REVIEW OF OPERATIONS

The Group has a turnover of HK$17.6 million from the continuing operation business for the year, compare to last year's turnover from the continuing operation of only HK$1.3 million representing a substantial increase in turnover over last year being the business in telecommunication products and services that extended by the company. Turnover from Internet services declined to HK$0.3 million from last year's HK$1.4 million.

On the other hand, the group's pervious business in distribution of motor vehicles and spare parts in Hong Kong, Macau and the People's Republic of China ("PRC") was disposed in January 2001. This discontinued operation business did not generate any turnover to the group for the year while it has over HK$81 million turnover last year.

Loss attributable to shareholders narrowed to HK$84.8 million, as compared to HK$190 million in year 2000. The loss has substantially reduced.

FINANCIAL REVIEW

(a) Capital Structure and Liquidity

As at 31st December, 2001, shareholders' fund of the Group stood at HK$55.8 million with an additional HK$4.6 million convertible bonds outstanding and HK$7.6 million convertible notes not being exercised. If all the convertible securities are fully exercised, plus subscription money the shareholders' fund of the Group will rise to HK$71.5 million while shareholders' fund was at HK$68.9 million last year.

The Group's current assets and current liabilities as at 31 December 2001 were HK$46.4 million and HK$31.6 million, respectively. The Group had finance lease payables and convertible bonds and notes payable of HK$10.4 million and HK$12.2 million respectively. As at 31 December 2001, the current ratio has been changed to 1.47.

(b) Finance leases payable

The total finance leases payables rise to HK$10.3 million (2001) from HK$6.8 million (2000) due to the increase in capital expenditure of computer equipment.

(c) Contingent liabilities

As at 31st December, 2001, the Company granted guarantees to the extent of HK$10 million given to securities dealers in connection with the financing facilities granted to the subsidiaries and HK$2.6 million in respect of the hire purchase financing facilities granted by a finance company to a subsidiary's customers respectively. None of the above facilities was utilised as at 31st December, 2001. As at 31st December, 2001, the Group had no significant contingent liabilities.

FUNDING, MATERIAL ACQUISITIONS AND INVESTMENTS

In June 2001, the company received net proceeds of HK$43.6 million in cash in connection with the issue of 1,300,000,000 new shares to various placing agents pursuant to the placing agreement signed on 13th June, 2001.

In July 2001, the company announced the issue of HK$12 million, 2.5% interest bearing unlisted convertible bonds due one year after the issue date of the bonds. During the period, bond value of HK$7.44 million has been exercised and converted into new shares, which represented a net proceeds of HK$6.2 million.

Out of these total funding of HK$61.8 million, HK$10 million was used to invest into West Marton Group Limited which develops and operates of electronic commerce portals in Hong Kong and PRC. HK$19 million was used to invest into Comstar Hong Kong Limited and Wonder Tech Holdings Limited companies developing SMS, games content and services in PRC. The balance of the funds was used as working capital of the group.

As set out in the announcement date 11th September, 2001, the Group acquired a total of 40% equity interest in a marketing company at a consideration of HK$15.2 million by way of issue of 345 million new shares at an issue price of HK$0.022 per share and issue of two convertible notes of the Company with principal amounts of HK$7.59 million in aggregate. The convertible notes could be converted into 345 million shares at an initial conversion price of HK$0.022 per share at any time from 8th October, 2001 to 7th October 2002. The recent operating condition of the media business continues to be difficult, and is hindering the market development of this media marketing services. Therefore the Group, taking a prudent view, has made a provision in full for impairment in value against the cost of this long-term investment.

In December 2001, the directors announced to propose a Rights issues of not less than 6,820,502,663 Rights shares at the price of HK$0.016 per Rights share on the basis of 17 Rights shares for every 2 new shares with bonus warrants on the basis of one bonus warrant for every five Rights shares taken up. The transaction was completed on 5th March, 2002 and the proceeds of HK$109 million before expenses was received HK$36 million applied to finance the consideration of the Grandmax Agreement and HK$54 million applied to finance the consideration of the Magna Steels Agreement and the balance of fund will be used as general working capital of the Group.

CHARGE ON ASSETS

At 31 December 2001, fixed deposits of approximately HK$774,000 (2000: Nil) were pledged to banks and financial institutions to secure banking facilities granted.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs cost in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remains in effect.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2001, the Group employed approximately 30 full time staff in Hong Kong. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.