

On behalf of the Board of Directors, I am pleased to present the annual report and the audited annual results of Medtech Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2000.

FINANCIAL RESULTS

For the financial year ended 31 December 2000, profit attributable to shareholders was approximately HK\$28,464,000, representing an increase of 214 percent compared with 1999 during which a loss of approximately HK\$24,887,000 was recorded. This was attributable to our debt restructuring program completed by February 2000, which resulted in a gain of approximately HK\$ 47,513,000 for the Group being the waiver of loans and interests by the banks during the year under review. Basic earnings per share for year 2000 was 1.1 cents (1999: loss per share of 2.3 cents).

The Group's turnover in year 2000 was approximately HK\$100,600,000, representing a 32 percent decrease compared with approximately HK\$147,079,000 in 1999. Hong Kong, as our core market, contributed approximately HK\$47,860,000 or 48 percent to the Group's total turnover, representing a 11 percent increase over that of last year. The Middle East, as our second largest market, recorded sales of approximately HK\$23,553,000 which accounted for 23 percent of the total turnover, representing a 6 percent decrease over that of last year. The decline in turnover was largely due to sluggish market conditions and continuous fierce competition among industry players.

DIVIDEND

The Board of Directors has resolved not to distribute any final dividend for the financial year ended 31 December 2000.

BUSINESS OVERVIEW

In 2000, the Group has undergone a series of major transformation. In February 2000, we have successfully completed our debt restructuring program which helped reduce the Group's total liabilities to approximately HK\$42,246,000 at 31 December 2000 (1999: HK\$245,681,000). In the same month, new members were invited to the Board of Directors, following the change of our major shareholder. To highlight the Group's orientation for technology related business, the official name of the Company was changed to "Medtech Group Company Limited" in April 2000.

The most important task for the new management team in year 2000 was to fortify cash flow position of the Group to ensure our continual growth and competitiveness. Immense management efforts were thus concentrated on consolidating our core businesses and improving our liquidity position. Resources have been reallocated to business areas of high-growth and with high profit-earning potential.

CHAIRMAN'S STATEMENT

During the first half of 2000, the Group disposed some of its properties to improve its gearing ratio. The disposal resulted in a net loss of approximately HK\$568,000 for 2000 annual results. In December 2000, the Group has also disposed its interests in a joint venture investment project which produced no return to the Group.

FUTURE PROSPECT

Looking ahead, with our industry expertise, we are confident to take on challenges in a competitive operating environment, coupled with the apparent slowdown of Asian economic recovery due to weak market sentiment in the global market. Never-ceasing efforts will be contributed in further strengthening and expanding our existing core business. On the other hand, with an aim to diversify our business concentration to include potential technology related businesses, we will actively seek to develop other profitable technology areas in order to further enhance our cash flow condition and diversify business risks.

The Group has already embarked on a program to explore the horizon of technology related business. In December 2000, the Company initiated the acquisition of a 100 percent stake in Enet.com Limited ("Enet.com"), an investment holding company, and its solely owned investments: GC Systems (Asia) Limited ("GCS Asia") and 1024120 Ontario Limited (Operating as GC Systems) ("GCS Canada"). Enet.com Limited, GCS Asia and GCS Canada are engaging in the distribution of computer components, system and network solutions. They are also authorized agents and OEM partners of leading computer hardware manufacturers and software providers in Hong Kong and Canada.

We are confident that the investments will prove to be profitable and further improve our turnover and cash flow. Besides, the Group will also benefit from the existing business connections of Enet.com, introducing us to more prominent players in the technology industry.

THANKS TO OUR TEAM AND OUR SHAREHOLDERS

I would like to take this opportunity to express my most sincere gratitude to our dedicated staff, management team and our respectable shareholders for their wholehearted support to the Group over the years, through both good times and bad times.

CHEUNG Lik Chung

Chairman

Hong Kong, 23 April 2001