

MANAGEMENT DISCUSSION AND ANALYSIS

Since the Group has strengthened its distribution capabilities, the focus in 2003 is to expand the product range in each of our operations around the world. In Asia, we are targeting to handle more Singapore IPO issues, and will also explore the initiative to provide online roadshow for ATM (Automated Teller Machine) Offerings for the Singapore public, which represents pioneering efforts in the online IPO marketing industry. In Europe and in the US, a couple of new initiatives will also be implemented, including the weekly "Analyst Call" and "Analyst Online Roadshow" to promote more Asian companies to other parts of the world.

The Group aims to continue its legacy as a leading Online Primary Offering Company.

Industrial

The Group's industrial business, operated through Cheung Wah Ho Dyestuffs Company Limited and Lancerwide Company Limited which were acquired from Softbank Strategic in January 2002, has made progress despite the depressed market, with a contribution of HK\$33 million to the Group's turnover.

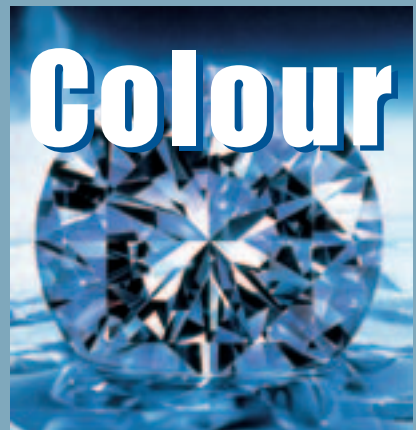
The business of Winbox Company Limited, an associated company of the Group, remained stable and profitable, with revenue and net profit before tax increased to HK\$95 million and HK\$25 million respectively for the year ended 31 December 2002 when compared to HK\$84 million and HK\$16 million respectively for the previous year. Its production capacity has increased substantially with the completion of relocation of factory in the PRC. It is also building its distribution channels in Europe to provide direct services to customers through its associated company in France, which was acquired at the end of 2001. Both companies are expected to contribute to future group performance.

Property

Goodwill Properties Limited ("GPL"), the Group's property division, was active during the year, both in Hong Kong and the PRC.

The sales at Vision Court, the Group's residential development at Prince Edward Road West in Kowloon Tong since its completion in the second half of 2001 continued to be satisfactory, with over 92% of the floor area sold while demand for the remaining units has been encouraging despite a sluggish and depressive market.

The residential development at Fairview Park Boulevard in Yuen Long, consisting of 30 luxurious villas with gross floor area of 6,000m², is 70% completed at 31 December 2002 and is targeted for completion in early 2003. Pre-sale is expected to commence in the second quarter of 2003 which will contribute significant net cash inflow of approximately HK\$60 million to the Group.



***The Group's
liquidity
position remains
strong and the
Group has
sufficient financial
resources to
satisfy its
commitments and
working capital***

*Goodwill Properties Limited was active both
in Hong Kong and the PRC*



The pre-sale of No.1 Po Shan Road in Midlevels, a luxurious residential development jointly developed with Sun Hung Kai Properties has commenced at the end of this year with encouraging results. This project is expected to contribute a total of HK\$70 million net cash inflow to the Group on the completion of its sales.

The development of Tianma Project in Shanghai, comprising 200 luxurious villas, a 27-hole golf course and a country club, was in good progress. The Group achieved a remarkable result in the pre-sale of villas. Due to the buoyant Shanghai property market, this project is expected to contribute to the Group in the coming year.

GPL is also participating in other property and environment related project, such as a centralized drinking water filtration system. This system has been installed in several popular developments in Guangzhou City, and it will be extended to other major cities in the Guangdong province. This business has started to contribute towards the group's performance in the second half of this year. With current customers standing at more than 10,000 households, this project will further enhance group profitability in the years to come.

Liquidity and financial resources

The Company has provided corporate guarantees for banking facilities extended for group companies, further details are described in the section under Contingent Liabilities. The Company has fully repaid its bank borrowings during the year and has no outstanding bank borrowings at 31 December 2002 (2001: HK\$11 million).

As at 31 December 2002, the Group's cash and other short-term listed investments totalled HK\$127 million (31 December 2001: HK\$131 million). This pool of liquid assets and marketable securities well exceeded the Group's total short-term borrowings from banks and financial institutions of HK\$94 million (31 December 2001: HK\$75 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Clarity

The Group has implemented a comprehensive “top-down” investment and cost rationalization programme to further improve accountability and responsibility

Of the total bank borrowings of HK\$116 million, approximately 98% are loans secured by investment properties, properties under/for development and properties under development for sale located in Hong Kong, with the balance secured by mortgage loans receivable. Of these borrowings, HK\$94 million is repayable within 1 year and HK\$22 million is repayable within 2 to 5 years.

The Group has continued to actively manage its financial resources during the year which resulted in further improvement in both long term gearing and current liquidity. Long term gearing decreased from 6.9% at 31 December 2001 to 6.6% at 31 December 2002, calculated on the basis of long term debt over shareholders' fund. Current liquidity also improved from 2.09 times at 30 June 2002 to 2.5 times at 31 December 2002, calculated on the basis of current assets over current liabilities, which has improved significantly when compared to 1.9 times as at 31 December 2001.

With cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital.

Capital structure of the Group

Substantially all the transactions of the Group are denominated in Hong Kong dollar and the Group maintains its cash balances mainly in Hong Kong dollar.

The Group's borrowings are all denominated in Hong Kong dollar and on a floating rate basis. As the tenure of a substantial amount of our borrowings is matched against the development period of the projects in progress, the Group has limited exposure to interest rate fluctuations.

Changes in the composition of the Group during the year

On 18 December 2001, the Company entered into a sale and purchase agreement with Softbank Investment International (Strategic) Limited (“Softbank Strategic”) in relation to the disposal of the Group's entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited), an indirect wholly-owned subsidiary of the Company, for a total consideration of approximately HK\$68.1 million. The total consideration was satisfied as to (i) approximately HK\$51.9 million by way of disposal of Softbank Strategic to the Group of its entire equity interests in Cheung Wah Ho Dyestuffs Company Limited, Full Success Investments Limited, Lancerwide Company Limited and Lucky Happy Development Limited (the “Softbank Companies”), all of which are wholly-owned subsidiaries of Softbank Strategic, and the assignment of Softbank Strategic to the Group of the loans by Softbank Strategic to Softbank Companies, the aggregate of which amounted to approximately HK\$62.7 million; and (ii) a sum of approximately HK\$16.2 million in cash. The transaction was completed on 24 January 2002 and the gain in respect of this disposal is HK\$12.2 million.

On 2 July 2002, the Group disposed of a 30% shareholding in Bright Advice Holdings Limited, an indirect wholly owned subsidiary of the Company, to Win Hero International Limited, a private company incorporated in Hong Kong for a cash consideration of HK\$980,000. The transaction was completed on 5 August 2002 and the gain in respect of this disposal is HK\$679,000.





On 11 September 2002, Goodwill Properties (Holdings) Limited (“Goodwill Properties”), an indirect wholly owned subsidiary of the Company, entered into a Share Purchase Agreement with Elite World Group Limited (“Elite World”) in relation to the disposal of Goodwill Properties’s 50.1% shareholding in Right Venture Holdings Limited to Elite World for a cash consideration of HK\$455,000. The transaction was completed on 23 September 2002 and the gain in respect of this disposal is HK\$141,000.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 31 December 2002, the Group, including Directors and its subsidiaries but excluding associates, employed a total of 45 full-time employees. The Group operates different remuneration schemes for client service and client support and general staff. Client service personnel are remunerated on the basis of on-target-earning packages comprising salary and/or commission. Client support and general personnel are offered year-end discretionary bonuses subject to individual performance and/or the business result of the Company. Employees’ cost (excluding directors’ emoluments) amounted to approximately HK\$17 million for the year. The Group ensures that the remuneration paid to its employees is competitive and employees are rewarded within the general framework of the Group’s salary and bonus system.

MANAGEMENT DISCUSSION AND ANALYSIS



Carat

*With the emphasis
on E2VA™,
we are confident
that we are
able to grow upon
our existing
operation and
seize new growth
opportunities*

The Company has a share option scheme under which the Directors may, at their discretion, invite employees of the Company and its subsidiaries, including full time executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. Details of the share option scheme are mentioned under note 26 of the notes to the financial statements. The scheme has expired on 14 December 2002 and no other share option scheme has been adopted since then.

Details of the charges on Group assets

Investment properties, properties under/for development and properties under development for sale with an aggregate value of approximately HK\$282 million have been pledged to secure banking facilities of HK\$114 million granted to Group companies for these developments.

In addition, a loan of HK\$2.1 million was secured by mortgage loans receivable of a subsidiary of approximately HK\$3 million.

Contingent liabilities

Corporate guarantees proportionate to the Company's interest were given to financial institutions for working capital facilities of associated companies and investee companies in addition to collateral given by these companies. The aggregate amount of such facilities utilised by these companies at 31 December 2002 amounted to HK\$7 million.

In addition, the Company provided a guarantee and undertaking to the MAS in respect of the obligations and liabilities of an associated company of the Company, SBI E2-Capital Pte Ltd. As at 31 December 2002, the shareholders' funds and total liabilities of SBI E2-Capital Pte Ltd were HK\$15 million and HK\$20 million respectively.

Exposure to fluctuations in exchange rates and related hedges

The Group's assets and liabilities are primarily denominated in Hong Kong dollar. The Group has no significant exposure to foreign exchange fluctuations.

In Summary

The outlook for 2003 is uncertain as a result of concerns on the impact of the conflicts in Iraq and the atypical pneumonia in Hong Kong as well as regional economies. The Group will continue to exercise caution and prudence in its business undertakings and at the same time, to look to strengthening its presence in both developed markets such as the USA and Japan and emerging markets such as the PRC, across a selective range of business within the industrial sector.