

## BUSINESS REVIEW

The consolidated turnover of the Group for the six months ended 30th June 2001 was HK\$27,948,000 and loss attributable to shareholders was HK\$2,942,000, compared to turnover of HK\$23,411,000 and a loss attributable to shareholders of HK\$34,690,000, respectively, for the six months ended 30th June 2000. The substantial improvement in operating results reflects the new operational platform and business strategy put into place by the new management.

The management continues to put great effort in resolving the pending legal disputes brought forward from previous year which were the main cause of losses for last year. Although the Group's appeal of the judgment for the legal case in respect of certain contracting works carried out in 1994 and 1995 at Sky Central Plaza, PRC (High Court Action nos. Con 3 and 66 of 1996) was dismissed by the judge on 17th July 2001, the Group had already made full provision of the losses in 2000 and the case had no significant impact on the Group's results for the period.

### Contracting Division

During the six months ended 30th June 2001, the turnover for the contracting division amounted to HK\$20,368,000, an increase of 33.7% as compared with HK\$15,233,000 in the same period of the previous year. The Group will continue to expand into other areas of electrical and mechanical works which will improve our competitive edge in tendering for both private and government projects on a package basis. In this connection, the Group has recently obtained approval of the Architectural Services Department to tender for government works in air-conditioning and refrigeration installation. We expect new business will be generated in this area for the second half of the year.

### Maintenance and Servicing Division

The turnover for this division amounted to HK\$7,125,000, a slight increase of 8.2% as compared with HK\$6,588,000 in the same period of the previous year. The number of client contracts has increased as a result of the Group's continuous effort in providing professional maintenance services to our customers.

### Trading and Sourcing Division

The Group has expanded the trading of specialized fire protection equipment. We are now acting as sole agents for various well-known brands of fire extinguishers and have obtained a sole distribution right of an addressable fire detection system. As at 30th June 2001, the contribution to operating profit amounted to HK\$224,000, an increase of 113% as compared with HK\$105,000 in the same period of the previous year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted prudent funding and treasury policies. As at 30th June 2001, the Group had a net current asset of HK\$5,410,000 including the cash and bank balances of approximately HK\$53,881,000. The gearing ratio of the Group, based on the net total borrowings to the shareholders' equity, has decreased from 0.68 last year to 0.59 as at 30th June 2001.

## SHARE CAPITAL AND WARRANT

During the period ended 30th June 2001, the Company has issued 140 million shares in the capital of the Company for the acquisition of the Merito group.

The subscription rights attaching to the warrants of the Company has expired on 28th July 2001 (the "2001 Warrants") and the 2001 Warrants have been withdrawn listing on the Stock Exchange after the close of business on 27th July 2001.

## PROSPECTS

The management is confident that it has streamlined and rationalized the operation of the Group to yield the best return of resources. As the global economy is unclear and the slow down in the construction industry continues, the Group anticipates a severe and harsh environment in the second half of the current year.

The management has focused on building up a leadership position in the fire prevention business in the Greater China region and expanding into other areas of the building services industry. The Group has obtained several new contracts including fire services installation works for Tze On Estate and Tai Po Complex and has entered into a subcontract for the Architectural Services Department Term Contract with an estimated contract sum of more than HK\$100 million. The management will continue to explore new business opportunities in Hong Kong and overseas which will add value to the Group.

## DIRECTORS' INTERESTS IN SHARES

As at 30th June 2001, the interests of the directors and chief executive of the Company and their associates in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Notes	Nature of interest	Number of shares
Kyota Yamada	(1)	Corporate	805,570,000
Yiu Ying Fai	(2)	Family	35,000,000

Notes:

- (1) 805,570,000 shares in the Company are held by e-Compact Limited, a company wholly owned by Mr. Yamada.
- (2) HKSCC Nominee Limited, held shares for Ms. Tsang Kit Man, Kitty, the spouse of Mr. Yiu Ying Fai, held 35,000,000 shares in the Company. Mr. Yiu is deemed to be interested in these shares.

Save as disclosed above, as at 30th June 2001, none of the directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations (as defined in the SDI Ordinance).

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2001, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares
e-Compact Limited	805,570,000

e-Compact Limited held 805,570,000 shares in the Company, representing approximately 19.26% of the issued capital of the Company.

## EMPLOYEES

At 30th June 2001, the Group had about 100 employees who are remunerated in accordance with job nature and market trend. The total number of staff is increased by 53.8% from 65 staff as at 31st December 2000 after the acquisition of the Merito group in March 2001.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the period under review. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period under review.

## AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2001 with the directors.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company had not been for any part of the accounting period for the six months ended 30th June 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board  
**Kyota Yamada**  
*Chairman*

Hong Kong, 17th September 2001