

RESULTS

In the year under review, the Group recorded a turnover of HK\$218.7 million (2000:HK\$181.9 million), loss attributable to shareholders of HK\$27.5 million (2000:HK\$49.9 million). Loss per share based on 358,004,664 (2000: 358,004,664) shares amounted to HK\$0.08 (2000: HK\$0.14).

DIVIDEND

The directors do not recommend the payment of a final dividend. (2000: Nil).

REVIEW OF OPERATIONS

The performance of the Group in the year ended 31 March 2001 continued to show a moderate improvement as compared with the previous year. The recovery of the economy of Hong Kong and the gradual pick up of the electronic industry at the beginning of the fiscal year has led to the increase in the Group's turnover to HK\$218.7 million (2000: HK\$181.9 million), representing a rise of 20% as compared with 2000. For the financial year under review, the manufacturing business showed an improvement of 16% to HK\$208.5 million whereas the sourcing and distribution business also increased to HK\$10.2 million.

Since the beginning of 2001, the Group's business was again affected by the downturn of the global demand for electronic parts. This phenomenon is believed to stay on until the end of year 2001. Management of the Group was well aware of this situation and steps were implemented to tighten the overall cost control, to broaden its customer base and to enlarge the overseas market coverage in order to maintain the Group's competitive edge in the market.

REORGANIZATION OF THE GROUP

On 9 April 2001, Honko the former holding company of the Group which was formerly listed on The Exchange of Hong Kong Limited (the "Stock Exchange") put forward a restructuring proposal ("Restructuring Proposal"), pursuant to which the Company issued shares for cash and restructured all the indebtedness of Honko and its subsidiaries (the "Honko Group") as stipulated in a subscription agreement ("Subscription Agreement") and two compromise agreements ("Compromise Agreements") that were entered into on 18 January 2001. The Subscription Agreement was entered into by Honko, the Company, an independent investor called Pacific Annex Capital Limited, a company incorporated in the British Virgin Islands (the "Investor"), Kingsway SW Securities Limited ("Kingsway") and Mr. Lam Yat Keung, a director of Honko. The Compromise Agreements were entered into by Honko, the Company, the Investor, Kingsway and Honko Group's borrowing banks, finance lease creditors and certain other creditors.

On 14 June 2001, upon the approval of the independent shareholders of Honko and the fulfillment of the other conditions as set out in the Subscription Agreement and the Compromise Agreements, the Group underwent a group reorganization and a debt restructuring, which comprised the following principal parts:

- a) a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (the "Scheme") under which all of the shares of Honko ("Honko Shares") as at 14 June 2001 (except 1,000,000 Honko Shares subscribed at par by the Company as part of the Scheme on 16 May 2001) were cancelled and extinguished by way of reduction of share capital, and swapped with the Company shares ("TechCap Shares") on a one-for-one basis, resulting in the issue of 358 million TechCap Shares;
- b) simultaneously, a provisional allotment of 1,432 million TechCap Shares, whereby the shareholders of Honko were entitled to be allotted four TechCap Shares for every existing Honko Share held as at 14 June 2001 at an allotment price of HK\$0.02 per share, resulting in proceeds of HK\$28.6 million;
- c) the subscription of 2,800 million TechCap Shares by the Investor and of another 1,000 million TechCap Shares by subscribers procured by Kingsway at a subscription price of HK\$0.01 each, resulting in proceeds of HK\$38 million;
- d) the repayment of HK\$28.7 million of Honko Group's bank borrowings, in the form of HK\$26 million cash and of 181 million TechCap Shares at a price of HK\$0.015 per share (HK\$2.7 million in aggregate), and the waiver of the remaining bank borrowings of HK\$137 million;
- e) the repayment of HK\$3.57 million of Honko Group's finance lease creditors, in the form of HK\$3.4 million cash and of 34 million TechCap Shares at a price of HK\$0.005 per share (HK\$170,000 in aggregate), the refinancing of HK\$13.6 million and the waiver of HK\$15.6 million of the remaining finance lease creditors;
- f) the repayment of HK\$14.42 million of loans from directors, in the form of 700 million TechCap Shares at a price of HK\$0.02 per share (HK\$14 million in aggregate) and of 84 million TechCap Shares at a price of HK\$0.005 per share (HK\$420,000 in aggregate), and the waiver of the remaining directors' loans of HK\$41.6 million;
- g) the repayment of HK\$10 million of Honko Group's management creditors. Pursuant to the Compromise Agreements, the management creditors have undertaken to subscribe for 417 million TechCap Shares at a price of HK\$0.024 per share (HK\$10 million in aggregate);

- h) the repayment of HK\$6.95 million of an amount due to a related company to Honko in the form of 287.5 million TechCap Shares at a price of HK\$0.024 per share (HK\$6.9 million in aggregate), and the waiver of the remaining HK\$50,000 due to the related company;
- i) the subscription of Convertible Notes by subscribers procured by Kingsway of HK\$25 million.

Upon the completion of the group restructuring, the Company became the holding company of Honko and its subsidiaries. Honko was then delisted from the Stock Exchange on 15 June 2001, and the Company was listed on the Stock Exchange on 18 June 2001 by way of introduction.

OUTLOOK

Under the new management, TechCap's business objectives have been clearly defined. The Group will continue to engage in the existing business of Honko and is committed to strengthen the business by streamlining the operations, improving production efficiency, expanding its distribution network and at the same time reinforcing the confidence of its major customers. Besides, new initiatives will be taken to improve the Group's financial position.

With the capital on hand and a clear defined business objective, the Group will continue to venture in different scope of businesses in the technology arena so as to enhance the Group's future growth and bring in better returns for our shareholders.

EMPLOYEES REMUNERATION POLICY

As at the balance sheet date, the Group employed approximately 1,100 (2000: 1,000) staff.

The Group continues to employ, promote and reward its staff based on their performance, experience and potential, giving opportunities to existing staff whenever possible. The Group also provides in-house training for its staff.

The Group also rewards Hong Kong employees with a contributory provident fund, various medical insurance plans, medical and hospitalization in addition to their basic salary. A share option scheme has also been established for some employees of the Group.