

Review of Operations

Year 2000 was another difficult year for the Group. Turnover dropped by 57% from HK\$4,139 million to HK\$1,775 million in the current year while gross profit dropped by 56% from HK\$285 million for 1999 to HK\$124 million for the current year. The drop in turnover during the year was mainly due to the disposal of Tomei International (BVI) Limited, which owns the Group's manufacturing business of consumer electronics products, to Tomei Technologies Limited, a wholly owned subsidiary of The Grande Holdings Limited for a total consideration of HK\$181 million. The turnover associated with Tomei International (BVI) was HK\$1,406 million. The transaction was completed in June 2000. The Group recognised a gain of HK\$108 million recorded as "Other revenue" in the current year.

The Group's current year result was adversely affected by a provision of HK\$308 million, included as "Other operating expenses", against the Group's total exposure related to the rescue of the Akai Group. As reported in last year's annual report, on 15th November, 1999, the Company agreed to extend an on demand revolving loan facility of up to HK\$630 million to Akai. As at 31st December, 1999, the amounts advanced to Akai totalled HK\$655 million including loan principal and interest accrued, and were secured by certain listed and unlisted shares, trademarks and certain tangible assets. As further disclosed in an announcement on 26th August, 2000, the net balances increased to HK\$767 million as at 30th June, 2000.

On 23rd August, 2000, an order was issued by the High Court of the Hong Kong Special

Administrative Region for compulsory winding up of Akai Holdings Limited and its associate, Kong Wah Holdings Limited. As a result, a preliminary provision of HK\$220 million was made and disclosed in the Company's interim announcement on 29th August, 2000. In response to the winding up order, the Company demanded immediate repayment of the amounts advanced and, failing to receive repayment from the Akai Group, the Company exercised its rights under the security documents.

Based on the current estimation of the potential realisation and valuation of the relevant securities, a further provision of HK\$88 million has been added to the preliminary provision of HK\$220 million making a total provision of HK\$308 million for the year and a net exposure amounting to HK\$600 million at the balance sheet date. It is the intention of the directors to explore various options to recover and realise the Group's exposure in a timely manner.

As reported in last year's annual report, the rescue of Akai was funded by internal resources and financing from The Grande Group, the former parent of the Company. As at the balance sheet date the amount due to The Grande Group for this purpose was HK\$425 million (1999: HK\$238 million).

In March 2000, the Company entered into an agreement to acquire a 100% interest in Asia eMarket Limited at a total consideration of HK\$220 million. Asia eMarket Limited has a 50% interest in Bizipoint.com Limited, which is principally engaged in the operation of a

O 2 N E W
T E C H N O L O G Y
L I M I T E D
A N N U A L
R E P O R T
2 0 0 0

Review of Operations

O 2 N E W
T E C H N O L O G Y
L I M I T E D

A N N U A L
R E P O R T
2 0 0 0

vertical B2B e-commerce for the electronics and computer industries. Bizipoint is the only website officially and exclusively endorsed by the China Electronic Chamber of Commerce. As a neutral internet-based intermediary, Bizipoint's mission is to facilitate transaction with seamless end-to-end solutions by using various market-making mechanisms, tools, and ancillary services. Based on the independent valuation review by American Appraisal Hongkong Limited in the first quarter of 2001, the fair market value of the entire equity interest in Bizipoint is HK\$367 million. The Group's share of the fair market value in Bizipoint is therefore HK\$183.5 million, representing a decrease of HK\$36.5 million compared to the cost of the investment. Accordingly, a provision of HK\$36.5 million was included in "Other operating expenses" of the Group to reflect such decline in value of the investment in Bizipoint. With its strong focus in China and collaboration with leading partners in related fields, Bizipoint is well positioned to grasp the vast opportunities resulting from China's WTO entry. Management believes Bizipoint is able to contribute towards the profitability of the Group in the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's current assets and current liabilities as at 31st December, 2000 were HK\$694 million and HK\$574 million, respectively (1999: HK\$1,436 million and HK\$1,245 million, respectively). As at 31st December, 2000, the Group had cash and bank deposits of approximately HK\$26 million

(1999: HK\$167 million), and no bank borrowings.

Subsequent to the year end in February 2001, the Group has raised HK\$20 million for additional working capital purposes by issuing 250 million new shares of HK\$0.01 per share at HK\$0.08 per share to independent third parties. Depending on market conditions, the directors will continue to explore opportunities to further strengthen the financial position of the Group.

PROSPECTS

After the sale of the consumer electronics manufacturing business, the Group intends to concentrate and build up its business in the manufacture and sale of components and related products. The Group will also explore further business opportunities and synergy with its associate, Bizipoint.com Limited, which specialises in vertical B2B e-commerce in the computer and electronics industries, with a view to develop the Group into a technology advanced and efficient operator in the traditional as well as the new economy sector.

The directors are continually looking for investment opportunities in both the industrial and technology fields. The Board also believes that current unfavourable market conditions create a number of undervalued situations which the Group may be able to capture and add value. Our corporate mission is to rebuild the Group into a market leader in its core business activities, namely manufacturing, technology, investment and financial services.