

BUSINESS REVIEW

During the first half of 2001, the demand for the Group's products was affected by the shrinking of the public housing construction. The management continued to execute the strategic policies introduced last year to cope with the situation, including stringent cost control, product and client base diversification, especially to develop environmental-friendly products.

Construction work contracting and sale of concrete products

This principally includes the following:

(a) Autoclaved Aerated Lightweight Concrete Blocks and Panels ("ALC Products")

The ALC Products remain the core business of the Group. The management had aggressively diversified the client base, including the private property developers and overseas markets within the half year, in order to reduce the reliance on the public housing construction. The Group has successfully supplied the ALC Products to the Japanese market and private projects developed by a leading property developer in Hong Kong. The acceptance of the product by the local private property developers and the overseas markets will provide a great potential and opportunity in business.

(b) Semi-Precast Concrete Slab

The Group has invested in the development of the semi-precast concrete slab, namely Daido Superslab, a new environmental-friendly construction material. The final testing of the product has been finished in July 2001 and has been introduced to the market in August 2001. The preliminary response from the market is favorable. The Group expects to obtain the approval from the Hong Kong Housing Authority for using the products in constructing public housing. The Group is confident that the product could attain a successful result once the market is established and this will help to boost the Group's turnover.

Manufacturing and trading of metal products

This principally includes Welded Wire Mesh, Cold Drawn Wire and Expanded Metal Products.

The welded wire mesh, cold drawn wire and expanded metal products have been widely used by the Government in the construction of public housing. Since the Government has reduced the construction of public housing, the products experienced a decrease in demand. Therefore the Group turns to the private property developers for new business opportunity. Furthermore, the Group introduces the professional product knowledge and management experience into China in order to open up the enormous market in China.

Trading of steel products

There has been competition in the steel trading business while the Group has established its market position for the product.