

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2001 (2000: Nil).

BUSINESS REVIEW

The consolidated turnover of the Group for the six months ended 30th September, 2001 was HK\$586,807,000, an increase of 17% compared to the corresponding period in 2000. The consolidated net loss attributable to shareholders amounted to HK\$17,291,000.

During the period under review, a weak global economy coupled with terrorist attacks on the US on September 11 further contributed to the setback of the overall global economy. Unfortunately, this was something Hong Kong and South East Asia was not immune to. These series of events caused a negative impact on the Group's business in the region. The one saviour during this period has been the booming economy in Mainland China, helped by China's acceptance into the World Trade Organization ("WTO"), which has opened up enormous opportunities. Our systems integration division in China recorded a phenomenal 216% growth over corresponding period last year, while the software division is still expanding and adjusting.

The Group continues to strengthen its management team, streamline operations and costs during the period under review to enhance competitiveness and productivity per capita. In the past few months, the Group laid off around 170 employees, representing 15% of the 1,140 staff of the Group. While the staff reduction exercise has resulted in increase in short-term costs, it is set to achieve savings of approximately HK\$30 million to enhance our competitiveness in the coming year.

SYSTEMS INTEGRATION DIVISION

The Group is one of the leading systems integrators in China. The market has been growing steadily despite a lacklustre global economy. The Group's business in the region has performed exceptionally well under these conditions with sales figures exceeding expectations.

During the period under review, demand for information technology continues unabated with demand arising from a variety of industries including the banking, telecommunications and insurance sectors. China's then imminent entry into WTO further speeded up the process of adopting information technology that opened up enormous opportunities for our Systems Integration division.

In the period under review, the Group benefited from a strong demand from the banking sector, having won and signed a number of significant contracts which included total solutions comprising mainframes, networks, software and research and development for clients like Agricultural Bank of China, Industrial and Commercial Bank of China, a number of commercial banks and Rural Credit Cooperative Union.

In addition, the Group received accreditation as Cisco's Gold Certified Partner in China in recognition of its outstanding record in sales and support of Cisco solutions.

SOFTWARE DIVISION

Encouraging developments were seen in our software operations during the period under review following continuous efforts in business restructuring in the past two years. The Group adopted a number of cost-saving measures and endeavored to shorten project development cycles with a view to maximize cost savings. Market-wise, software sales enjoyed augmented growth on the back of more refined products and enhanced marketing activities.

Fine-tuning and adjustments were continuously in the Group's strategy for software development. We spared no efforts in strengthening our core business of banking application software, releasing a number of new applications during the period to meet latest developments in the China market, not the least functions required of domestic banks following China's accession to the WTO. Our efforts were paid off with a continuous flow of orders from clients, some of which had already been delivered. For instance, we had successfully revamped the comprehensive business system of the China Construction Bank Ningbo Branch; provided internet banking and helped the Industrial and Commercial Bank of China move online; provided experienced technicians who specialized in the development and application of mainframes for the Bank of East Asia. In the first half of the year, the Group focused additional effort on "product development" of our existing software. As a result, some of our existing technical achievements were repackaged and restructured. These products included comprehensive banking application software packages (international version/local version), Internet banking and Internet payment system for various platforms, Vision Banking Agent, and Vision Banking Exchange, and so on.

Meanwhile, the Group also developed integrated software packages for the telecom and public sectors alongside its feature banking application systems. These included office automation system (for local taxation, finance and telecom industry), local tax management system, wireless Internet, SMS, warehouse management system portal and electronic districts/estate management systems, which are now in use by Chinese clients.

MID-RANGE COMPUTER SYSTEM DISTRIBUTION IN SOUTH EAST ASIA

The flow-on effects of a lacklustre global economy made its presence felt in Southeast Asia and as a result, our mid-range computer system distribution division recorded a downward adjustment.

In face of uncertain economic conditions, investments in IT projects were either shelved or cancelled, which led to substantial decline of the Group's turnover in this region.

Accordingly, Management adopted various measures such as reducing expenditure and staffing, to enable us to weather the severe economic conditions. We believe that our business in the region backed by years of experience and foundation will improve when the economy turns around.

E-COMMERCE

The global one-stop e-logistics marketplace and logistics application services provider – DigiLogistics.com recorded satisfactory results in the period under review. Though the intensity for e-commerce has dropped, the demand for e-logistics applications has increased due to the need for companies to enhance competitiveness and supply chain management in an economic downturn.

In addition, the SAR Government has been playing an active role in building Hong Kong as an international logistics hub, which has benefited the development of DigiLogistics.com. Since its launch in July 2000, DigiLogistics.com had secured strategic alliances with a number of logistics service providers, shipping companies and e-trading application service providers.

During the period under review, not only had DigiLogistics.com made steady progress in China after forging agreements with SNET and Cargo888, one of the largest third party logistics service providers, but it also signed a Pan-Asian Logistics Network Alliance Agreement with Korean-based Hansol CSN which is the circulation arm of Hansol Group, to jointly develop and market their e-logistics solutions regionally.

DigiLogistics.com will continue to maintain its role as a pioneer in providing a multiple of e-logistics platform and applications.

LIQUIDITY

As at 30th September, 2001, the Group's gearing ratio, calculated based on the consolidated net asset value (including those shared by minority interest) of HK\$163 million (31st March, 2001: HK\$176 million) and the consolidated net borrowings (including the convertible bonds and net of cash, bank balances and bank deposits) of HK\$326 million (31st March, 2001: HK\$286 million) has increased to 2.00 at 30th September, 2001 compared to that of 1.63 at 31st March, 2001.

PROSPECTS

The Group's business in two different regions is in different stages of economic cycles. In China, market demand is strong in anticipation of more opportunities after China's entry of WTO, and we foresee bright prospects in the region. Whereas in South East Asia and Hong Kong, the economy is still bottoming-out and we have to face more challenges in the coming six months. However, we are confident of future prospects as we are in an advantageous position with a diverse client base, good service network, strong expertise, sound operations as well as an ever-improving management team.

APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to our shareholders, our management and all our dedicated staff for their support and contribution towards the development of the Group.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2001, the interests of the directors in the share capital and share options of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance, were as follows: