

## Results

The past year has continued to present the challenge of extremely competitive market conditions. I am therefore very pleased to report that the Company's turnover has increased by more than 20 per cent for the period from April to mid-June 2001. Product orders have also significantly improved. There are currently some HK\$100 million worth of orders on hand, more than double the amount booked at the same time last year.

On a similar positive note, the introduction of a number of stringent cost control measures during the year has seen encouraging improvements for shareholders. These measures, together with the benefits of reduced interest expenses, have reduced loss attributable to shareholders for the year ended 31st March, 2001 to HK\$32.8 million, down from HK\$51.2 million a year ago. Loss per share is HK\$0.030, 2000: HK\$0.136.

## Top management strengthening

The Group initiated a number of high-level personnel changes during the year, both in the composition of the Board of Directors and in the structure of senior management. My own appointment as Chairman took effect on 11th January, 2001. On the same date, Mr. Chu Hung Lin, Victor and Mr. Chan Hoi Lam took up the position of Executive Directors, while Mr. Yau Kang Nam was appointed as Executive Director and Chief Operation Officer on 4th June, 2001. The members of the new management team tap into a wide pool of experience in manufacturing, marketing and finance, significantly broadening the expertise that the Company can draw on.

## Increased financial stability

An important debt restructuring exercise was successfully completed on 11th January, 2001, through which First Century Holdings Ltd subscribed to 2,000,000,000 new shares and became the controlling shareholder of the Company. The result was a cash injection of HK\$100 million, \$90 million of which has been used to reduce bank borrowings, with the remainder providing additional working capital for the Company's ongoing businesses. The Company thus now finds itself in a far stronger financial position than in the previous year, and can confidently undertake measures designed to build real success.

## Business review and prospects

Market conditions remained difficult during the year under review. The Group took a number of decisive cost-cutting measures, including the reduction of staff numbers and the disposal of a loss-making subsidiary company in Singapore. Most significantly, substantial savings were achieved by relocating the Company's production facilities from Hong Kong to Mainland China.

Despite the market difficulties, the Company has enjoyed a number of very positive developments. Sales, for example, have increased by more than 20 per cent for the period from April to mid-June 2001 and orders in hand have more than doubled. Our successes were recognized by an important US customer, Wal-Mart, when they awarded us the accolade of "International Supplier of the Year 2000".

With the outlook for the future positive, the Company is on the verge of a fresh drive for success. Existing business will remain our core focus, but the new management team is determined to see the Company move forward to regain its leading position in the market, and will be embarking on a number of new initiatives to achieve this goal. We will be expanding our design team, allowing us to introduce new high-quality product designs at reasonable prices, with the aim of delivering

enhanced value to customers; this initiative will go hand in hand with increased investment in the latest production equipment and facilities. Efforts will be made to increase our penetration of the Japanese and Chinese markets, both of which offer enormous potential, while at the same time further strengthening our relationships with existing customers. In August 2001 we will become one of the first manufacturing companies in Hong Kong to use the Enterprise Resources Planning (ERP) system for online control and integration of flows of cash, materials and information. This initiative should position us well to selectively explore the further potentials of e-commerce and the Internet economy in the medium term.

## Support for the future

Finally, I would like to welcome the entire new management team, and offer my special thanks to the outgoing Board of Directors and all staff members for enabling this team to enjoy a smooth transition. Thanks are also due to our bankers, suppliers, shareholders and customers for their continued loyal support over the past year. Our results this year already show that Climax International possesses great potential, and with your continued support we will be working over the coming year to transform that potential into solid returns.

**Kan Shiu Cheong, Frederick**

*Chairman*

Hong Kong

15th June, 2001