

BUSINESS REVIEW

As a result of the write-off of a total amount of HK\$51.5 million for the investment in a jointly controlled entity namely, Shou Jia Information Technology Ltd ("Shou Jia"), which engaged in providing telecommunication services, the Group reported a loss of HK\$22.8 million for the year ended 31 December 2000 as compared to a profit of HK\$26.1 million in 1999. Turnover dropped by 9% to HK\$686 million.



The investment in Shou Jia made in 1998 gave rise to a goodwill on acquisition in an amount of HK\$25.6 million which was immediately eliminated against reserve and deducted from the Group's net assets upon acquisition. Included in the write-off amount of HK\$51.5 million is a provision for impairment in the value of goodwill of HK\$25.6 million which is caused by a movement in reserve account instead of a deficit in net assets incurred during the year. This sustains the Group's shareholders equity at HK\$551 million on 31 December 2000 as compared to HK\$550 million last year.

Telephone Accessories, Power Cord and Adaptor



Due to fierce competition in the market, particularly in the adaptors market, the turnover dropped by 14%. During the year under review, the division had implemented cost control measures to reduce production cost and had tightened credit policy on accounts receivable to cut down its bad and doubtful debt exposure substantially. In the

circumstance, the profit of the division has improved slightly even under this unfavourable market condition.

Precision Metal Division

The division continued to record a heavy loss in the first quarter of 2000. However, the management has commissioned a restructure programme to successfully streamline the non-operation staff of the production team and has implemented stringent cost control on operation during the year. As a result, the division has begun to report a profit since the second half year and the turnover was doubled from last year.



Printed Circuit Boards Division

Contribution from the division reported a satisfactory increase. The division has significantly improved production yield rate and strengthened its control on production and administrative overheads during the year under review.



In Australia, manufacturing sector was still operating in an unfavourable economic

environment. The Australian factory has recorded consecutive losses in these three years.

Freight Forwarding Division

Demand for warehouse space was still weak in Hong Kong and the division recorded loss due to drop in leasing rate.

Jointly Controlled Entities

Two major customers of Shou Jia which provided telecommunication services in PRC have been suspended from trading by the authority since September 2000. Based on a valuation of machinery and equipment kept by Shou Jia in Hong Kong, the Group has written down its investment in Shou Jia to HK\$2 million by making a provision of HK\$51.5 million. The Group is taking steps to exercise its put option to sell its shares in Shou Jia back to the vendor at the predetermined price as stated in the sales and purchase agreement entered into in 1998.

Supply of copper wire increased in Pearl River region following the move of computer cords factories from Taiwan into PRC. As a consequence, profit margin of the Group's copper wire manufacturing jointly controlled entity, Hoperise Industrial Ltd, was eroded and contribution from such jointly controlled entity decreased.

BUSINESS OUTLOOK

With its enhanced effort in material and cost control, the Group is able to cope with upward trend of raw material and petroleum cost and has achieved a growth in operating profit in the year under review. The Group will endeavour to achieve technology advancement by upgrading its manufacturing facilities and labour technology skills, in particular for the manufacture of printed circuit boards, electronic assembly products and precision metal.

The Board is optimistic about the performance of the Group in the coming year and the long term development of the Group.

APPRECIATION

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

Su Genqiang
Chairman

Hong Kong, 19 April 2001