

DIRECTOR'S STATEMENT

OPERATIONAL RESULTS

The Group registered a consolidated net loss of A\$8,100,000 or HK\$37,570,000 for the year ended 31 December 2000.

The business environment in China has been very challenging. The JV realized its first year of operating losses. Due to prolonged over-capacity and aggressive pricing, 13 factories had to shut down during the year 2000. The JV contributed some A\$6.96 million or HK\$32 million to the Group's losses.

A high tax charge of A\$1.16 million or HK\$5.46 million in the previous year and a bad debt provision of A\$0.7 million or HK\$3.2 million contributed to the poor results of the JV.

The Group's performance was further affected by the prudent measure of providing A\$2.57 million or HK\$11.8 million being diminution of the cost of investment.

The Group does not have any borrowings. Cash and bank balances at the end of the financial year 2000, amounted to A\$2.6 million or HK\$11.4 million as at 31 December 2000.

The Group's net equity stood at A\$69.7 million or HK\$305.6 million.

REVIEW OF OPERATIONS

The business was faced with stiff competition, as a price war was still plaguing the industry. Sales volume declined by 5.6% whilst sales turnover declined by 14.8%. Performance was disappointing.

In the second half of the year 2000, several strategic steps were taken to reverse the decline, one of these steps consisted of a different approach to distribution, the approach gave the Company the much needed ability to better control over prices and margins. Other measures include the introduction of a new brand. With the new brand, sales volume accelerated by 27% over the first two months of the year 2001.

In addition, the Company has embarked on several cost-cutting exercises. Tight credit control coupled with more emphasis on collections resulted in better liquidity.

The Company also reduced the number of employees through 'right sizing' without affecting productivity. The current workforce is now 2200 strong from a high of 3200. The JV is proposing to spin off the tube manufacturing division, which would result in further cost savings.

These exercises have improved cash flow considerably and provided the Company with the ability to purchase materials at a competitive 'cash discount'.

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OUTLOOK

The industry is undergoing a major rationalization and consolidation, it is showing signs of bottoming. Early indications are that the industry will show better performance in the coming year. Capacity utilization will be significantly better.

Baring unforeseen circumstances, the Company is cautiously optimistic that 2001 will be a better year, as a result of the strong measures taken.

The Company will strive to streamline operations to better enhance shareholders value.

APPRECIATIONS

On behalf of the Board, I would like to thank the management and staff of the Company for their dedication and contribution during these trying times.

Goh Nan Kioh
Director