

PROSPECT

The drastic slowdown in both the public housing construction and private sectors and the delay in the construction programs in the large infra-structural projects have imposed significant adverse impacts on the construction industry. In the near term, the current unfavourable market conditions for the Hong Kong construction industry is likely to persist. The reducing tendering opportunities will intensified the competition among the major construction companies, thereby making the current situation more difficult.

In anticipating this extremely difficult situation, our construction division has always been rationalizing its operations with emphasis on upgrading the quality of work. Aiming to increasing the overall efficiency and cost control, the construction division has implemented new technologies in operation automation and project management.

Despite this difficult situation, our construction division was able to secure 4 additional construction projects with total value of approximately HK\$1 billion subsequent to the period ended September 30, 2001. These projects are:-

- The construction of Tung Chung Area 31, phase 5 with contract value of HK\$655 million.
- The construction of Indoor Recreation Centre cum Library at Area 100, Ma On Shan, New Territories with contract value of HK\$205 million.
- The construction of a primary school in Area 56, Tuen Mun, New Territories with contract value of HK\$70.7 million.
- The construction of reprovisioning of Police Dog Unit and Search Unit at Sha Ling, New Territories with contract value of HK\$125 million.

Together with the existing contracts, the Group has contracts on hand with total value of approximately HK\$2 billion. With approximately HK\$2 billion worth of contracts on hand (as compared to last year of approximately HK\$870 million) and the adoption of the newly developed technologies, it is believed that the construction division will bring in reasonable return to the Group considering the adverse market conditions.

Due to the poor market sentiments and conditions, the slowdown on the demand in electronic products will continue to persist for a substantial period. This will have significant impact in our manufacturing division for high precision parts as well as the printed circuit boards. To plan ahead and be ready for the recovery of the market, our industrial division will continue to focus our resources and expertise in developing new products, maintaining and improving quality of the existing products. With the diversification of products range and new product lines, it is believed that the industrial division can maintain and secure its market share by enlarging its customers' base upon the recovery of the market.

With our concrete business concept, our e-business division, i-LegalService has attracted the participation of Tradelink as a new investor. With Tradelink's direct involvement and support, the mission of i-LegalService to provide a comprehensive business solution and on-line operation platform to the legal profession can be achieved in a more efficient and effective manner.

The strategic investment in the Smart Card manufacturer, Cardlink Technology Group Limited, has proved to be a favourable investment with its scheduled listing on the Hong Kong Growth Enterprise Market on December 20, 2001. The listing status of this associated company of the Group will increase the value of this investment. Furthermore, this investment is believed to bring in positive return to the Group.