

I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2000.

## Results

The Group's consolidated turnover for the year of 2000 was approximately HK\$1,622,796,000, representing an increase of 6% as compared to that of approximately HK\$1,529,758,000 in 1999. The profit before taxation amounted to approximately HK\$26,511,000, representing a decrease of 5% over the profit of approximately HK\$28,043,000 for 1999. The profit before taxation in year 2000 included the provisions for obsolete inventories and bad and doubtful debts with the amounts of approximately HK\$18,907,000 and HK\$29,280,000 respectively. For the year ended 31st December, 2000, profit attributable to the shareholders was approximately HK\$4,329,000.

## Dividend

The Directors of the Company do not recommend the payment of any dividend for the year ended 31st December, 2000.

## Bonus Issue of Warrants

The Directors of the Company will propose a bonus issue of warrants ("Bonus Issue") to shareholders of the Company whose names appear on the register of members of the Company on 6th June, 2001 in the proportion of one warrant for every five shares at the forthcoming extraordinary general meeting. The warrants will entitle the holders to subscribe for shares of HK\$0.40 each ("Shares" and each a "Share") in the capital of the Company at an initial subscription price of HK\$0.40 per Share (subject to adjustment). The exercise period for the warrants is from 11th June, 2001 to 10th June, 2003, both days inclusive.

Shares falling to be issued upon exercising the subscription rights attaching to the warrants will rank pari passu in all respects with the then existing Shares on the relevant subscription date. The proposed Bonus Issue will be conditional upon:

- (i) the passing of the relevant ordinary resolution at the extraordinary general meeting of the Company;
- (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting or agreeing to grant listing of and permission to deal in the warrants and any new Shares which fall to be issued upon the exercise of the subscription rights attaching to the warrants.

Application will be made to the Stock Exchange for the listings of and permission to deal in the warrants and any new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the warrants. Details of the warrants will be further announced in due course.

### Review of Operations

By adopting a prudent and active approach under the guiding principle of “strengthening the origin and expanding with caution”, the Group obtained fruitful results in the challenging year 2000.

The foundation of machinery manufacturing has been further consolidated with its assets being rationalized. The Group tightened its credit policy to minimize financial risk, and has resulted an increase of sales in machinery manufacturing business over the last year. The all-electrically driven plastic injection moulding machine performed well during its trials and is expected to have limited production in 2001. With its proven research capability, the Group is confident of grasping new business opportunities amid the ever changing market.

Due to the price fluctuations of the plastic resins and severe shortage of certain electronic components in year 2000, the performance of the plastic processing business and electronic products manufacturing business was less satisfactory than the last corresponding period. As the prices of the requisite raw materials have stabilized since the fourth quarter of previous year, the Group is confident of achieving results as good as that in 1999. At present, the Group has adopted new development plans in the plastic processing business.

As for the trading sector, with industrial consumables as core trading products, it has gradually penetrated into the mainland market last year. Both the sales volume and profit once again achieved their record high. The Group will continue to maintain a prudent approach in developing the trading business.

In the coming year, the Group will closely monitor the development of the United States (“U.S.”) economy which is expected to experience a downturn. Since the U.S. is not our major market, therefore, according to the present analysis, the impact will be minimal. Nevertheless, the Group will continue to pay attention on any changes of the U.S. market.

Following the admission of China into the World Trade Organization, the mainland market will be further opened while the import channels for foreign products will be broadened which will inevitably challenge the Group's core business. However, leverage on our product portfolio and speciality, our business strategy and the completed rationalization programme, the Group firmly believes that the negative impact will be insignificant. On the other hand, the admission will also facilitate China's foreign trade since lots of foreign manufacturers have developed their business by setting up factories in the mainland, and the demand for quality domestic equipments, plastic parts, industrial components and consumables is very promising. We are confident that the Group will benefit from such favourable market environment and achieve encouraging results in the coming year.

### Liquidity and Financial Resources

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. Both the liquidity ratio and gearing ratio were maintained at a healthy level and was gradually improved during the year as in line with the Group's prudent cash management strategy. Inventory level was strictly controlled and accounts receivable was closely monitored. The Group's gearing ratio as at 31st December, 2000 was 1.3% (1999: 2.6%) which was calculated based on long term borrowings of approximately HK\$8,668,000 (1999: approximately HK\$17,181,000) and shareholders' funds of approximately HK\$672,697,000 (1999: approximately HK\$666,555,000).

### Appreciation

The Group is pleased with the progress and hard work of all its staff and would like to express its gratitude towards them.

On behalf of the Board  
**TANG To**  
*Chairman*

Hong Kong, 23rd April, 2001