

Chairman's Statement

Profit

The Group's audited consolidated profit for the year attributable to shareholders in 2000 amounted to HK\$134,981,000 as compared with HK\$77,199,000 for the previous year.

Dividend

The Board recommends the payment of a final dividend of 3 cents per share, payable to shareholders whose names appear in the Register of Members of the Company on 1st June, 2001. This dividend, together with the interim dividend of 2 cents per share and a special interim dividend of 18 cents per share already paid, will make a total distribution of 23 cents per share for the full year. Subject to shareholders' approval in the Annual General Meeting, warrants for the final dividend will be sent to shareholders on or about 8th June, 2001.

Closure Of Registers

The Register of Members of the Company will be closed from Tuesday, 29th May, 2001 to Friday, 1st June, 2001, both days inclusive, during which period no transfer of the Company's shares will be effected.

In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 28th May, 2001.

Review Of Operations

Electric Fans: Ceiling Fans and Table Fans

Despite keen market competition, sales for the Group's electric fans maintained growth during the year, particularly the industrial fans. The anticipated slow down in the United States economy will affect sales but we expect that the demand generated from the opening up of emerging markets will be stable. These factors coupled with higher end products are expected to sustain a stable business turnover for this product category in Year 2001.

Household Vacuum Cleaners

In Year 2000, the turnover of the Household Vacuum Cleaners recorded an increase as compared to previous year. Under the continuing keen competition on these products in mainland China, the Group is focusing on the development of more advanced and proprietary designs to differentiate the Group's high quality products from its competitors. Two advanced patented bagless upright models will be launched in the second half of Year 2001 and they are expected to achieve higher profit margins. It is anticipated that the business turnover for this product category will increase in Year 2001.

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Fiber-optic Communication Products

During the year, the Group disposed of all the investment in the fiber-optic products business for a total consideration of HK\$565,597,000 and generated a profit of HK\$429,204,000 from the disposal. Please refer to the notice to shareholders on 5th May 2000 for further details concerning the disposal.

Steel Processing and Trading

The Group owns a 70% equity interest in the steel products processing joint venture business with Shinsho Corporation, Japan. This JV operates a coil center in Huang Pu district in Guangzhou. The continuing fall in steel prices has affected the selling prices, and orders became unsteady. Although there was a slight improvement in turnover in the second half of Year 2000, the trend is not expected to continue in Year 2001.

Cables Business

The Group holds a 98% interest in Guangdong Macro Cables Co., Ltd. The electric cable business has been successful in controlling cost and improving productivity which resulted in a small profit for the year. Market competition in selling electric cables is still very keen which exerts pressure on prices. The business outlook for electric cables in Year 2001 is expected to be steady because costs have stabilised. The Group will continue to develop new products and improve productivity to increase market share.

Stainless Steel Welded Tubes Products

Loss was recorded for the year in Shunde Hua Feng Stainless Steel Welded Tubes Ltd. in which the Group holds a 90.1% equity interest. The market for welded stainless steel tubes in mainland China is still underdeveloped. The prevailing drop in prices for stainless steel material has enabled our products to be more competitive in the market. The emphasis of the Group in Year 2001 for this business category will be improvement in product quality and cost control.

Taxi Operations

The Group currently holds an 85.5% equity interest in Guangzhou SMC Car Rental Co., Ltd. which owns 200 taxi licenses. This company has recently entered into new agreements with the taxi drivers and we expect that the monthly rental and management income of taxi will increase in the coming years. The market value per Guangzhou taxi license has increased substantially during the second half of Year 2000. This company purchased 32 additional taxi licenses in January 2001 and will seek to purchase additional taxi licenses in the future.

Real Estate Investment & Development

The Group holds a 20% equity interest in Hong Kong Construction SMC Development Limited. This company owns the "CITIC Plaza" project in Tianhe district, Guangzhou. The property complex comprised one 80-storey Grade A office tower, two 38-storey blocks of deluxe service apartment towers and a shopping mall. Sales and leasing of the premises in CITIC Plaza have been

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satisfactory. Currently, over 90% of the total floor area has been either sold or leased. Previously, CITIC Plaza was managed by one of the major shareholders, Hong Kong Construction (Holdings) Limited. At the end of Year 2000, the management was assumed by a new management team formed by the Group together with other substantial shareholders (members of new management controlling an aggregate of 60% shareholding in the project). Since then, strong improvement and promotional activities have been initiated by the new management team. A qualified independent valuer has also been employed to reassess the present value of this company's assets, and a decision of value write-down has been made subsequently. As a result, the Group shared the loss of this associated company amounting to HK\$108,283,000.

The equity interest of the property development project at Yuen Kong Road, Guangzhou previously held by the Group was disposed of to a third party at the end of Year 2000 and resulted in a loss of HK\$26,082,000.

The Group invested approximately US\$17,000,000 to build a high tech industrial complex in mainland China. The building was leased to a reputable international fiber-optic communication products company starting in January 2001 which is expected to generate stable long-term income for the Group.

Phase I, amounting to 130,000 square feet, of the Group's office buildings in Livermore California, United States has been fully leased, generating an annual rental income of approximately HK\$11,000,000. Meanwhile, Phase II, of 110,000 square feet space, is expected to be completed in the second half of 2001 which is expected to provide additional rental income for the Group.

Liang Xing Highway

During the year, income generated from the Group's 52% interest in Shunde Shunyue Highway Construction Limited in Shunde, China was below expectation. After the completion of the 16.357 kilometers Liang Xing Highway in the mid of November 2000, the average traffic flow recorded was 18,000 vehicle journeys per day in December 2000. Compared to pre-completion period, the traffic flow and toll fee has increased by 10% and 13% respectively. It is expected that the toll fee income for this company will continue to grow in Year 2001.

Technology Investment Projects

Internet Server

The Group has acquired a 27% equity interest in Neutility Corp., a company incorporated in Delaware, United States. This company develops innovative internet super engines and provides monthly leasing service in terms of internet bandwidth, connection capacity, data storage/management and application softwares. This series of internet super engines are designed by the company founders who were the chief architect of the Cray I and Cray II super computers. These new internet super engines are expected to have enough capacity to capture market shares in internet-server business in the major cities. The Group has set up a joint venture with Neutility Corp. and Pacific Century CyberWorks Limited for the incorporation of PowerBaseEngines Holdings Company Limited to provide engine and consultancy services in Hong Kong. The joint venture has started to operate and is expected to generate revenue in Year 2001.

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SI & Software Development

The Group has acquired a 41% interest in an SI & software development company operating in Hong Kong and China. This company offers software development and assistance to Chinese enterprises on a total solution basis. Business activities include system integration management, software research & development and customized software. As a result of the rapid growth in computerization and modernization of Chinese enterprises, this company recorded respectable growth in turnover in two consecutive years in 1999 and 2000. It is expected that this company will continue to maintain growth in the future.

Broadband Communication IC

The Group has acquired a 43% equity interest in a company incorporated in California, United States which specializes in the research and design of broadband communication IC. The technique is originated from the advanced patent "wavelet" technology. The first IC prototype has been successfully developed. This company is pursuing to develop the broadband IC into finished product and expects to launch shipment in the second half of Year 2002. The IC is suitable for connection of all broadband communication equipment.

Electronic Integrated Rectifier Chips

The Group has acquired a 23% equity interest in a company incorporated in California, United States which designs and manufactures electronic integrated rectifier chips. The chips with built-in technology of electronic circuitry can handle high electric current and achieve less voltage drop, lower heat emission and power saving when compared with other similar products in the market. This company has been accelerating the trial production of such electronic integrated rectifier chips.

Software to expedite Internet Content Transmission

The Group has also acquired a 52% equity interest in a company incorporated in California, United States which develops software to enhance the speed of the internet content transmission. The software can significantly consolidate the information contained on the internet interface screen and shortens the communication time and reduces the reliance on supporting hardware. This company has already signed up over 30 United States companies for the testing of the software. The Group expects this company to expand its customer base rapidly and commence generating income in Year 2001.

Others

In addition to the above technology investment projects, the Group has also invested in various overseas advanced technology companies conducting proprietary product research and development activities. These companies are involved in the development of internet communication technology, sales and services providers in internet. The majority of these companies owns patented technology. The purpose of the Group to make these strategic investments is to explore and strengthen the Group's business opportunities offered by the high technology sector and new business environment. We expect to nurture these investments to generate economic benefits to the Group.

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Due to the recent consolidation in the market for technology investments, the Group has prudently made a provision of HK\$77,946,000 for its technology investment projects.

Securities Investment

The objective of the Group's investment in securities is to manage the surplus funds conservatively to generate satisfactory returns. The instruments invested are mainly shares or equity-linked notes of blue chip companies listed in Hong Kong or the United States. For the current year, the realized profits generated from securities investment was HK\$30,932,000 (realized profit for last year was HK\$24,717,000) and the unrealized loss was HK\$80,211,000 (unrealized profit for last year was HK\$92,677,000).

Group Financial Position

Turnover for the year 2000 totalled HK\$2,668,256,000 representing 106% increase over the same period of last year. Major increase of the turnover stemmed from the trading of securities which jumped from HK\$232,342,000 last year to HK\$1,598,250,000 in Year 2000.

During the year, certain production lines and subsidiary companies which reported losses or offered unfavorable business prospects had been reorganized or disposed of by the Group. Approximately half of the proceeds of HK\$565,597,000 in respect of the disposal of 437,157 shares of E-TEK Dynamics Inc. has been allocated and applied to the Group's strategic investments the development and progress of which will be closely monitored by the Group.

As at 31st December 2000, the Group had liquid funds amounting to HK\$165,000,000 which comprised HK\$45,000,000, US\$6,019,000 and RMB72,000,000 cash and deposits.

The Group's liquidity and financial resources continued to be in a healthy condition. The total debit-to-equity ratio for the current year expressed as a percentage of total debt of approximately HK\$686,000,000 (1999: HK\$709,000,000) to the equity of approximately HK\$2,027,000,000 (1999: HK\$2,459,000,000) remained at a low level of 34% (1999: 29%).

Banking facilities totalling HK\$417,000,000 were available, of which loan draw-down for HK\$14,579,000 and US\$7,870,000 and utilisation of trade finance facilities for HK\$10,066,000 had been effected.

Funding requirements for capital expenditures were met by internal cash flows.

The Group entered into foreign exchange contracts to manage its foreign currency exposure arising from acquisition of raw materials where settlement in Japanese Yen was required.

YUNG YAU

Chairman of the Board

Hong Kong, 18th April, 2001.