in the education sector, acquired in December 2000), has lead to a new and comprehensive consulting, marketing and technology services division which will operate under the brand name Ebizal.

COMMITMENT

FOCUS

BIOTECH ADVISORY SERVICES

The Group established a BioTech Advisory Services division in mid-2000 to arouse the investment community's awareness of and appetite for Life Sciences in Hong Kong and regionally. With its integrated expertise, this division is actively leading advisory transactions for prominent players in the PRC.

PROPERTY

Pre sale programme of the residential development at Prince Edward Road West is will be launched in the second quarter of 2001 and is expected to provide a significant cash inflow to the Group. Noting the stabilization of the property market as a result of the interest rate cuts in the US and in Hong Kong, the Group is optimistic that good profit margins will once again be achievable in the property sector. With this view in mind, the Group will look to reactivate and expand its existing property portfolio and expand and enhance its property activities in Hong Kong and the PRC, as well as in other promising countries.

MANUFACTURING AND MANAGEMENT OPERATING SERVICES

The contribution of HK\$25 million made by the manufacturing operation of Winbox is approximately the same as last year and it is expected to continue its stable performance. A proposal to spin-off of this unit on the Main Board was submitted to the Stock Exchange at the beginning of 2001 and is viewed as overall positive, allowing both the Group to streamline its business operations and Winbox to raise necessary funding in the future without having to rely on the Group's own resources.

DIRECT INVESTMENT

The Group's Capital Venture division focused on high quality strategic investment opportunities and during the year the Group strategically invested in Topdomain Network Limited, Tealink Development Limited, Pacific Connections Limited and Alfacom Web Development Limited. All of these e-business solution providers complement the range of capabilities of the Group's other divisions and we remain optimistic about the future performance of this business sector in Hong Kong.

