

CHAIRMAN'S STATEMENT

I present on behalf of the Board of Directors the Annual Report of the Company for the year ended 31st December, 2000.

Results

For the year ended 31st December, 2000, the Group experienced a slight decrease in turnover to HK\$1,147 million (1999 : HK\$1,166 million). Net profit attributable to shareholders for the year was HK\$20.23 million, down 42.87% from 1999 (1999 : HK\$35.42 million). Earnings per share for the financial year under review decreased by 45.77% to HK\$0.04315 when compared to the previous year (1999 : HK\$0.07958).

Final Dividend

The Board has resolved to recommend a final dividend of HK\$0.02 per share (1999 : HK\$0.03) for the year ended 31st December, 2000 to be paid on 6th June, 2001 to shareholders whose names appear on the register of members of the Company on 25th May, 2001 subject to approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK\$0.01 paid on 3rd November, 2000, the total dividend for the year is HK\$0.03 per share (1999 : HK\$0.04).

Closure of Registers

The registers of members is closed from 21st May, 2001 to 25th May, 2001 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 2000 final dividend, all transfers accompanied by the relevant share certificates have to be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00p.m. on 18th May, 2001.

Review of Results and Operation

The profit decline was mainly due to a decrease in profit contributions derived from non wholly-owned subsidiaries. During the period under review, overseas buyers proved cautious in placing orders and turnover for Europe decreased as a result of Euro currency depreciation. Contributions to the Group's profits were still mainly generated from its core business of manufacture and sale of consumer home products.

Bigfield Goldenford Holdings Limited ("Bigfield")

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a declining profit from that of the previous year despite a 3.42% increase in turnover. The reduced profit contribution was primarily attributable to significant increases in material costs and factory overheads. Paper products accounted for 51.01% and 48.41% of its turnover in 2000 and 1999 respectively and continued to play an important role in its development. Management plans that Bigfield will reinforce its control in cost reduction and factory overheads in the coming years in order to increase its contribution to the Group.

Frankie Dominion (Holdings) Limited ("Frankie")

Owing to its effective policy in marginal profitability and internal control throughout the year, profit increased at Frankie in 2000 despite a drop of 7.11% in sales. The Management expects its continuation of stable growth and profit contribution to the Group in 2001.

Home Mart Store Limited ("Home Mart")

As a result of the adverse condition of weak consumer spending and no improvement on competitive position throughout the year, Home Mart ceased its department store operation at Metro Plaza in March, 2001.

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Acquisitions during the period*Acquisition of 25% Interest in ProSticks.com Limited*

On 27th March, 2000, the Company entered into a conditional agreement with ProSticks.com Limited ("ProSticks") for the subscription by the Company of 200,000 new ordinary shares of HK\$1.00 each in ProSticks. The total consideration for the subscription was HK\$20,000,000 which was satisfied as to HK\$13,000,000 in cash, and as to the remainder by the allotment and issue to ProSticks of 14,000,000 new shares of HK\$0.10 each in the capital of the Company.

In addition, pursuant to the agreement, the Company also agreed to purchase 100,000 shares of HK\$1.00 each in ProSticks from Mr. Li Ching Ping Vincent. The total consideration for the sale and purchase of the shares was HK\$8,330,000 which was satisfied by the allotment and issue to the vendor of 16,660,000 new shares of HK\$0.10 each in the capital of the Company. Completion of the Agreement took place on 12th April, 2000.

ProSticks is a private company incorporated in Hong Kong. Its business comprises research, development, marketing, sales and implementation of computer software applications which deal with foreign exchange and money market dealing, securities trading, charting and technical analysis systems. It has also developed its own website through which its applications and analysis systems, in particular the ProSticks charting system, can be distributed. The invention of ProSticks charts, which is based on a patent-pending technology, inaugurated a new era in financial charting and technical analysis. Its capability of presenting critical intra-day market information in a user-friendly and graphical way creates substantial value to the analysis and forecast of price movements in a wide variety of financial products. The ProSticks charting

website "www.ProSticks.com" provides comprehensive financial charts and technical indicators with the highest standards of performance and quality, using cutting-edge technology. The ProSticks.com website was officially launched in early May 2000.

Acquisition of 5.4% Interest in Perception Digital Technology (BVI) Limited

On 31st May, 2000, the Company entered into an agreement with, among other parties, Perception Digital Technology (BVI) Limited ("Perception Digital") for the subscription by the Company of 4,142 new ordinary shares of US\$0.10 each in Perception Digital, representing no less than 5.4% of the enlarged capital of Perception Digital. The total consideration for the subscription under the subscription agreement was US\$1,350,000 (equivalent to approximately HK\$10,530,000). Completion of the agreement took place on 31st May 2000.

Perception Digital Technology (BVI) Limited is a company incorporated in 2000 in the British Virgin Islands and is an investment holding company of a group of companies carrying on the business of research, development, marketing and manufacturing of multi-media hardware and software. It is the beneficial owner of approximately 99.7% of the issued ordinary share capital in Perception Digital Limited ("PDL") whose business is the research, development, marketing and sale of state of the art technologies in the storage, processing, purchasing, delivery and distribution of music via the Internet. PDL has developed PD Hercules, believed to be the first stand-alone, low cost, digital jukebox providing both internet connection and automatic song recognition and has established iPDmusic.com, a dedicated website for music fans. PDL is also planning to introduce a range of products, including internet messenger,

virtual DJ, 2.4 GHz wireless music delivery and Humming Search, a music reorganisation technique enabling easy and fast search of music or songs stored on PD Hercules.

Acquisition of 33.31% Interest in Webradio Limited

On 23rd June, 2000, the Company entered into a sale and purchase and subscription agreement with the existing shareholders and Webradio Limited ("Webradio") for the purchase by the Company from each of the existing shareholders of 3,850 shares (i.e. a total of 7,700 shares), and the simultaneous subscription by the Company of 43,400 new shares, all of HK\$1.00 each in Webradio. Upon the completion of the share purchase and the share subscription, the Company became the legal and beneficial owner of 51,100 shares in Webradio, representing approximately 33.31% of the enlarged capital of Webradio. The considerations for the share purchase and the share subscription are HK\$1,890,000 and HK\$9,600,000 respectively. Completion of the sale and purchase and subscription agreement took place on 24th June, 2000.

Webradio Limited is a private company incorporated in 1997 in the Hong Kong Special Administrative Region. Its business is in building, maintaining and running a radio website under the domain name of "webradio.com.hk".

The directors consider the abovementioned acquisition investments are in the best interests of the Company as they provide good investment opportunities in the fields of information technology, e-commerce and entertainment and so will broaden the business of the Company.

Prospects

In view of the results of the current year, the Group will put more effort into reducing production costs and more resources will be allocated to the development of new products as well as diversification of sales by geographical market. Although there is an indication that the U.S. economy is slowing down, the Directors are confident and optimistic about the Group's future development and performance in strengthening the Group's business for shareholders' benefit.

Share Option Scheme

The Company's share option scheme adopted on 1st May, 1991 will remain in force until 30th April, 2001. A new share option scheme will be proposed for adoption at the forthcoming Annual General Meeting.

Appreciation

I would like to take this opportunity to express my heartfelt thanks to our customers and business associates for their loyal patronage and support through the years and, in particular, to the employees for their dedication in this period of transition.

Lam Po Kwai, Frankie
Chairman

Hong Kong, 20th April, 2001