

## RESULTS

For the year ended 31 December 2000, the Group achieved significant growth in turnover amounted HK\$647,743,000, representing an increase of 44% over the previous year figure of HK\$450,444,000. Profit attributable to shareholders amounted to HK\$48,039,000, as compared to HK\$54,388,000 of the previous year.

## REVIEW OF OPERATIONS

This year, we achieved a great leap in turnover, which was mainly attributed to the tremendous increase in demand for supply chain management service. The turnover of this section nearly doubled that of the previous year. The growing demand for blank media products also contributed to the revenue growth. The Group's income was further boosted by the newly established operation in Taiwan, which commenced provision of services last year.

The Group's overall profit margin, however, was dragged down as its largest proportion of turnover for the year under review came from the supply chain management business with a relatively low profit margin when compared to other divisions. The slowdown of the US economy since the 4th quarter of 2000 also adversely affected the Group's profit performance. The downturn was also attributable to the surge in the cost of resin, the immediate writing-off of the set up cost for the newly established Taiwan operation and prices squeeze of media products by customers.

In line with the business strategy of diversifying its core business from manufacturing to servicing, the Group actively expanded supply chain management service business in last year.

## SUPPLY CHAIN MANAGEMENT

Taking advantage of the enormous demand for supply chain management, turnover of this business segment jumped to approximately HK\$196 million from HK\$9.8 million in the previous year, representing a twenty times growth.

To reduce the costs of order management and inventory control, more and more US software companies are outsourcing their supply chain management service in Asia. To capitalize on the immense growth in demand, the Group has striven to provide customers with more comprehensive supply chain management services including procurement and logistics management, quality control in procurement, support for the assembly and final packaging of computer hardware and software.

Since the US is the major market of this section, the economic slowdown of the territory since the 4th quarter of 2000 resulted in diminished demand for supply chain management. The Group thus started extending its business to Asia, including the PRC and Hong Kong.

## TOTAL FULFILMENT SERVICES

Turnover of total fulfilment services amounted to approximately HK\$70 million during the year under review, accounting for 11% of the Group's total turnover.

The substantial drop in turnover of this business segment was mainly a result of the global downturn in the Internet Technology sector and the economic slowdown in the US in the 4th quarter of 2000 which was normally the peak season of the division. One of the Group's major US customers was acquired and was under re-structuring in the year of 2000 and stopped procuring orders from all vendors including Jackin. Most of US software companies reduced the inventory and the market demand for software in the US slowed down due to slack economic condition.

The sluggish US market prompted the Group's decision to reduce its USA operation. The Group will, however, keep pace with the US economy and respond in first instance to changes in the market.

To achieve cost-effective operation and provide better service to Asian markets, the US Internet and software companies, for instance Computer Associates International Inc., are distributing their products through agency service providers in Asia which allowed them to concentrate on their core software business and simultaneously implement regional delivery to Asian customers. A contract was signed with Computer Associates International Inc. last year to provide agency services operation in Taiwan with procurement and logistic services for the US customers. We are pleased that the newly established Taiwan operation has already started to contribute revenue to the Group. We see the Taiwan operation as a catalyst for the Group to penetrate into Asian markets, especially the PRC market, with vast potential.

## COMPUTER MEDIA PRODUCTION

During the year under review, the sales of the Group's computer media products reached HK\$367 million, representing an increase of 27% from HK\$289 million of last year.

The substantial growth in turnover was attributed to the increasing demand for blank media products and cost-effective resource management in the production plant. The production facilities of blank media product in Macau operated at optimum production capacity.

With reference to optical media, in order to make full use of the Group's resource, it sub-contracted some of its CD production to vendors. Due to economic downturn in the US, the Group also shifted the focus to Asia.

In addition, the consolidation of the floppy disk market led to lessen competition. Companies with lower competitive advantages had been eliminated, whereas a few prominent brand names, of which most of them are our clients, dominated the market and further expanded their market shares. The phenomenon helped to increase the sales of the Group's related products. Furthermore, with the product life cycle of floppy disc product reaching maturity stage, the market does not expect to see newcomers. We anticipate demand for floppy discs to remain stable.

## SUBSTANTIAL EVENT

In November 2000, the Group acquired 100% interest of Fortune Luck Development Ltd., an authorized distributor of a reputable Japanese company, for HK\$47.03 million of which HK\$7.43 million has been paid in cash and the balance will be met by the issue of convertible bonds. The amount of convertible bonds will be adjusted subject to the achievement of a profit guarantee of around HK\$12 million for the year ending 31 December 2001.

The Group's diversification into the distribution of media products will compliment its manufacturing and servicing businesses and create an additional income source for the Group. Fortune Luck has built up 18 distribution centres in major cities of the PRC, a direct access to the PRC market with 1.3 billion populations. Leveraging the well established and comprehensive distribution network of Fortune Luck, the Group will continue to step up the development of its distribution and logistics business.

## PROSPECTS

The Group has been diversifying its core business from manufacturing of computer media products to provision of services to customers. In line with this business strategy, the Group acquired Fortune Luck and started its distribution and logistics business. With Fortune Luck's extensive network and well-established foundation, the Group is optimistic about the development of the distribution business. The Group expects its new distribution business to bring in considerable income, and eventually make up a substantial portion of the Group's turnover. The Group will also continue to expand its client base and strive to make its distribution and logistics services more comprehensive.

In the face of the slowdown of the US economy and profit warning announcements from various US Internet and technology companies, we do not expect a quick turnaround in the US market. The Group will step up the implementation of its strategies to shift market focus from the US to Asia. We will concentrate our efforts in penetrating the flourishing PRC market and exploring new markets in other Asian countries.

With the newly established Taiwan operation, the Group is well-positioned to develop the Asian markets. Apart from serving US clients, our Taiwan operation has extended its services to cover PRC customers. We have full confidence in our Taiwan operation which will continue to provide the Group with revenue.

To enhance the Group's competitiveness and profitability, we will continue to direct efforts and resources into product R&D. This will enable the Group to increase the variety and versatility of products under the Jackin umbrella. We are preparing for the launch of a new product in the coming year. The Group expects this new product to bring in substantial additional income.

Due to the newly implementing Software Protection Ordinance by the Hong Kong SAR Government effective from 1 April 2001, demand for Microsoft products and services increase substantially as compared to year 2000. Orders for CD products and total fulfilment service of the Group grew accordingly.

Since the Group's performance in the coming year relies much on the pace of the worldwide economic recovery, especially improvement in the US market, our professional and experienced management team will remain prudent and closely monitor situations to ensure prompt response. We will also actively mitigate our operating cost, explore more business opportunities and develop new products to achieve better returns for shareholders.

### CONCLUSION

On behalf of the Board of Directors, I would like to express our sincere gratitude to all our devoted staff for their continuous support and encouragement. I would also like to take this opportunity to thank the shareholders for their kind support to the Group. Jackin will continue to work hard at diversifying its products, services as well as its market and is confident that it will be able to reward our investors with substantial returns.

On behalf of the Board

**Ho Yin King, Helena**  
*Chairman*

Hong Kong, 23 April 2001