

CHAIRMAN'S STATEMENT

I present on behalf of the Board of Directors the Annual Report of the Company for the year ended 31st December, 2001.

Results

The unexpected decline in the global economy during the first half of the year worsened as a result of the tragic events in the United States on 11th September, 2001, which badly affected consumer confidence. The economic downturn has had an adverse impact on the business of the Group. Against this difficult environment, the Group recorded a decrease in turnover to HK\$997,068,658 (2000 : HK\$1,147,510,717) for the year ended 31st December, 2001. Net profit attributable to shareholders for the year was HK\$6,024,252 (as restated in 2000 : net loss of HK\$11,543,082). Earnings per share increased by 151% to HK\$0.0126 when compared to the previous year (as restated in 2000 : net loss per share HK\$0.02461).

Final Dividend

The Board has resolved to recommend a final dividend of HK\$0.01 per share (2000 : HK\$0.02) for the year ended 31st December, 2001 to be paid on 6th June, 2002 to shareholders whose names appear on the register of members of the Company on 17th May, 2002 subject to approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK\$0.01 per share paid on 7th November, 2001, the total dividend for the year is HK\$0.02 per share (2000 : HK\$0.03).

Closure of Register

The register of members is closed from 13th May, 2002 to 17th May, 2002 both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the 2001 final dividend, share certificates with completed transfer form either overleaf or separately, must be lodged with the

Company's branch registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 10th May, 2002.

Review of Results and Operation

Profit from operations decline was mainly due to a significant decrease in profit contributions derived from non wholly-owned subsidiaries, impairment loss of property, plant and equipment, substantial expenses for cessation of a general merchandise store and impairment loss of investments in securities during the year.

Bigfield Goldenford Holdings Limited

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a turnover of HK\$696,685,000, a decrease of 5.43% from that of the previous year. Net profit for the period amounted to approximately HK\$814,000, a significant decrease of 96.50% over the same period in 2000. The reduced profit contribution was primarily attributable to an increase in factory overheads, lower profit margins and claims together with provision for bad debt. Management will implement stringent control over expenses through rationalization of its processes and system re-engineering aiming to enhance operational efficiency and to maintain relatively low operating costs in the coming years. It is expected that this subsidiary's contribution to the Group will be improved.

Frankie Dominion (Holdings) Limited

Frankie Dominion (Holdings) Limited has also recorded a decline in business operation. Turnover decreased by 21.25% amounting to HK\$330,171,000 in 2001 when compared to the previous year. The Management expects a steady growth with stable profit contribution to the Group in 2002.

CHAIRMAN'S STATEMENT

Home Mart Store Limited

Home Mart Store Limited ceased operation of its general merchandise store business in March 2001. The cost incurred for such discontinuance was HK\$4,790,152 and all its inventories were disposed of in the first half of the year.

Others – Investment in securities

During the year, the Group exchanged its 25.08% interest in ProSticks.com Limited for a 18.81% interest in ProSticks International Holdings Limited, a company has been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") by way of a placing of 100,000,000 placing shares at HK\$0.33 per share and dealings in the shares commenced on GEM on 5th December, 2001. The carrying amount of the investment was approximately HK\$5,251,000 at the time of the share exchange.

Prospects

In view of signs of recovery shown in the first quarter of 2002 in the U.S. economy, this should lead to an upturn in the global economy. It is believed that the Group will be able to surmount 2002's challenging environment and to deliver stable and improving results from its core business of manufacture and sale of consumer home products through continuous efforts and intensification of its activities in overheads control, cost reduction and marketing. The Board is cautiously optimistic for the Company's outlook for 2002.

Share Option Scheme

The Company has adopted a share option scheme at the annual general meeting on 1st June, 2001 under which the directors, at their discretion, are

authorized to grant share options to any employees of the Group as incentives. There was no share option granted to any employee after the annual general meeting.

As a result of The Stock Exchange of Hong Kong Limited amending Chapter 17 (Share Option Schemes) of the Listing Rules on 1st September, 2001, certain terms of the existing share option scheme are no longer in compliance with such listing rules and the Company can no longer grant any option under the existing share option scheme. Accordingly, a new share option scheme will be proposed for adoption and to terminate the existing scheme at the forthcoming Annual General Meeting.

Audit Committee

The Audit Committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the consolidated financial statements of the Group and the auditors' report for the year ended 31st December, 2001.

Appreciation

I would like to take this opportunity to express my heartfelt thanks to our customers and business associates for their loyal patronage and support through the years and, in particular, to the employees for their dedication in this period of transition.

Lam Po Kwai, Frankie

Chairman

Hong Kong, 29th April, 2002