

Management Discussion and Analysis

Liquidity and Financial Position

As at 31 December 2001, the Group's bank and other borrowings amounted to approximately HK\$13,646,000, compared with approximately HK\$1,225,000 as at 31 December 2000. Cash and bank balances amounted to approximately HK\$9,773,000, compared with approximately HK\$966,000 as at 31 December 2000. The net borrowings amounting to approximately HK\$3,873,000 as at 31 December 2001, compared with approximately HK\$259,000 as at 31 December 2000, were secured by the Group's leasehold land and buildings and one of its wholly-owned subsidiaries' undertakings, assets, rights and revenues.

As at 31 December 2001, the Group's gearing ratio, measured on the basis of total non-current borrowing as a percentage of total shareholders' equity, was 34 percent, as compared with 1 percent in 2000.

During the year under review, the Group placed 61,000,000 new shares of HK\$0.01 each to independent investors at the price of HK\$0.06 per placing share. The net proceeds of approximately HK\$3,660,000 has been used as general working capital of the Group.

Capital Structure

As at 31 December 2001, the Group had total assets of approximately HK\$89,842,000. Current assets of the Group were approximately HK\$54,083,000, while current liabilities were approximately HK\$53,441,000.

Material Acquisition

In January 2001, the Group had completed the acquisition of the entire issued share capital of Enet.com Limited at 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.

Employees

As at 31 December 2001, the Group employed a total workforce of approximately 1,900 among which 50 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.