



BUSINESS REVIEW AND PROSPECT

BUSINESS REVIEW

The Group's turnover for the year is HK\$771,827,000, representing 52% increase from the corresponding period of last year. During the period, the Group has substantially improved its trading profit margin as well as strengthened its profit base through diversification into a packaging business that is carried on by a listed subsidiary, Qualipak International Holdings Ltd ("Qualipak").

The Group has incurred a loss attributable to shareholders of HK\$72,179,000 which is attributed to a provision for unrealized loss on securities investment totaling HK\$138,111,000. The securities investment is majority held by the Group as long-term investment and the provision for investment loss is made in order to comply with the accounting treatment of revised HKSSAP 24 adopted. Excluding this unrealized loss resulting from the volatility of security prices, the Group has achieved a gain of HK\$65,932,000 for the year (1999: the corresponding figure was HK\$39,205,000), representing 68% increase over the last year.

PROSPECT

Further Diversification

In September 2000, the Group had completed an acquisition of 273,000,000 shares of Prestige Properties Holdings Limited ("Prestige"), a listed company in Hong Kong. Further details were contained in the Company's circular dated 21st August 2000. The consolidated net tangible asset value of Prestige was HK\$1,852,676,000 as at 31st December 1999 and was decreased to HK\$1,780,856,000 as at 31st December 2000. This decrease was attributed to an operating loss of HK\$120,968,000 when its operating profit of HK\$58,072,000 was deducted by a properties revaluation deficit of HK\$179,040,000 for the year. This deficit existed at the time of acquisition and the Group had properly accounted for such deficit during the acquisition. The cash consideration of HK\$600,600,000, i.e. HK\$2.20 per share represented a discount of approximately 20.86% of the consolidated net tangible asset value per share of Prestige as at 31st December 1999, i.e. approximately HK\$2.78 per share or a discount to the consolidated net tangible asset value as at acquisition. The Group had also accounted for its share of operating profit of Prestige since 1st October 2000 immediately after the acquisition which was HK\$5,651,000 for the year.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

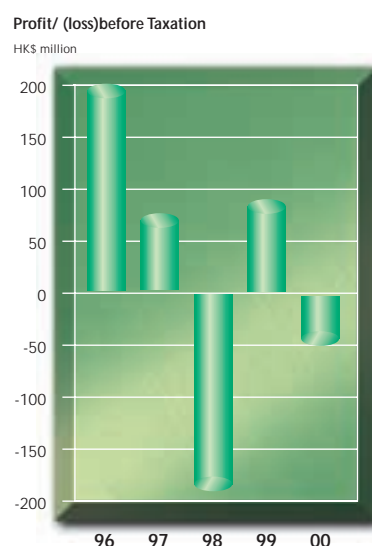
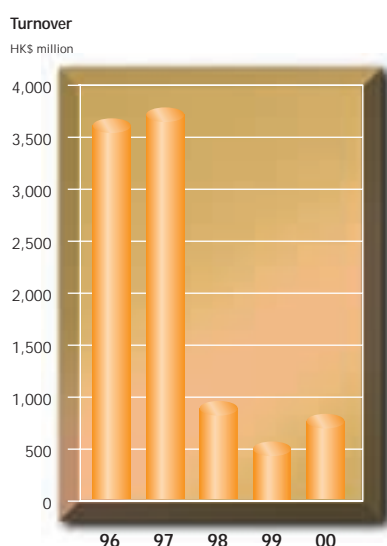
This acquisition will bring long term growth potential to the Group in view of the good quality of the investment properties in Hong Kong owned by the Prestige Group and will augment both the asset base and profit base of the Group.

Prospective trading and investment opportunities

With a strong business activity base in mid West area of PRC, the Company expects to benefit from the open economic policies which are expected to be pronounced by PRC officials later this year in respect of taxation, land, foreign trade and direct investment etc in the mid West area of PRC.

During the year, the Group has successfully widen its income source with a steady stream of income generated from both the packaging business of Qualipak and office rental business of Prestige and strengthened its asset base with the holding of a portfolio of investment properties through Prestige.

The Group has successfully implemented its diversification strategy to strengthen its income and assets base. Following the acquisition of Qualipak and then Prestige, subsequent to the year end, its associate company, Prestige has expanded into an infrastructure business through the acquisition of 51,755,924 shares of The Cross-Harbour (Holdings) Ltd ("Cross Harbour"), a listed company in Hong Kong. This acquisition will provide Prestige with a stable stream of cash and income in the foreseeable future and our Group with future economic benefit accordingly. The Group will continue to explore business opportunities in strategic acquisition of equity interests in Hong Kong or abroad.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year, the Group's turnover is significantly increased by 52%. It was attributable to the Group's diversification into a packaging business carried on by a listed subsidiary, Qualipak International Holdings Limited ("Qualipak").

As at 31st December 2000, the Group's net asset value was increased to HK\$1,842 million and had a net asset value per share of HK\$0.22. The Group's total asset and liabilities were HK\$2,351.4 million and HK\$365.6 million respectively. The Group's contingent liabilities for bills receivable discounted with recourse were HK\$93.4 million. The gearing ratio, defined as long-term liabilities to shareholders' fund, was 11.9% calculated based on the long-term liabilities of a 5% convertible note borrowing amounted to HK\$219.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained its long-standing policy of conservative and prudent financial management. As at 31st December 2000, the net cash balance of the Group stood at HK\$656.3 million and there were sufficient unused lines of credit available from financial institutions. The Group had a working capital ratio of approximately 8.8. It could mark the working capital is supporting the Group's operation.

The Group had no banking borrowings as at 31st December 2000.

Whilst sales of the Group mainly denominated in Hong Kong and US dollars, purchases of raw materials are in majority in Hong Kong dollars. Most bank deposits are also maintained in Hong Kong dollars and US dollars. Hence, the Group's exposure to foreign exchange risk is minimal.

CAPITAL STRUCTURE

As at 31st December 2000, the Group's net asset was financed by internal resources through share capital & reserves and convertible note borrowings. Total equity attributable to shareholders was HK\$1,842 million as at 31st December 2000, representing an increase of 47.5% over last year.

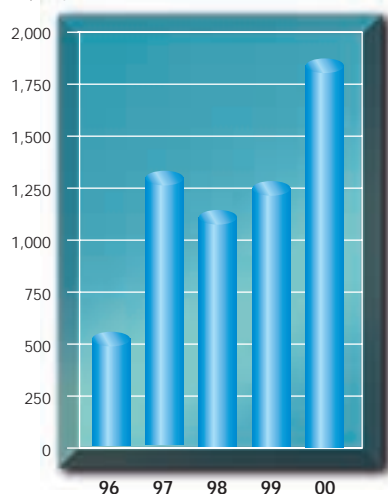
The capital base of the Company for the year had been enlarged by an amount of approximately HK\$670.2 million which were the result of placing of 509,000,000 and 643,800,000 shares at HK\$0.45 and HK\$0.52 per share respectively on 17th January and 28th February 2000 and new issue of shares upon exercise of 159,200,000 share options for a total of HK\$28,990,000 and exercise of warrants for a total of HK\$77,372,000 resulting in the issue of 367,840,690 new shares during the year.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

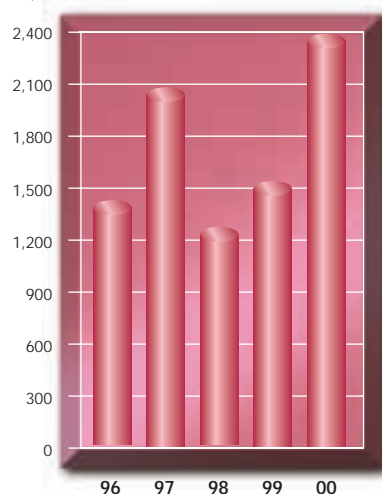
A convertible note of HK\$219,700,000 in aggregate was also issued during the year. The Note is unsecured and bears interest at 5% per annum, payable annually in arrears and will be due for redemption in September 2002.

All the above proceeds were used as working capital for the Group and to further diversify the Company's business.

Shareholder's equity
HK\$ million



Total Assets
HK\$ million



PLEDGE OF ASSETS

As at 31st December 2000, the Group pledged its leasehold properties and investment property with an aggregate carrying value of approximately HK\$84,176,000 and time deposits of HK\$7,676,000 as security for general banking facilities granted to the Group.

EMPLOYEES

As at 31st December 2000, the Group employed a total of 85 employees in Hong Kong and a workforce of 3,200 in the PRC.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

THE GROUP'S MAJOR ACQUISITION

In September 2000, the Group had acquired 273,000,000 shares of Prestige Properties Holdings Ltd, a publicly listed company in Hong Kong and details of which were contained in the Company's Circular dated 21st August 2000.

CODE OF BEST PRACTICE

During the period under consideration, the Company has established an audit committee in accordance with the requirements of Appendix 14 of the Rules Governing the Listing of Securities. The Audit Committee of the Board of Directors ("Audit Committee") has also commenced office on 1st July 2000. To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has appointed the two independent non-executive directors of the Company as members of the Audit Committee. The Audit Committee acts in an advisory capacity and makes recommendations to the Board of Directors.

Save as disclosed above, none of the Directors is aware of any information that would reasonably indicate the Company is not or was not in compliance with the Code of Best Practice as set in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited for any part of the accounting period covered by the annual report.

PURCHASE, SALE & REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

FINAL DIVIDEND

The Board of Directors has resolved not to recommend any final dividend in respect of the year ended 31st December 2000 at the forthcoming Annual General Meeting to be held on 24th May 2001.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the year.

By order of the Board
Cheung Chung Kiu
Chairman

Hong Kong, 20th April 2001