

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended September 30, 2002 (six months ended September 30, 2001: Nil). No dividend was paid during the period.

BUSINESS REVIEW

Despite the global economy shows no significant sign for recovery, the Group through concerted effort has achieved a satisfactory result with turnover being increased by 2 times and turned into a profit of HK\$1.58 million from a loss situation of HK\$9.97 million as compared with the same corresponding period.

Construction

The slowdown in public housing construction due to the change in Government's policy on housing projects and the reduction of capital expenditure by the Government on infrastructure projects have posed additional pressures on the depressed construction industry.

The construction division has made prompt efforts to deal with the effects of this downturn and the sluggish construction market. Aiming to maintain its policy for not tendering projects with no profit margin, the construction division has been taking an active and aggressive approach in tendering profitable construction projects from all sectors including public sector. Furthermore, the construction division also continues to adopt the pro-active and partnering approach with the contractors and suppliers so as to enable it to negotiate favourable pricing for the building materials with a view to increasing its competitiveness in tendering projects.

During the period under review, the construction division has successfully secured a total of 5 construction projects with a total contract value of approximately HK\$640 million with two of the new construction projects obtained from MTR Corporation and Jockey Club respectively. The projects are as follows:

- Construction of a Government Complex in Lee On Estate at Area 108, Ma On Shan, Sha Tin
- Construction of Building 9, Science Park at Pak Shek Kok, Phase 1c, N.T.
- Construction of a Rehabilitation Complex in Tuen Mun, N.T.
- Framework Agreement for Minor Works, MTR Corporation
- Supply and Installation of Air Handling Unit, Chilled Water Fan Coil Units and Exhaust Fan for Cook-N-Chill Kitchen, Grandstand 2, Sha Tin Racecourse.

Together with the abovementioned new contracts, our construction division has contracts on hand with a total value of HK\$2,584 million as at September 30, 2002.

Effective measures have been implemented to closely monitor the cost control policy so as to reduce cost and overheads and to utilize the resources more efficiently. With tight cost control measures on all the contracts on hand, the operation was able to improve its profitability.

The management believes that the pricing of the construction materials has significant effect on the overall performance of the construction division. It is intended that the development of construction material supply chain network for the Group will complement our core construction business. During the period under review, the construction division has commenced the establishment of a supply chain network in China for building materials.

Manufacturing and Trading

The overall contribution from the manufacturing of high precision parts during the period under review was promising. With improved productivity, stringent cost control, continued improvement in quality of the products and upgraded production capacity, the manufacturing division of the high precision parts was able to generate a stable and recurring income at higher profit margin as compared to the past.

The ASP (Application Service Provider) version secure Document Exchange and Document Management System specifically designed for law firms in Hong Kong was launched in October and has received favourable feedback from the legal field.

FINANCIAL REVIEW

The financial position of the Group has continuously improved during the period. At September 30, 2002, the shareholders' funds increased by 10% to HK\$120.8 million from HK\$109.8 million at March 31, 2002. In June 2002, the Group successfully placed new shares to independent investors for a total amount of HK\$9.5 million with a view to enhancing the shareholders' base.

The Group's liquidity position remains strong and the Group's cash on hand has increased significantly to HK\$58.5 million as at September 30, 2002.

The gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at September 30, 2002 was 52% (as compared to 62% as at March 31, 2002).

The Group continues to adopt a conservative treasury policy with all bank deposits in Hong Kong Dollars currency. The Group has not engaged in the use of any derivative products as all the accounts receivables and payables are denominated in Hong Kong Dollars.

Properties with net book value of HK\$14.7 million together with bank deposits in the amount of HK\$11.6 million were pledged to secure banking facilities granted to the Group. Deposits with total amount of HK\$2.9 million were pledged to an insurance company for issuing bonds to its clients.

In early July 2002, the Group entered into agreement with third parties for the disposal of its interests in certain associates engaged in the manufacturing of printed circuit boards and its interest in certain leased machineries which did not generate a favorable return to the Group without incurring substantial losses.

At September 30, 2002, the Group was committed to have capital investment in respect of acquisition of an investment in securities amounting to HK\$8 million. The investment is engaged in the forwarding business, customs duty consultancy services, provision of warehouse facility and logistic management in Southern China.

PROSPECTS

Despite of the poor market conditions, with a view to striving for a market share during this difficult and unfavourable environment, the Group is taking the necessary precautions and making efforts to reduce the adverse effect on the businesses of the Group. Apart from the aggressive approach in tendering profitable projects, the management will constantly review and monitor the project cost base by reassessing the materials price from suppliers through global sourcing. The construction materials supply chain to be established in China will no doubt create a synergy effect on the construction division.

The Group will continue to focus on its quality of work, control measures, enhancement in its operational efficiency and improvement in its internal resources allocation in the future. Furthermore, it will also continue to develop its inherent advantages and expertise in the construction industry.

Subsequent to the period ended September 30, 2002, the construction division was awarded with another 5 construction projects with total contract value of HK\$605 million and being short-listed for 2 other construction projects with total contract value of HK\$430 million. Including all the awarded contracts, the construction division has a total contract on hand of HK\$3,189 million which is a record achievement of the Group. With the cost control measures and anticipated reduction in overheads, it is expected that the contracts on hand will provide a stable income stream for the forthcoming 2 years.

Although the construction industry remains sluggish, vigorous efforts will continue to be made to enlarge our participation in the public sectors as well as in other construction sectors. The Group will continuously explore new markets in China, which is expected to bloom with its accession into the World Trade Organization, and strategic partners to consolidate its position for the future. The Group is in the process of negotiating the participation in the construction projects in the China market.

In relation to the manufacturing and trading division, the Group will continue to focus on its resources to upgrade the existing production lines with a view to providing better quality to suit the need of different customers.

The Document Management System launched in Hong Kong has been well accepted by the law firms in Hong Kong, action has been taken in sourcing a potential business partner for promoting this product in the China market. It is believed that this system will be in demand for the legal field in China as the legal firms in China are in the process of upgrading themselves to face the new era after the accession into the World Trade Organization.

The Group is well prepared to take up the challenges lying ahead; it aims to deliver concrete operating and financial results in the second half of the financial year and the forthcoming years.

DIRECTORS' INTERESTS IN SHARES

As at September 30, 2002, the interests of the directors of the Company and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Number of Ordinary Shares	
	Personal interests	Other interests
FUNG Wing Mou, Bernard	4,500,000	<i>Note</i>
HO Kee Kung	7,000,000	–
HUI Hong Lok	20,000	–
POON Kon Chun, John	5,078,000	–

Note: 198,185,303 shares are owned by Turbo Act International Limited, a company in which Mr. Fung Wing Mou, Bernard has beneficial interests.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by directors in trust for the Company, as at September 30, 2002, none of the directors of the Company had any interests in any securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDER

As at September 30, 2002, according to the register required to kept by the Company under Section 16(1) of the SDI Ordinance, Turbo Act International Limited held 198,185,303 ordinary shares of the Company, representing 35.27% of the issued share capital of the Company.

MAJOR TRADE DEBTORS

Included in trade and other receivables as at September 30, 2002 were the amounts due from The Government of the Hong Kong Special Administrative Region and Hong Kong Housing Authority of approximately HK\$265.12 million and HK\$66.61 million respectively in connection with contract work carried out during the normal courses of construction business. The amounts were unsecured, interest-free and repayable in accordance with the terms of the construction contracts.

EMPLOYEES

The Group currently employs 254 staff in Hong Kong and 682 workers in China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2002, there was no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the interim report for the six months ended September 30, 2002.

At the request of the Directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended September 30, 2002, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's interim report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board
Fung Wing Mou, Bernard
Chairman

Hong Kong, December 20, 2002

SUMMARY OF CONTRACTS ON HAND

Project	Client	Contract Commencement Date	Expected Completion Date	Total Contract Value <i>HK\$ million</i>	Outstanding Contract Value as at Dec 17, 2002 <i>HK\$ million</i>
Construction of Building 5, Science Park at Pak Shek Kok, Phase 1b, New Territories	The Government of the HKSAR	May 2001	Dec 2002	298	41
Construction of Tung Chung Area 31, Phase 5	Hong Kong Housing Authority	Oct 2001	Jan 2004	655	503
Construction of Indoor Recreation Centre cum Library at Area 100, Ma On Shan, New Territories	The Government of the HKSAR	Dec 2001	Dec 2003	205	175
Reprovisioning of Police Dog Unit and Force Search Unit at Sha Ling, New Territories	The Government of the HKSAR	Dec 2001	Jul 2003	125	101
Construction of a Primary School in Area 56, Tuen Mun, New Territories	The Government of the HKSAR	Dec 2001	May 2003	71	50
Construction of Primary Substation at Shatin Racecourse, Hong Kong Jockey Club	CLP Power HK Ltd	Feb 2002	Jan 2003	37	14
Construction of a Government Complex in Lee On Estate at Area 108, Ma On Shan, Sha Tin	The Government of the HKSAR	Apr 2002	Dec 2003	56	50
Construction of Building 9, Science Park at Pak Shek Kok, Phase 1c, New Territories	The Governmet of the HKSAR	Sept 2002	Jan 2004	315	309

Project	Client	Contract Commencement Date	Expected Completion Date	Total Contract Value <i>HK\$ million</i>	Outstanding Contract Value as at Dec 17, 2002 <i>HK\$ million</i>
Construction of a Rehabilitation Complex in Tuen Mun, New Territories	The Government of the HKSAR	Sept 2002	Aug 2004	259	251
Construction of a Secondary School in Area 36C, Sha Tin, New Territories	The Government of the HKSAR	Oct 2002	Jul 2004	108	105
Conversion & Extension to 4 Nos. Existing Aided Schools – Group 1 under School Improvement Programme Final Phase Package 2	The Government of the HKSAR	Nov 2002	May 2004	92	92
Conversion & Extension to 5 Nos. Existing Aided Schools – Group 2 under School Improvement Programme Final Phase Package 5	The Government of the HKSAR	Nov 2002	Jun 2004	120	120
Framework Agreement for Minor Works, MTR Corporation	MTR Corporation Ltd.	Apr 2002	Dec 2004	9	9
Supply and Installation of Air Handling Unit, Chilled Water Fan Coil Units and Exhaust Fan for Cook-N-Chill Kitchen, Grandstand 2, Sha Tin Racecourse	The Hong Kong Jockey Club	Sept 2002	Oct 2002	1	1
Conversion & Extension to 7 Nos. Existing Aided Schools – Group 2 under School Improvement Programme Final Phase Package 3	The Government of the HKSAR	Dec 2002	Sept 2004	137	137
Conversion & Extension to 6 Nos. Existing Aided Schools – Group 2 under School Improvement Programme Final Phase Package 6	The Government of the HKSAR	Jan 2003	Jan 2005	148	148

Project	Client	Contract Commencement Date	Expected Completion Date	Total Contract Value <i>HK\$ million</i>	Outstanding Contract Value as at Dec 17, 2002 <i>HK\$ million</i>
Term Contract for Design and Construction of Minor Works	The Government of the HKSAR	Nov 1999	Oct 2002	508	554*
Term Contract for Maintenance and the Vacant Flat Refurbishment for Lei Yue Mun District	Hong Kong Housing Authority	Jul 2001	Jun 2003	45	32
TOTAL				<u>3,189</u>	<u>2,692</u>

* Up to December 17, 2002, the Group has received HK\$615 Million from The Government of the HKSAR. Based on past experiences, the outstanding contract value is expected to be approximately HK\$554 Million.