

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group recorded turnover of HK\$46.1 million, gross profit of HK\$8.9 million and net loss of HK\$26.2 million for the six months ended 30 June 2001. Turnover grew by three times over the last corresponding period, of which 97% was attributable from our information and technology (“IT”) related businesses. Gross profit also increased almost three times the last interim gross profit.

The aggregate net loss of IT businesses in the first half of the year was HK\$4.1 million. The overall net loss of the Group was mainly accounted for the high finance cost and the share of loss from an associate in the current period. The substantial rise in net loss over the two interim periods, however, was actually due to the exceptional gain on disposal of interest in an associate of HK\$32.3 million reported in the last interim result. Thus the Group’s net loss dropped 22% from HK\$33.8 million to HK\$26.2 million, when compared to the last interim result excluding the exceptional gain.

IT and related businesses

Our IT businesses development has been moving forward satisfactorily. The Group’s portfolio of IT investments has been enlarged by the conclusion of three new joint ventures with details as follows:

Shanghai Fudan & South China Electronic Technology Co., Ltd. —

A highly research and development based company focused on high-tech electronic products which is presently using Shanghai Fudan University’s pool of talents to design Field Programmable Gate Array (FPGA) chips.

Shenyang Realink Information Technology Co., Ltd. —

A high-tech company with its development based around a “Smart” card style multi-purpose “Wan-Tung” card with data storage and identification capabilities. Its clientele uses the system for human resources functions and alternative payment methods by cash value storage.

Shenyang Simware Information Technology Co., Ltd. —

The company specialises in designing management systems for tax authorities and government planning departments. Present clientele includes the Shenyang city and the Liaoning provincial government.

In addition to the Group’s regular presence in the major cities of China, namely Beijing, Shanghai, Chongqing, Shenyang and Nanjing, our representative branches have extended their scope to investigate potential investment opportunities in Guangzhou, Chengdu and Wuhan.

Our investments in the IT businesses are progressing well as we are seeing signs of entering a phase of rapid growth. The gross profit margin for our IT investments averaged at 19.5%. To ensure maximum utilisation of the growing potential of each joint venture, the Group is actively involved with their management and providing macro-economic market direction to widen their customer base. It is the Group’s firm belief that by doing so our joint ventures will develop a unique advantage over their competitors.

A sales team specialising in introducing our IT solution products to Hong Kong has been established and began operations in March 2001. The Enterprise Resource Planning (ERP), Point of Sales (POS), and Systems Integration (SI) products are looking promising with the Hong Kong market showing interest in our competitive prices, comprehensive turn key solutions and user friendliness.

In March 2001, the Hong Kong SAR Government announced a relaxation of the criteria for application of Hong Kong visas for mainland citizens if they are qualified in certain IT talents. The Group responded by requesting each joint venture to appoint several representatives to apply for the “Admission of Mainland Professionals Scheme”, taking us a step closer towards functional integration with our joint ventures in the PRC. At present, the Group has engaged ten IT professionals in the first batch of successful IT applicants from the June entry.

Development and investment properties

The property development project, “The Centrium”, a Grade A commercial/office building at Arbuthnot Road/Wyndham Street in Central district obtained the official occupation permit on 29 June 2001. A full marketing scheme is in progress. Rental income from other investment properties went up slightly in the current period due to a higher occupancy rate.

Travel and related services

Fourseas, the associate of the Group, succeeded in cutting down its administrative and operating expenses by 30% over the last interim period. Its loss from operations, before the property revaluation, was down to HK\$2.5 million, after continual effort to streamline its operations. It is now able to maintain its travel sales level and quality of travel products and services at controllable costs.