

CHAIRMAN'S STATEMENT**FINANCIAL REVIEW**

The Directors are pleased to report that the audited consolidated results of the Group for the year ended 31st December, 2000 have significantly improved whilst compared with the previous year. Turnover increased to approximately HK\$35.5 million and profit attributable to shareholders increased to approximately HK\$190.7 million in comparing to previous year with a turnover of approximately HK\$1.7 million and a loss of approximately HK\$60.1 million respectively. As stated in the restructuring circular of the Company dated 7th April, 2000, an exceptional surplus of approximately HK\$189 million arrived from waiver of indebtedness after restructuring of the Company on 30th April, 2000.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds of the Group have changed from a deficit of approximately HK\$164.6 million at 31st December, 1999 to a surplus of approximately HK\$35.9 million at 31st December, 2000, mainly due to the waiver of indebtedness of approximately HK\$189.4 million during the year.

During the year, the Group's net debt (net of bank balances and cash) decreased by approximately HK\$98.9 million from approximately HK\$138.8 million at 31st December, 1999 as a result of the waiver of indebtedness to the banks and the issue of 5% convertible loan stock. As at 31st December, 2000, the gearing ratio of the Group was 111%, calculated on the basis of the Group's net debt over the shareholders' funds.

In addition to the above, Suncorp Investments Group Limited ("Suncorp") has provided working capital facilities to the Company up to HK\$10 million for one year from 30th August, 2000.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: Nil).

BUSINESS REVIEW

As stated in the restructuring circular of the Company dated 7th April, 2000, following the entering of the Settlement Deed, the MIL Settlement Deed and the successful implementation of the Restructuring Proposal on 30th April, 2000, the Group has been reactivated at the beginning of this year. The manufacturing operations were started with the production of selected products on OEM basis generated from new customers. With the setting up of new sales and marketing team and the expansion in product range, the Group has gradually developed a new sales channel in enlarging its core business. As the result of tightening our cost control and diversification of the product range under the new management team since September 2000, the Group has returned to profitability and growth.

CHAIRMAN'S STATEMENT**FINANCIAL POSITION**

With the completion of Restructuring Agreements on 30th April, 2000, the Group received equity capital of HK\$10 million and debt capital of HK\$44 million. At the balance sheet date, the Group had net assets of approximately HK\$35.9 million against net liabilities of approximately HK\$164.6 million in 1999 and has a cash fund of approximately HK\$4.0 million.

PROSPECTS

In summary, the Group has undergone substantial changes during the year. The financial position has been improved and the foundation has been strengthened. Having resolved the difficulties faced by the Group, the Group is healthier and the core business is in better shape. The management of the Group will seek for extensive resources to develop more new and innovative products, open up new markets and strengthen the existing market place. The Directors and the Management of the Group are confident to cope with future market challenges.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest gratitude to all our shareholders for their continuing support to the Group, and to extend my appreciation to the fellow Directors and staff for their dedication during this difficult year.

Cheng Yung Pun

Chairman

Hong Kong, 22nd March, 2001