

Construction

The turnover for the construction division for the interim period ended September 30, 2001 was HK\$199,172,000, a decrease of 64.79% as compared with the same period of the preceding year. The decrease in turnover was mainly due to the delay in our client in releasing the construction sites for commencement of work. As a result, there was a time lag between the completion of outstanding projects and the commencement of new projects. Hence, during the period under review, most of our contracts on hand were in their initial stage and no significant work for the new contracts has yet been performed.

The drastic slowdown in public housing construction due to the change in government's policy on housing projects has put unprecedented strain on this already difficult construction industry. With less construction projects being available for tender, the recent tender prices have become more competitive. Aiming to maintain our competitiveness in the industry, our construction division continues to upgrade the quality of work as well as the adoption of cost saving measures to ensure the profitability of each project. It has been our policy to ensure that our tender price is cost effective, competitive and profitable. During the period under review, the construction division has successfully secured the following contracts with a total value of approximately HK\$376 million:–

- Construction of Building 5, Science Park at Pak Shek Kok, Phase 1b, New Territories
- Term Contract for Maintenance and the Vacant Flat Refurbishment for Lei Yue Mun District
- Office Fitting-Out Works at Redevelopment of Upper Wong Tai Sin Estate Phase 4

The innovative construction methods such as the e-Construction Management System and e-Project Solution have successfully been applied in the construction projects. Such innovative construction methods should be able to further enhancing the operational efficiency and effectiveness as well as the improvement in quality and reduction of cost.

Apart from the adoption of the new innovative construction methods, the construction division continues to focus on the efficient and effective utilization of resources. As a result, in September 2001, the construction division has disposed of those barges which have not been fully utilized.

Industrial and E-commerce

Despite the economic downturn and poor market conditions, with the improved quality of products and stringent production process control, the manufacturing division for the high precision machine parts was able to maintain a profitable business.

The burst out of the IT bubbles in the US has significant adverse effect on the global market for computer and telecommunication related products. With the economy weakening, there has been a decreased in demand for computer hardware and telecommunication related products and delay in the delivery of new generation products. Our manufacturing of printed circuit board business undertaken by the Group's associated company has been badly affected by this global depressed market. Accordingly, the progress of this business in securing its market share has been substantially delayed.

The e-business of i-LegalService has received recognition from the market. During the period under review, it attracted a strategic investor, Tradelink Electronic Commerce Limited ("Tradelink") to participate and join force for further enhancement of its business. Tradelink, as Hong Kong's largest provider of trusted e-commerce services, is a joint venture of the Hong Kong SAR Government and private-sector organizations with the Government holding the single largest share of 42.5%. Together with Tradelink, i-LegalService will develop an ASP (Application Service Provider) version secure Document Exchange and Document Management System specifically designed for law firms in Hong Kong.

Strategic Investments

With a view to diversifying the Group's business activities through strategic investments, the Group converted the convertible note into 25% equity in a profitable and leading Smart Card manufacturer and solution provider in June 2001. This Smart Card manufacturer and solution provider, Cardlink Technology Group Limited (Stock Code 8066), is scheduled to be listed on the Hong Kong Growth Enterprise Market on December 20, 2001.

The Group also holds a strategic investment through a convertible note in a company that has investment in e-commerce business and interests in communication network in China.