FINANCIAL

Total net bank debt to equity was at 90.8%, as compared to a net cash position last year. The increase was mainly due to the acquisition of the North America power tools operations which was financed by term loans maturing in 2003 and 2005 respectively. The increase in the ratio was within our projections when the acquisition was concluded. However, based on current orders and working capital projections, baring any unforeseeable circumstances, the net bank debt to equity ratio is expected to improve.

Interest coverage, expressed as a multiple of profit before interest and taxation to total net interest expenses was at 4.23 times (1999: 9.4 times). Despite the fact that it was lower than that of last year the coverage continued to be at a comfortable level.

Gross borrowing costs charged for the year were HK$75.6 million (1999: HK$26.0 million). The increase was mainly due to the interest charge on the financing arrangement for the acquisitions of the floor care appliance operations in the United Kingdom and Australia by the end of the fourth quarter last year and the acquisition of the Ryobi power tools operation in North America in August, together with various interest rates increase during the year. The subsequent reduction in interest rate together with improvements in liquidity will all have favourable impact on borrowing costs

It is always the Group's strategy and focus to exercise stringent control over the level of inventory. With the full integration of operation from manufacturing to distribution subsequent to our acquisitions in North America and United Kingdom, we expect to achieve improvements by reducing number of days inventory carrying, improving both our asset utilization and working capital.

Capital expenditure for the year, apart from the acquisition of the North America operations amount to HK$138.6 million and was financed by current year's deprecation of HK$182.5 million. It is the Group's capital expenditure policy to match the investment amount to the depreciation charges during the year.

Total bank borrowings amount to HK$1,008 million, of which HK$864.7 million is attributable to the bank loans for the acquisition of North America and United Kingdom operations. Of the total bank loans, HK$852.8 million represents loans repayable more than one year to a maximum period of five years. The loans are denominated in Hong Kong dollars, United States Dollars and Pounds Sterling and carry interest rates with reference to prime rate, LIBOR or US best lending rates.

As the Group's revenue are denominated in US Dollars and majority borrowings are in HK or US Dollars, there is a natural hedge between the currencies and exposure to exchange fluctuation is therefore minimal.

Based on current orders on hand and baring any unforeseeable circumstances, revenues for the year 2001 is expected to out-perform that of current year under review.

ACQUISITION

On 1st June 2000 the Group announced the acquisition of Ryobi's North America power tools business. The transaction was a "Possible Very Substantial Acquisition and Connected Transaction" to the Group, and the circular providing further information relating to the acquisition together with advice from the Independent Board Committee and Independent Financial Adviser to the Independent Board Committee was dispatched to all shareholders on 22nd July 2000. The transaction was approved by shareholders at an Extraordinary General Meeting conducted on 31st July 2000 and completed on 1st August 2000.

The acquisition was for a material part of the operating assets owned, employed or held by the vendor, and assumed certain liabilities relating primarily in the operation of the power tools business, together with all the issued and outstanding capital stock of a Canada and a Taiwan corporation. The consideration was an aggregate of approximately HK$680.9 million, financed by bank borrowings. The assets were either at net realizable value or at net book value without payment of a premium or goodwill.

As a result of the acquisition, the Group acquired the powerful consumer brand "Ryobi", without the requirement to pay a premium or royalty. Ryobi is the leading brand of portable electrical power tools in North America and will deliver significant strategic benefits and growth opportunities to the power tools business of the Group. Following the completion of the acquisition, the Group is poised to challenge for the leadership position in the North American electrical power tools market, and obtained technology to fuel future expansion beyond North America.

POSSIBLE SPIN-OFF AND SEPARATE LISTING OF THE FLOOR CARE APPLIANCE DIVISION

On 11th April 2001, The Group announced that it is considering the possibility to spin-off the existing Floor Care Appliance Division for a separate listing on the main board of The Stock Exchange of Hong Kong Limited by way of introduction.

The Board believes that the Proposal would rationalize the corporate structure and businesses of the Group and also enable the investment community to focus on the underlying earnings fundamental of the Floor Care Appliance Division of the Group, and accordingly place a value on such business which investors would usually accord to a business of predictable earnings and of a relatively stable nature.

The Board, however would like to remind that this proposal is subject to, amongst other things, approval from the Listing Committee of the Stock Exchange, and should also note that the exact terms of, timing and other details have yet to be finalized and the Board may not proceed with the arrangement if it decides that the prevailing market conditions at the time immediately before the proposal listing are unfavorable.

MAJOR CUSTOMERS & SUPPLIERS

For the year ended 31st December 2000:

i) The Group's largest customer and five largest customers accounted for approximately 39.4% and 73.7% respectively of the Group's total turnover.

ii) The Group's largest supplier and five largest suppliers accounted for approximately 8.3% and 29.5% respectively of the Group's total purchases (not including purchases of items which are of capital nature).

According to the knowledge of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers.