

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

RESULTS OF FIRST HALF OF FISCAL 2001

For the six months ended June 30, 2001 (the “Period”), the Group achieved a profit attributable to shareholders of HK\$2.3 million. Earnings per share in the Period was 0.312 cents compared to a loss per share of 0.027 cents in the corresponding period last year. The improvement in the results was due to a stringent control over operating costs and our prudent financial decision on new construction contract.

CONSTRUCTION BUSINESS

The decrease in revenue in construction contracts of HK\$14.9 million during the Period represented a decline of 60% when compared to the corresponding period of HK\$37 million last year. The decrease is mainly due to poor economic situation. After the NASDAQ index had reached the peak of more than 5,000 in early 2000, the world economy slowed down continuously. The poor market sentiments resulted in a decrease in private spending and the high unemployment rate resulted in a reluctance to invest in the Hong Kong property market. As one of our major businesses is construction and decoration, the poor property market directly affected our business. In addition, we have exercised maximum financial prudence in managing our construction contracts by discontinuing any bid for new contracts that offered negligible or negative margins. During the first half year, we did not secure any new contracts and most of the contracts on hand were in the final stage. However, there is an improved profit margin in comparison to last year as we exercised better cost control, and more resources were allocated to recover long outstanding contract receivables.

TELEVISION PROGRAM AND ADVERTISING PRODUCTION

Although there was an overall decline in the economy in Taiwan during the Period, revenue from the sale of television program and advertising production in Taiwan was dropped only slightly by 6%. Our management has exercised tight control to minimize the production cost in order to maintain the profit margin.

CONTROL OVER OPERATING EXPENSES AND FINANCE COSTS

General and administrative expenses decreased by 20% due to our better control over operating expenses in the first half of the year. In order to save operating expenses, we relocated our branch office of the construction business in North Point to our existing head office. Besides, employee’s headcount has reduced to an optimal level and overhead expenses were tightly controlled. Finance costs represented the interest on the convertible loan notes and bank overdrafts and trust receipts loans. The decrease interest expense by 87% from HK\$4.8 million in the last corresponding period to HK\$0.6 million for the Period was due to the conversion of convertible loan notes during 2000.

SHARE OF RESULTS OF ASSOCIATES

The Group recorded a share of loss from associates of HK\$4.8 million for the Period compared to HK\$1.4 million in the corresponding period last year. The associates are CVN Group Inc. and its subsidiaries in which we have a 33% interest. CVN Group Inc. operates a CVN project which provides video on demand, high-speed Internet access and stock trading service via broadband cable network to users in the PRC. The Group launched its first broadband interactive cable service in a resident community in Fuzhou City during the Period.

CONCLUSION

Our construction and television program and advertising production businesses depend highly on the economy in Hong Kong and Taiwan. We forecast that the business growth of our Group will be confined by the expected weak economies in both areas in the forthcoming year. However, we strongly believe that we can still maintain our competitiveness by continuing to tightly control our administrative and construction costs in the second half of the year.