Chairman's Statement

I hereby present to the shareholders the results of Solartech International Holdings Limited and its subsidiaries (the "Group") for the year ended 31 March 2001.

RESULTS

The Group's turnover for the year ended 31 March 2001 amounted to HK$1,061 million, representing an increase of 1.7% over last year. Out of which the sale of cable and wire products declined by 14.6% from last year to HK$649 million. Whilst the sale of copper rods reached HK$370 million and the sale of connectors & terminals hit HK$42 million, representing respective growth of 46.3% and 38.1% over last year.

The Group suffered a net loss of HK$24.4 million for the year ended 31 March 2001, which was attributed to the world-wide downturn in the industrial sector.

DIVIDEND

The directors do not recommend any payment of dividend.

Chairman's Statement
(Cont'd)

BUSINESS REVIEW

Cable & Wire Products

At the beginning of the year under review, the Group after experiencing a shrinkage in profit in the previous year has undertaken effective measures such as internal consolidation and cost reduction to enhance the overall competitiveness of the Group. Shareholders should have noted certain improvements in our business from the Interim Report. However, when stepping in the second half of the financial year, business failed to achieve its anticipated growth trend. Distressed by the pessimistic sentiment originated from the rapid decline in the U.S. economy, customers around the world, including those from southern China and Hong Kong all cut down or withheld their orders, thus hindering the Group's sales performance in the second half year. Furthermore, the sluggish economy had accelerated the obsolescence and vanishment of certain products of our customers, thus inducing an exceptional write-off of HK$25 million of raw materials, parts, accessories and products bearing shortened economic life. This exceptional write-off alone has already exceeded the net loss of the Group for the year. Despite such difficult business environment, the Group's manufacturing base in Shanghai recorded a remarkable business growth. Although it is not a major tribute to the Group's operations, its year by year growth has enlightened the Group in determining its future development directions.

Copper Rod Products

Facing a more and more competitive market, the Group's copper rod products still out-performed others by virtue of its superior production facilities imported from the United States and its prime production management standard. During the year under review, the utilisation rate of the copper rod plant has increased considerably over last year. Apart from satisfying the downstream cable & wire production needs of the Group, external sales of such products reached HK$370 million. The existing production facilities are able to support at least 30% of business growth.

Connectors & Terminals

The Group's connectors & terminals manufacturing base in Malaysia has achieved an outstanding business growth, and is exemplary in terms of the Group's goal of product diversification.

Contribution of the Associates

During the year under review, six out of the eight operating associates of the Group were founded on internet based business models. As the internet fervour cooled down, their operating results were lethargic. The Group has accordingly written off most of their acquisition costs to the reserves account so as to minimize the impact these associates may have on the future performance of the Group.

During the year under review, owing to the global supply deficiency in optical fibre, the optical fibre cable business in which the Group has a 47.5% stake was unable to take on large orders as expected. And the production facilities being grossly underutilised had created minor losses to the business. Given the shortage of raw material was beyond the management's control and that improvement in market situation was noted after the balance sheet date, the Group has decided not to enforce the profit warranty against the joint venture partner at this stage. It is hoped that this would allow the management to be totally devoted to its operations and geared towards the monumental goal of achieving a separate listing in the near future.

The remaining associate has successfully developed document management software systems for small-to-medium and large sized enterprises as well as government authorities. The system was appraised as one of the top industrial and commercial application softwares in the PRC. They are now in the final trimming stage and shall be launched into the market in the last quarter of the year.

Chairman's Statement
(Cont'd)

PROSPECTS

The Group's efforts in consolidating its core business for over one year has managed to preserve its competitive edge and financial integrity in the face of raw material price fluctuation, vicious competition and the rapid slowdown of the world economy. It is now believed that the economy will bottom out soon. From the indicative attitude of most of the customers, significant improvement in orders to be received from Hong Kong and overseas in the fourth quarter of this year is foreseen. Meanwhile, the PRC economy is still on a growing track. The directors believe that the PRC market should be able to maintain its expansion for years given the imminent accession to WTO and the hosting of the 2008 Olympic Games. And persistent economic growth will magnify the demand for quality electronic and electrical appliances. Accordingly the Group shall be committed to the development of the PRC domestic market. As a matter of fact, the Group has extensive marketing experience in the Mainland market and has established an effective risk management system of which bad and doubtful debts can always be absorbed by recurring provisions embedded in the product costing structure.

Diversification and high value added items are the emphasis for future product development, and the product mix will range from signal transmission cable and wire products and connectors to digital ones. During the year under review, non-signal transmission cable represented approximately 70% of the Group's cable and wire products turnover. It is expected that the sales of data and information transmission cable will carry a higher growth in weighting over the coming years.

The Group is currently preparing for the establishment of a mono-glycerides refinery plant with capital investment in the range of HK$50 million to HK$70 million to be entirely financed by internal resources of the Group. The first stage of investment will complete for production at around August and September 2001. Through molecular distillation process, the plant will produce 8,000 metric tonnes of high purity mono-glycerides annually. The second stage of investment is to develop downstream derivative product series, mainly additives to food, daily products and cosmetics. Their functions are to appreciate the end products' appearance and texture up to prestigious standard. Application of such products in the PRC is lagging behind that in Europe, the U.S. and Japan. It is expected that the investment will yield a considerable return for the Group.

Concerning the associated companies, their residual value represents only 1.5% of the net asset value of the Group after accounting treatment in the year under review. While the downside risk that the Group is exposed to is limited, any positive development in relation to them will bring pleasant surprises to the shareholders.

The Group will continue to develop towards the goal of diversification and pursue high-return investments so as to reward our shareholders for their continual support over the years.

HUMAN RESOURCES

As of 31 March 2001, including the directors, the Group has employed an approximately 4,200 full-time employees in Hong Kong, the PRC and overseas. In line with the consolidation program of the Group, the number and proportion of employees who have received tertiary or professional education or above have increased over last year. During the year under review, the overall salary expenditure underwent transitional increases as the quality of the management was being upgraded. The staff cost is anticipated to decrease in the coming year when certain departments relocate from Hong Kong to the Mainland. The Group provides internal training to the staff and subsidizes some of them in taking external training courses for the purposes of strengthening the management and technical capability of the staff.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group has implemented sound financial management policy. As at the balance sheet date, the Group has more than HK$226 million of cash on hand, net current assets value being over HK$288 million. Short and long term loans totalled HK$299 million compared with net assets of HK$746 million representing a gearing ratio of 0.40. The directors believe that the Group is in a healthy financial condition.

EXCHANGE FLUCTUATION

The transactions of the Group are mostly denominated in HK$, US$ and RMB. As the exchange rates of these currencies have been relatively stable , the Group was therefore not exposed to any significant exchange risk.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners and staff for their support in the past year.

By Order of the Board
Chau Lai Him
Chairman

Hong Kong, 27 July 2001