

BUSINESS REVIEW

Over the past 28 years, the Group has been successful in overcoming the business challenges during times of economic recession. With proactive and flexible business strategies, the Group has been able to develop healthy business and continues to increase its market share. The Group regards the current weak economy as an opportunity to capture the new potential markets and customers, paving the way for further growth when the economy recovers.

With an active expansion strategy in place, the Group continued to report revenue growth and achieved positive results for the six-month period ended 30th September, 2001.

The Group's turnover grew 8% to HK\$629 million as compared to the corresponding period last year. Profit attributable to shareholders however was down 25% to HK\$24 million as compared to the corresponding period last year HK\$32 million. Earnings per share were 8.27 HK cents.

The government and education sectors continue to show good business growth. They together accounted for almost 50% of the Group's total turnover, contributing largely to the Group's overall business growth. The commercial sector also reported a growth through the Group's active effort in exploring new business and gaining new customers across different industries in the sector whilst the finance & banking and the telecommunication sectors contracted.

Gross profit increased by 14% to reach HK\$166 million. In view of the rising market demand for a variety of IT services, the Group further expanded in the service business operations by increasing manpower. The expansion resulted in an immediate increase in overhead expenses and therefore affected the operating income for the period.

The provision of engineering and software services business continues to benefit the Group with recurring and stable income. During the period, service income grew 21%, accounting for 23% of the Group's total turnover. The Group's successful expansion of outsourcing business in the government and multinational sectors was a contributor for such growth.

In respect of bulk contracts, the Group's subsidiary, ELM Computer Technologies Limited, together with IBM, won the government's UNIX and SAN bulk contract worth over HK\$45 million in May this year. Other bulk contracts that the Group serviced during the period, included the PC and Network bulk contract for government departments, the Education bulk contract for primary and secondary schools and the PC Equipment and IT Services bulk contract for the Vocational Training Council.

In August this year, the Group received the "Best Overall Performance Award" from Oracle in recognition of its remarkable sales for Oracle technology products. Significant growth was achieved over the past 12 months.

The offices established in Thailand and Taiwan have been in operation since year 2000, with their business focuses targeting the IT services and the outsourcing business respectively. Though the IT service industry has not been fully developed in these two countries, both offices are expected to capture a substantial part of the market share in the future when business and the technology industry in these countries become more mature.