

DISTRIBUTION OF ELECTRONIC COMPONENTS AND MANUFACTURING OF ELECTRONIC PRODUCTS

In regard to worldwide computerization, both of business operations and personal applications, sharp increase in turnover was achieved, especially for components in electronic notebook. Despite there were signs of softening in the international personal computer ("PC") market like sluggish consumer demand and depression in the overseas market, our distribution on PC and its related products was up significantly in 2000, went beyond the projected global growth rate of only 18.8%.

Moreover, fuelled by the prosperity of mobile phone market and frequent release in new models by mobile phone manufacturers, demand for telecommunication electronic components was extremely strong. There was a 46.0% fantastic growth in the global mobile phone distribution over 1999. The introduction of wireless application protocol impressed the mobile users and was a wave to the sales growth.

Besides, the rebound from the recession in Asian countries should be marked. The mild recovery stimulated the consumption on personal advanced products and investment in the forefront of technology. Being gave impetus to electronics business by computerization, communication and consumption, an exhilarating growth of 61.1% in sales volume was realized.

There was a notable contribution from the diversification into Internet appliance products. Sales of network-access cards, cell phones and cordless phones were most obvious relating to the booming of telecommunication market. Driven by the trend of broadband Internet service, the distribution on Asymmetric Digital Subscriber Line ("ADSL") products was pushed up.

In response to the forefront technology of United Microelectronics Corporation Group, prominent performance for its products was recorded as the Group is its authorized distributor in the Asia region. Furthermore, spurred by the introduction of Hon Hai Precision as our strategic partner in February 2000, either the variety of products offered or customer base was enriched.

With the ongoing development of mp3 technology and its products, vast sales volume was raised by the sales of these products. It was escalating at a faster pace than other electronic products and became one of our main engines. By grasping the different generations of mp3 technology, several new products were launched in the late of 2000. As scientific research and studies were carried out before products design, the market responses for these products were enthusiastic.

DISTRIBUTION OF SPORTS EQUIPMENT

One of the reasons for the intense growth in global demand for golf equipment is the shift from tennis players to golfers since playing golf became the fashion trend as a sport for recreation. Having the existing customer base, together with promotional campaigns and good customer services, the golf equipment distribution became larger in the sports equipment segment and the Group was taking pleasure from the growth in sales in recent years.

It is encouraging that the government of the PRC changed its policies recently to support the sport of golf. The cost of playing golf was reduced to an affordable level among most people in the PRC by the lower land cost offered to the golf courses developers. Regarding the rapid growth in the number of golfers and the popularity of playing golf, over 10 billion US dollars have been spent in the golf business. As one of the leading distributors in the PRC, the Group was benefit from such substantial expenditure.

Titleist shaft was the most hot item among the golf equipment during the financial year and being the main driver of turnover for distribution on sports equipment. At the same time, material sales were contributed by products with other sound brand names, such as Wilson, Footjoy, Titleist and King Cobra. The contribution from golf shoes and golf balls should also be marked by their significant jump in sales. On the other hand, the Group is appreciated for taking more than 70.0% of the market share on golf balls distribution in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

There were two placements during the year. The Company placed and issued 25,000,000 new ordinary shares of HK\$0.60 each and 30,600,000 new ordinary shares of HK\$1.2 each in January 2000 and in February 2000 respectively. Besides, 46 million new convertible preference shares were issued at premium of HK\$0.80 each in April 2000. The net proceeds of approximately of HK\$88.5 million are being used for the Group's expansion.

During the year under review, the working capital increase from 79 million to 161 million. There was a 58.8% growth to HK\$31,460,000 in the total bank deposits, bank and cash balances by comparison with that of the previous year. Total bank and other borrowings including long term bank loans, import loans, overdraft and other borrowing were HK\$225,745,000 in 2000 compared with HK\$200,479,000 in 1999.

Whilst the sales of the Group is mainly denominated in Hong Kong dollars and US dollars, the Group's exposure to foreign exchange risk is minimal.

EMPLOYEES

As at 31st December, 2000, the Group employed approximately 250 staff members and 500 workers. Employees' remuneration is determined in accordance with their performance and experience.

A share option scheme was adopted in 1994 under which share options were granted to certain directors and employees as incentive and award for their contribution to the Group. Being fully recognized the importance of staff, the Group endeavored to ensure job satisfaction and capabilities development to each staff. It is the Group policy to encourage the employees for their further education and training by providing sponsorship.

MAJOR CUSTOMERS AND SUPPLIERS

For the fiscal year 2000, the five largest customers and the largest customer accounted for approximately 17.8% and 4.4% respectively for the Group's aggregate turnover whilst the five largest suppliers and the largest supplier accounted for approximately 51.4% and 13.0% respectively for the Group's total purchases. None of the directors, their associates or any shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers and suppliers.