

RESULTS

The Group recorded a turnover of HK\$699,970,000 for the year ended 31 December 2000. Profit attributable to shareholders was HK\$18,761,000 and basic earnings per share was HK 2.8 cents. These figures represent decreases of about 3%, 71% and 71% respectively when compared to the turnover of HK\$718,842,000, profit attributable to shareholders of HK\$65,395,000 and basic earnings per share of HK9.8 cents for the year 1999. The Board of Directors proposed a final dividend of HK0.5 cent per share.

BUSINESS REVIEW

During the year under review, we recorded a greater percentage drop in profit than in turnover. The sharp rise in the world oil price has boosted up the PVC raw material prices in 2000. This resulted in the increase of the cost of production of plastic household products, PVC pipes and fittings and plastic building materials, and hence reduction in margins.

The Group was operating in a difficult condition in year 2000 with respect to the export sales of fabric household products to U.S.A. In order to maintain our market share, the Group has to lower our profit margin to secure orders. Over 90% of the Group's total fabric products sale was exported to U.S.A. in year 2000, which was subject to quota restrictions. It is unlikely that such quota restrictions will be uplifted prior to China's accession to the World Trade Organisation (WTO).

In 2000, the Group has made total provisions of approximately HK\$10 million with HK\$4.9 million was made on trading securities investment, HK\$805,000 on the revaluation of investment properties in Hong Kong, HK\$3.4 million for bad debts and another HK\$900,000 for slow-moving stocks.

The Group has successfully disposed of the factory building and land situated in Negeri Sembilan of Malaysia for a consideration of Malaysia Dollars 4 million, which is slightly above the net book value of the property. A provision of HK\$7.6 million had been made in 1998 to reflect the lower valuation of the factory building and land.

On 1 December 2000, the Group acquired the remaining 25% equity interest in Hopemain Industries Limited and 8% equity interest in Hopemain PVC Products Limited for total considerations of HK\$1,875,000 and HK\$400,000 respectively. The purchases were made in order to strengthen the management control on these two companies. These two companies are engaged in the production of PVC festival goods and packaging products.

PROSPECTS

Stepping into 2001, the Group believes that the stability of the world crude oil price as well as PVC raw material prices will enable the Group to control its cost of production and improve the profit margin.

As the economy in PRC has sustained rapid growth and the pace is likely to be maintained in the coming future, the accession to WTO together with the development in the Northwest region will create tremendous business opportunities. Increase demand for well located high quality residential premises and commercial and industrial buildings is anticipated. In addition, people in China are seeking better accommodation facilities as a result of the improvement in their household income. These trends will help to increase the demand for PVC pipes and fittings which are produced by Nam Sok Building Material & Plastic Products (Shenzhen) Company Limited. In order to increase our market share in the Huadong region in China, the Group established a representative office in Pudong region of Shanghai, in early 2001, to promote our PVC pipes and fittings products. Accordingly, the sales volume of our PVC pipes and fittings products in the first three months of 2001 increased by 11% compared with the relevant period in 2000.

If PRC accedes into WTO can be effected by the end of year 2001, we can expect an uplift of the quota restriction and a sharp rise in the sales, and hence better profit margin, of our fabric household products which we will export to U.S.A.

The management team of the Group has accumulated valuable experience under various difficulties in the past. With this experience we are able to expand the sources of our raw materials and to obtain better purchase terms. The adverse effect arising from the fluctuation of raw material price will be mitigated and the Group's profit margin will improve.

On behalf of the board

Lee Tat Hing

Chairman and managing director

Hong Kong, 19 April 2001