

CHAIRMAN'S STATEMENT

I am pleased to report the activities of the Group for the year 2000.

REVIEW

The Group's profit attributable to shareholders and turnover for the year ended 31 December 2000 were approximately HK\$1.9 million and approximately HK\$1,945 million respectively, representing a decrease of 96.5% and 1.3 % over the corresponding period in 1999. The decrease in the Group's profit was mainly due to the losses incurred by Wah Shing International Holdings Limited ("Wah Shing") and Nority International Group Limited ("Nority").

Wah Shing achieved a turnover of approximately HK\$1.5 billion for the year ended 31 December 2000 which was comparable to the previous year but the loss was approximately HK\$55.5 million for the year 2000 as compared to the profit of HK\$123.1 million for the year 1999. The significant drop was principally due to the competitive environment in the industry and the drastic surge in the prices of materials and other manufacturing costs. The company failed to adjust overhead fast enough to meet the changing market conditions. The results were further eroded by the provision for doubtful debts and related inventories due to the financial difficulties of a customer and the provision for impairment/diminution in value of properties and listed long-term investments.

The turnover of Nority decreased by 29.1% to HK\$354.2 million in the year 2000 as compared to last year. Its loss amounted to approximately HK\$44.7 million as compared to the profit of approximately HK\$2.6 million in the previous year. Keen market competition and the rapid change in the trend for wearing athletic footwear contributed to the fall in turnover. The drop in product prices and the change of the depreciation period of certain fixed assets also contributed significantly to the loss.

The turnover and net profit of Wah Shing Electronics Company Limited ("WSE") for the year 2000 dropped by 28.2% and 77.3% respectively as compared to last year. The drop was attributable to the competitive market environment and the upsurge in material prices.

The Group had a gain on disposal of various interests in Wah Shing, Fourseas.com Limited and certain subsidiaries during the year.

Our leather shoes and safety products joint ventures in Tianjin which are under our management control made a profit contribution for the year ended 31 December 2000. The legal proceedings instituted by the Group against the subordinate corporations of Tianjin Second Bureau of Light Industry, our Chinese partner in tools and a tannery, which are in breach of the Joint Venture Agreement are still in progress.

South China Information and Technology Limited ("SCIT") recorded a turnover of approximately HK\$63.6 million for the year 2000, a sharp increase as compared to the prior year. Its loss attributable to shareholders for the year 2000 was reduced by 26.7% to approximately HK\$37.9 million as compared to the previous year. SCIT group had already concluded fourteen joint ventures. These joint venture companies are engaging in development and marketing of industry specific applications software, integration systems as well as providing professional IT services.

CHAIRMAN'S STATEMENT

The large grade "A" commercial/office project at Arbuthnot Road/Wyndham Street in Central district, in which the Group has a 30% interest, has progressed satisfactorily and is due to be completed in mid-2001.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity position remains strong and healthy, with its operations mostly financed by internal resources and bank borrowings.

As at 31 December 2000, the Group had cash balance of HK\$145.7 million, a current ratio of 1.14 and a gearing (long-term liabilities HK\$41.9 million to equity HK\$796.2 million) of only 5.3%.

Details of bank borrowings at 31 December 2000 are set out in Notes 21 and 23 to the financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities at 31 December 2000 are set out in Note 30 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2000, the Group employed over 24,000 employees majority of which in the People's Republic of China. The total staff costs including net pension contributions for the year was approximately HK\$391 million. The remuneration package of the Group's employees are reviewed by senior management annually with increments in order to maintain at competitive levels. Apart from medical subsidies, life insurance, provident fund, external subsidised training programmes, housing loan interest subsidy, meal subsidy, share options and bonuses are awarded to the employees according to individual performance.

OUTLOOK

Wah Shing has taken actions to reduce its workforce and manufacturing overhead. Its product design, R&D and engineering capabilities will be enhanced to develop its Original Design Manufacturing business so as to provide value added services to its existing Original Equipment Manufacturing customers. The financial resources of Wah Shing will be strengthened following the completion of its Rights Issue.

WSE will continue to enhance its competitive advantages with its upgraded manufacturing process and adopt cost control measures. Its performance is expected to improve.

Nority is also adopting measures to cut its cost and to improve its performance.

CHAIRMAN'S STATEMENT

SCIT is one of the earliest pioneers to have IT joint venture businesses in China and will continue with its strategic move to acquire more IT companies with solid business and market niche. Acquisition will concentrate on IT enterprises that have very solid businesses such as contracted services or those possessing certain key techniques and expertise in their specific areas but just lacking capital and necessary strategic marketing for further expansion. Discussions are underway for partnership with some of the advance technology companies wholly operated under leading universities in the PRC. Best performing joint venture companies will be selected for public listing later this year. For the longer term, SCIT is formulating a strategy to achieve sales targets, increase business growth, explore overseas business opportunities and consolidate market position in order to become the strongest IT group in Hong Kong and China.

The current operations of Fourseas are now becoming profitable at the operating level. The overall market sentiment for further downward movement in interest rates will continue to revive its financial position.

The commercial/office property at Arbuthnot Road will be the only Grade "A" office project to be completed in Central district in the year 2001. The recent pick up in the office property market in Central coupled with the extension of "SOHO" area from Lan Kwai Fong to Hollywood Road, have promoted the popularity and prosperity of the location where our property project is situated. We, together with our major partner, are now planning our marketing scheme to be launched in the second half of 2001.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China

24 April 2001