



Chairman's Statement

BUSINESS REVIEW AND DISCUSSION ON THE GROUP'S PERFORMANCE

At present, the Group is principally engaged in the manufacture and sale of aluminium extrusion products and chemicals for use in electroplating process. The Group also invests in IT business based in PRC. As at 31st December 2000, the Group employed about 311 full time management, administrative and production staff in Hong Kong and in the People's Republic of China (the "PRC").

The turnover of the Group amounted to HK\$901,241,000, rose over 23% against the previous year. Profit attributable to shareholders for the period amounted to HK\$92,557,000, surged by 29% as compared to that of last year. Earnings per share was HK2.6 cents.

ALUMINIUM EXTRUSION

The subsidiary of the Group, Nanhai Xingye Shaped Bronze & Aluminium Products Co. Ltd. ("Nanhai Xingye") was having another smooth year providing a stable source of profits to the Company. This was attributable to its dedicated sales & marketing force, implementation of effective credit policies and credit management and improvement in product quality & production capacity. This was also underpinned by a robust construction sector in China, resulting in high demand for aluminium extrusion products used for construction purposes.

The management is committed to strengthening its sales & marketing force, actively participating in key trade fairs, investing in research & development and upgrading production facilities in a continuing effort to broaden its customer base, reduce costs, improve productivity & quality as well as increase profit margins. Barring any unforeseen circumstances, this business is expected to remain competitive and achieve stable increase in turnover and profitability in the coming year.

CHEMICALS FOR ELECTROPLATING PROCESS

Kenlap P.G.C. Manufacturer Company Limited ("Kenlap"), another subsidiary of the Group, is in the business of manufacturing chemicals for use in precious metal electroplating process. With a competitive pricing policy, lack of formidable competitor in Hong Kong and strong local market network, Kenlap has a strong competitive edge over other suppliers mostly of European origins. Its products are constantly in high demand by both local and Southeast Asian buyers especially from the clocks and watches, electronics and jewelry industries. Potassium Gold Cyanide (commonly known as "gold salt"), being one of Kenlap's major products, is constantly in demand. The Group is studying plans to build a new production plant in China aiming at boosting production capacity, reducing production costs and diversifying product range including the high margins silver salt and palladium salt in order to capture a larger share of the market in the region.

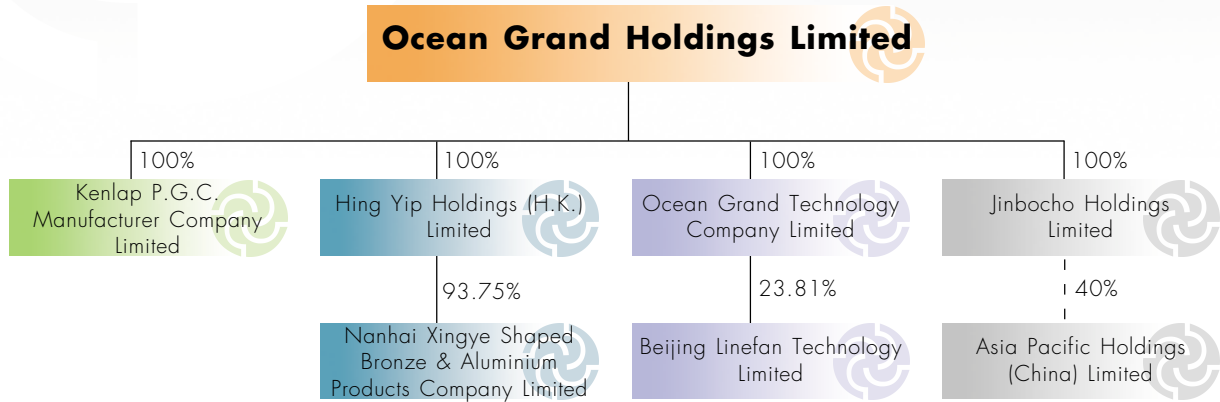
The management is confident that there is ample room for Kenlap to expand. In view of the industry's high potential and promising prospects, the Group will invest more in terms of resources and management efforts in this business for the coming year.

INFORMATION TECHNOLOGY

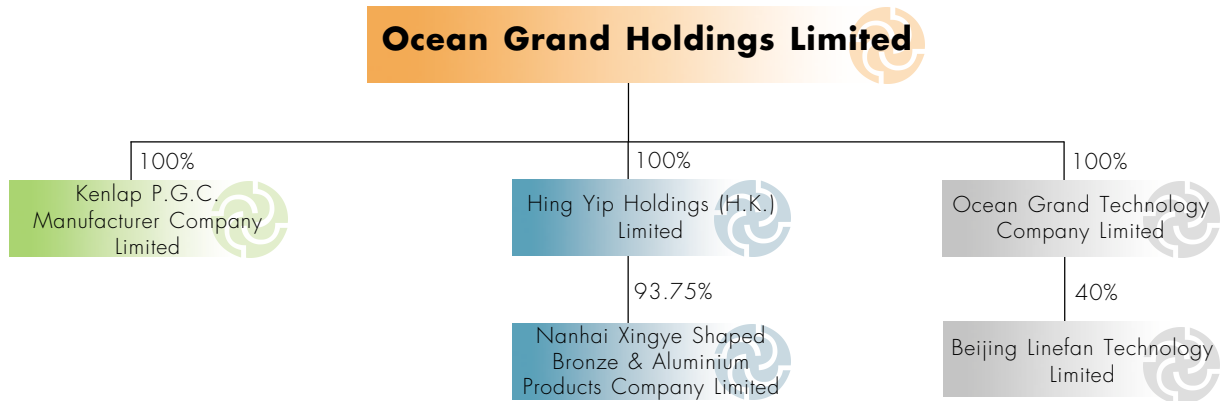
Linefan Technology Co. Ltd. ("Linefan") an associate of the Group is self sufficient and enjoyed a stable growth last year surviving the burst of dot.com bubble. Linefan is renowned for its sophisticated internet and intranet search engine technology developed by it which is capable of handling all sorts of data retrieval tasks regardless of the languages used and file format. Institutional clientele of Linefan include fm365.com (of The Legend Group), Lycos Asia, PhoenixTV.com, Electric Power Bureau of HuBei Province and ChinaBig.com Limited.

Its business, as one of the leading providers of search engine technology, within China is expected to consolidate. In the coming year, Linefan will strive to open up its market in Hong Kong with emphasis on corporate clients. The Group is optimistic about the long term prospects of Linefan.

2001 Core Group Structure



2000 Core Group Structure





FINANCIAL POSITION

The Group's total shareholders' fund have increased to HK\$627,747,000 at year ended 31st December 2000 compared with HK\$506,693,000 as that of last year mainly due to issue of new shares and new warrants.

In respect of new warrants, the Company issued 630,000,000 new warrants through private placing at an issue price of HK\$0.04 per unit of new warrant conferring rights to the holders to subscribe in aggregate up to a maximum amount of HK\$100.8 million new shares in the Company at an initial subscription price of HK\$0.16 per share (subject to adjustment) on or before 31st December 2001. Proceeds received by the Company was about HK\$23.2 million, net of expenses.

The Group's financial position is healthy and stable. As at 31st December 2000, the Group's cash and bank deposits reached HK\$146,855,000 (1999: HK\$80,076,000). As at the same date, the Group's total bank borrowings was approximately HK\$72,874,000 (1999: HK\$33,569,000), comprising installment loans as to approximately HK\$4,100,000 (1999: HK\$24,207,000) and overdrafts, short term loans and trade facilities as to approximately HK\$68,774,000 (1999: HK\$9,362,000). The Group utilized about 67% of total banking facilities granted by various banks. Unused facilities as at the same date amounted to approximately HK\$35,866,000 (1999: HK\$638,000). The Group's borrowings are subject to floating interest rates.

The long-term bank borrowings for the year ended 31st December 2000 was HK\$3,500,000 (1999: HK\$16,931,000), representing a 79% decrease. The fall was mainly due to the repayment of the long-term bank borrowings with maturity less than one year by means of sales revenue and proceeds from the exercise of both warrants and share options.

The reserves experienced an increase of 14% to HK\$258,714,000 (1999: HK\$227,483,000) because of an increase in current year profit and the premium arising from the issue of shares upon the exercise of warrants and acquisition of an associate of the Group.

Net profit attributable to shareholders was HK\$92,557,000 (1999: HK\$71,534,000), representing a rise of 29%, due to increase in sales and effective costs control.

Group's gearing ratio, representing total interest-bearing borrowings by shareholder's fund was 11% as at 31st December 2000 (1999: 7%).

As at 31st December 2000, certain assets with aggregate value of HK\$13,947,000 of the Group was charged (1999: Nil) to secure bank borrowings.

FOREIGN EXCHANGE FLUCTUATIONS

The Group earns revenue and incurs costs and expenses mainly in Renminbi. The Group experienced no significant foreign exchange movement and the directors do not anticipate significant foreign exchange loss as a result of changes in the exchange rate between Hong Kong dollars and Renminbi in the foreseeable future.

CONTINGENT LIABILITIES

The Group has been paying Mainland China value-added tax ("VAT") at a concessionary basis of calculation as agreed with the local State Tax Bureau. The Group is contingently liable to pay for the VAT at the standard basis of calculation. Had standard basis of calculation as stipulated by the Mainland China tax law been strictly enforced, the VAT liability of the Group would be significantly increased. However, in the opinion of the directors, such liability is unlikely to crystallise and it is not practicable to estimate the amount.

PROSPECTS AND PLANS FOR 2001

Apart from conducting its core business, the Group has entered into a conditional agreement to acquire 40% interest in Asia Pacific Holdings (China) Ltd. which is a company incorporated in the Commonwealth of The Bahamas and is engaged in the business of manufacturing and selling of stainless steel and related products based in Panzhihua PRC. It is expected that the acquisition will enable the Group to capitalize on the solid business opportunity on the steel making industry in PRC thereby benefiting the Group in the long run.

The businesses of Nanhai Xingye and Kenlap are expected to grow satisfactorily and generate steady sources of revenue to the Group. To maintain their competitiveness in the markets in which they are operating, the Group is committed to upgrading their production capacities, diversifying product range and quality as well as strengthening the sales & marketing force. With the recent disposal of the Group's interests in King Glass Engineering Ltd., the Group is now able to better use its resources & management efforts in achieving these business objectives.

Upon accession of China to the WTO, her Economic Reform will be brought to a new height. Fuelled by the promulgation of the Tenth Five-year Plan, the country's GDP is predicted to proliferate at a rate of 7% per annum during the planned period. Development in the Western Region is a mega-project which will span across decades. It is estimated that RMB700 billion will be spent during the first 10 years likely to offer immense economic benefits to corporations that can capitalize on such development. The Group will strive to open up new business horizon in the region if viable business opportunities arise.

Yip Kim Po
Chairman

Hong Kong,
24th April 2001