

Financial Statistical Highlights

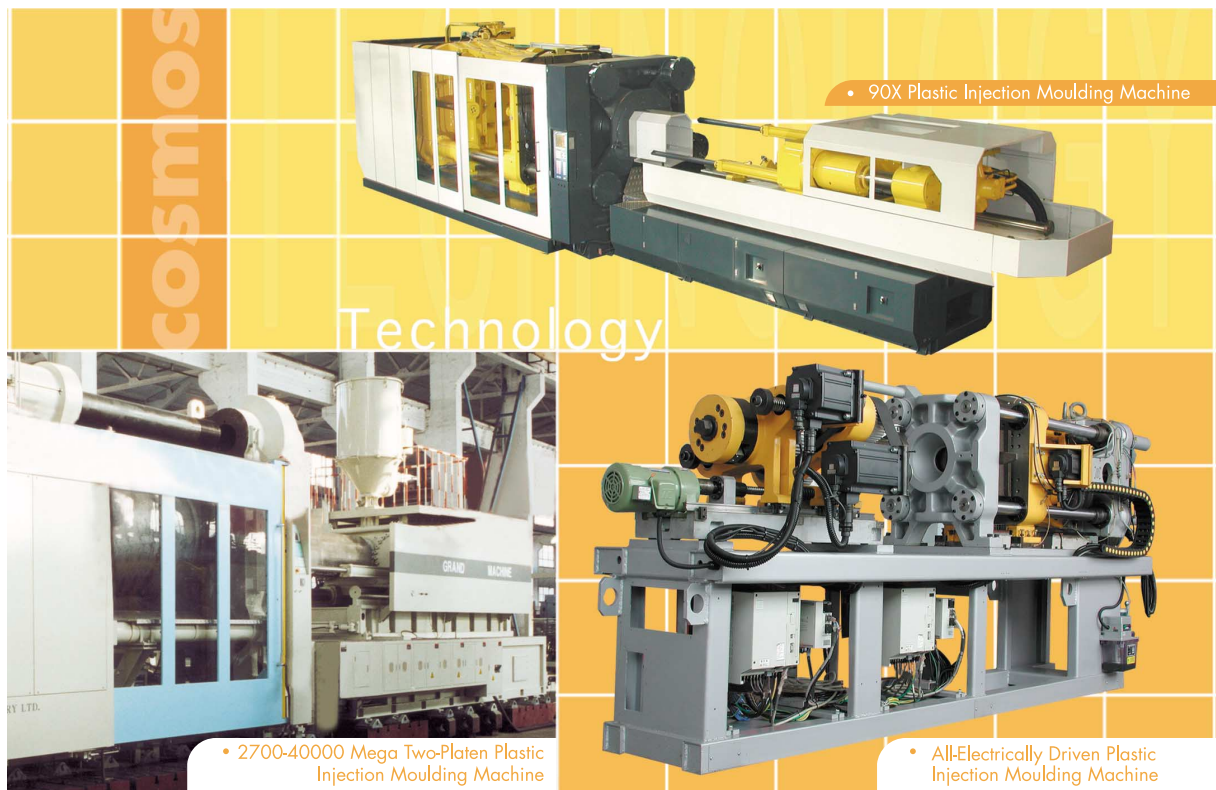
	2000 HK\$'000	1999 HK\$'000
Operating results		
Turnover	1,622,796	1,529,758
Operating profit from continuing operations excluding exceptional items	34,012	46,083
Profit from ordinary activities before taxation	26,511	28,043
Profit attributable to shareholders	4,329	2,200
Earnings per share — Basic (cents)	0.68	0.35
Earnings per share — diluted (cents)	N/A	N/A
Dividends per share (cents)	—	—
Dividend payout	—	—
Financial position at year end		
Total assets	1,647,375	1,630,201
Fixed assets	441,956	454,116
Quick assets	639,042	686,451
Net current assets	304,897	313,850
Shareholders' funds	672,697	666,555
Net asset value per share (cents)	105	105
Financial statistics		
Current ratio	1.37	1.39
Quick asset ratio	0.78	0.87
Gearing ratio	0.01	0.03
Total debt ratio	1.23	1.22

Review of Operations

Machinery

The consolidated turnover of plastic machinery for the year ended 31st December, 2000 amounted to approximately HK\$427,325,000, representing an increase of 29% over last year. Profit margin had been increased due to the introduction of the new two-platen plastic injection moulding machines and the launch of cost reduction programmes. Furthermore, more than a thousand of “Econo” types of machines were sold in year 2000.

The growth in turnover was attributable to an increasing demand for large-sized plastic injection moulding machines following the rapid development of China’s automobile and home electric appliance industries, as well as the outsourcing policy by Chinese and foreign manufacturers of their plastic parts that resulted in the growing demand for custom plastic moulders. In addition, with China’s impending entry into the World Trade Organization (“WTO”), local plastic moulder manufacturers have begun to increase their investment in machinery to pave their way for future development and competition, while the policy of low interest rate in China has also encouraged investment in capital equipment.



The supply of plastic injection moulding machine on Original Equipment Manufacturing (“OEM”) basis to an Italian manufacturer has reported a significant success while the shipment to the U.S. remains stable. Sales to the South American market have continued to increase steadily. Besides, the orders on hand indicate that the shipment to Europe will increase substantially in year 2001.

During the year under review, the Group has achieved significant progress on research and development. New two-platen plastic injection moulding machines, the first in its size produced in China, with clamping force of 2,700 tonnes and an injection capacity of 40 kg will be introduced in year 2001. The Group’s “all-electrically driven plastic injection moulding machine” has been unveiled in an exhibition in March 2001. The machines are being used to produce precise parts and products that require clean production condition, and are also the first of its kind in China.

In order to maintain our competitive edges, the Group will dedicate resources to enhance supply chain management with the aim of reducing inventory level, streamlining working procedures, along with improving vendor and customer relationship.

The sales turnover of metal forming machinery increased by 48% as compared to the previous year. Both of its sales and profit made their record high due to the expansion in sales network and upgrade in design and reliability of machines. While focusing on the China market, the Group will also extend its sales in the overseas market through appointment of distributors. New precision metal forming machines have been developing and will be launched in the near future with the aim of serving customers that produce high-end parts and products. The Group will also move into the manufacturing of large size hydraulic presses.



Plastic Products and Plastic Processing

During the year, plastic household electric appliances, office equipments and plastic processing products experienced a decline in profit as a result of the increase in the price of plastic resins and decrease in sales. As the Group is actively seeking for establishing business with various manufacturers, the sales is expected to improve in the second half of year 2001. In addition, the Group plans to design and manufacture plastic file cabinets in the year 2001 to achieve product diversification in office equipments, as well as to expand the overseas markets for plastic products and moulds.



Sales in plastic container and cutlery processing had been increased with growing customer base. The Group's current customers include sizable food companies such as Nestle, Nissin and Walls.

In plastic based optical products, the Group produces three major optical products, including microscope, telescope and magnifier, as well as manufacturing those products on OEM basis for worldwide manufacturers. All the products have achieved steady profit for the Group. To fight against forgery/counterfeit, the Group has applied for patents for design and innovation in the mainland for all its popular products. Over 90% of the products are exporting to customers all over the world, in which Europe is the major market. New products launched in year 2000 include zooming telescope, reflecting astronomical telescope and refracting astronomical telescope.



Audio Products

The Group introduced the new products of “MCD2060 3-CD Tower Music Center” and “Digital Recorder” in year 2000. During the year under review, the increase in the raw material cost of plastic resins and shortage of electronic component supply under the volatile market condition has resulted in unsatisfactory results. In year 2001, the Group will launch the latest release of “3-CD Multi-Features Tower Music Center”, “Digital Recorder” and “CD Player” with various features.

In addition, the Group will continue to put emphasis on the research and development of OEM products to cope with customers’ needs. By enhancing its competitive edges, the Group has evaluated the cost structure and streamlined the management structure, as well as refocusing the research and development on digital audio visual and telecommunications technology which are the major focuses in the industry recently. The research and development department is currently developing those related technologies with the research institutes in China and under negotiation with manufacturers abroad.

Printed Circuit Board

Printed circuit board (“PCB”) business experienced an increase in turnover and profit in year 2000 over last year. During the year under review, there was a structural adjustment occurred in the PCB manufacturing in Southeast Asia, where Japanese and Taiwanese manufacturers had ceased to produce low-end PCB while putting their efforts in developing high-end products with over eight layers.

In order to reap the business opportunities, the Group plans to manufacture PCB with double-sided and four to six layers to meet the needs of the Southeast Asian market in year 2001. To cope with the latest development, the Group will relocate its production lines to a new plant in mid-2001, which has equipped with the latest production facilities and with floor area outweighs the existing plant by 4 times. The total production capacity of single-sided PCB will then be increased by around 40% while that of double-sided and multi-layer will be around double.



• Pyramid Micro Music Center

Technology



• Tower Music Center



• Shower CD Radio

cosmos



Trading Sector

In 2000, the Group restructured its trading operation, in which focus has been shifted from trading of machinery to industrial hardware, components and trading of materials. Special steel wires business recorded a substantial growth in turnover. The Group strives to expand our business by broadening our product range, such as to provide cold drawn heat-resisting stainless steel rods for auto-parts industry in China by the special steel wires business unit.

Furthermore, the Group obtained the distribution license of renowned Japanese products under the brand name of “Keyence”. Keyence develops sensors, vision system and measuring instruments, the major components for industrial automation. Along with the related equipment for industrial automation produced by the Group, this is believed to create synergy for the Group.

With China’s impending entry into the WTO, the manufacturers in China will strengthen its product quality, particularly on machinery, in view of the increasing competitive environment with growing imported goods. As a result, the demand for Keyence products that can provide added value for machinery is very promising. In addition to the logistic centers in Guangzhou and Shanghai, the Group plans to further expand to other strategic locations in order to stay at the forefront in the competition.

IT Related Activities

The Group sold its entire shareholding interest in Beijing EXTECH Industry Automation Technology Co., Ltd., (“Extech”) at a profit of approximately HK\$6,121,000 because of the slow return in the investment. Whereas any substantial boost in sales would require a huge inflow of cash for marketing and promotion, which is against the Group’s prudent policy in investment. Nevertheless, the Group continues to maintain good working relationship with Extech in certain e-business related projects.

Prospects

Manufacturing will remain the Group’s main focus. While machinery manufacturing will continue to be the core business, additional resources will be dedicated to the expansion of plastic processing plants in China. New ventures have been or will be established in strategic locations in China in order to serve customers who requires precision and quality plastic parts for their final products. Our major customers include television and major appliances, automobiles, telecommunications and containers manufacturers, which all outsource their plastic parts to experienced plastic processing and mould making manufacturers. Based on the technology know-how and experience in plastic machinery building, plastic processing and mould making, we believe that our ventures in plastic processing shall bear fruitful and successful results in the nearest future.

New investment in manufacturing also includes an expansion of the existing PCB manufacturing in Sha Jing, Guangdong Province. The new factory, after its completion, will be four times the size of the existing premise. Equipped with all the necessary production and testing equipment, the Group will be capable of producing single, double and multi-layer PCB, lifting its existing capacity by 1.5 times. Such expansion is meeting the existing customers’ requirement for precision, quality multi-sided PCB for their electronic products. While most of the PCBs produced will be exported, the Group will also look into the possibility of exploring the upcoming China market. We envisage that the sale of PCB will be increased at a rate of 30% to 40% per year.