

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL POSITION

The Group finances its operations with internally generated capital. With the completion of the debt restructuring program in February 2000, financial position of the Group was stabilized.

In November 2000, the Group placed 150,000,000 new shares of HK\$0.01 each to independent investors at HK\$0.041 per placing share. The net proceeds from the placement, which amounted to approximately HK\$5,850,000, was then used as general working capital.

In March 2001, the Group placed 61,000,000 new shares of HK\$0.01 each to independent investors at HK\$0.06 per placing share. The net proceeds from the placement, which amounted to approximately HK\$3,500,000, has also been used as general working capital.

The Group will continue to implement various measures to strengthen its cash flow management.

CAPITAL STRUCTURE

As at 31 December 2000, the Group had total assets of approximately HK\$70,210,000. Current assets of the Group were approximately HK\$40,183,000, while current liabilities were approximately HK\$41,862,000. Gearing ratio was 1 percent.

The Group, as at 31 December 2000, had a total deferred payment of approximately HK\$1,225,000 with the bank group which was secured by charging on the Group's undertakings, properties, assets, goodwill, rights and revenues, in both present and future. This deferred payment was fully settled in March 2001 and the Group is now applying for the full release of all related charges.

MATERIAL ACQUISITION

In December 2000, the Group acquired the entire issued share capital of Enet.com Limited for a total consideration of HK\$14,300,000 which was satisfied by the issue of 300,000,000 new ordinary shares of the Company at a price of HK\$0.041 each, and a cash consideration of HK\$2,000,000. The acquisition was completed in January 2001 in accordance with the terms of the agreement.

EMPLOYEES

As at 31 December 2000, the Group employed a total workforce of approximately 2,000, among which 41 people were working in Hong Kong. The Group regularly reviews staffing so as to ensure sufficient, but not excessive, human resources are recruited to support any business development.