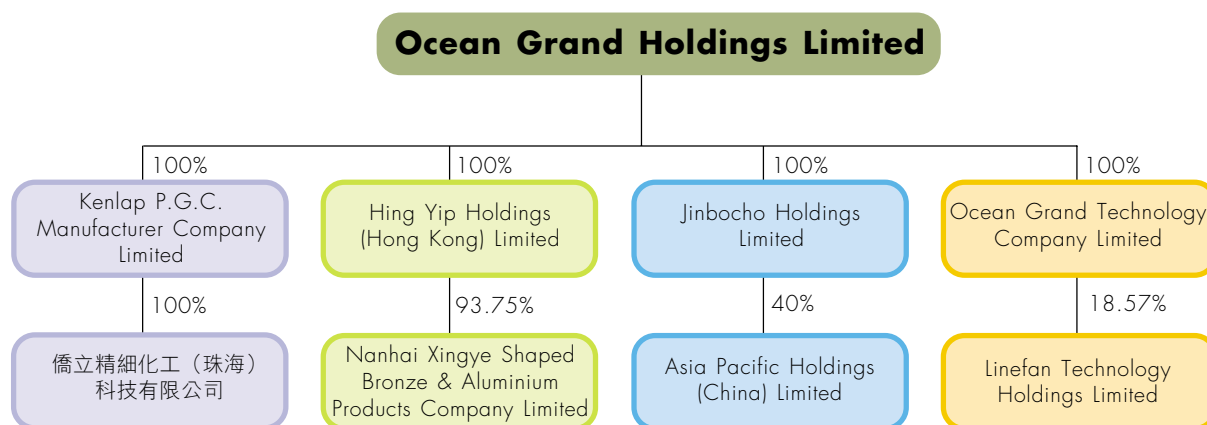


Chairman's Statement

CORE GROUP STRUCTURE



With the backdrop of a receding worldwide economy, I am pleased to present the Group's satisfactory results, and a discussion and analysis of the Group's performance, for the year ended 31st December 2001.

FINANCIAL POSITION, RESOURCES AND LIQUIDITY

The Group's shareholders' funds have increased to HK\$778,931,000 at 31st December 2001 compared with HK\$635,156,000 as that of last year.

During the year, the Company issued 280,830,936 new ordinary shares through a placement at a consideration of HK\$0.125 each. Furthermore, warrants conferring the right to subscribe for 20,000,000 new ordinary shares of the Company at a subscription price of HK\$0.16 each were exercised. The disposal of 55% of issued share capital of King Glass Engineering Limited by the Group was completed in the first quarter of 2001.

The Group's financial position remains healthy and stable despite the adverse economic environment. As at 31st December 2001, the Group's cash and bank balances reached HK\$323,214,000 (2000: HK\$146,855,000), the net debt gearing (total borrowings less free cash/net tangible assets) stood at only 7% (2000: -10%), and the current ratio was 220% (2000: 367%). Debtor turnover for the year ended 31st December 2001 was 82 days (2000: 76 days).

Long-term borrowings as at 31st December 2001 were HK\$104,543,000 (2000: HK\$7,957,000). The increase was mainly due to the utilisation of a 3-year USD17 million term loan to finance the Group's new precious metal electroplating chemical salt factory in Zhuhai, PRC, thereby improving the maturity match between its assets and liabilities. As at the balance sheet date, USD11 million had been drawn down from this term loan facility. The remaining USD6 million was drawn in March 2002.

Management is of the opinion that financially the Group is well-prepared for its expansion plans in 2002.

In 2001, the investment in the precious metal electroplating chemical salt business bore fruit and contributed HK\$25,677,000 (2000: HK\$17,400,000) to the operating profits of the Group. Together with the stable performance of its aluminium extrusion business, the Group's net profit for the year increased to HK\$113,613,000 (2000 (restated): loss of HK\$13,970,000).

All these are a prelude to the future. We have plans to expand and modify the infrastructure of our manufacturing and distribution capabilities to gain a larger share of the markets for our respective products and services. Each of our core businesses flourishes despite the relatively unfavourable economic climate.

ALUMINIUM EXTRUSION PRODUCTS

In the previous year's forecast, we made optimistic predictions regarding the accession of the PRC to the WTO, and as expected the Economic Reform has advanced to new heights. Although the competition in this particular market is still keen, Nanhai Xingye Shaped Bronze & Aluminium Products Company Limited ("Nanhai Xingye") was able to maintain its role as a substantial profit centre of the Group.

In the coming year, we are planning to enhance both the capacity and capability of Nanhai Xingye by the installation of new production lines, including a powder-coating line, a paint-coating line, an aluminium extrusion products fabrication line and a new anodising line. In addition, we are also contemplating the installation of a 3,600-tonne extrusion press machine to complement the existing nine extrusion press machines. The total costs for these enhancements are expected to be approximately HK\$100,000,000. The prime aim for the management is to upgrade the technology deployed, thereby increasing the productivity and trimming the costs while providing a wider range of products of superior quality for our customers. With such enhancement, we believe that we will be in a good position to explore overseas markets and expand our client base.



Powder-coating line

PRECIOUS METAL ELECTROPLATING CHEMICALS

Kenlap P.G.C. Manufacturer Company Limited ("Kenlap"), a wholly-owned subsidiary of the Group, achieved another record year, recording a turnover of HK\$150,625,000. I wish to emphasize that the management will monitor the development of this dynamic market. The demand both locally and from Southeast Asian region have exceeded management expectations.

Chairman's Statement

For instance, the demand of Potassium Gold Cyanide (commonly known as "gold salt"), being one of the Company's major products, is constantly in short supply in the production of clocks and watches, electronics and jewellery industry. The present production capacity has reached full capacity. Kenlap is unable to meet the exponential increase in demand without considerable expansion.

A USD17 millions syndicated bank loan was obtained to finance construction of new factory in Hong Kong and Zhuhai. Upon the completion of the factory, Kenlap will be able to reach the annual production capacity of gold salt 5,000kg, palladium salt 3,000kg, silver salt 160,000kg, rhodium sulphate 200kg, auxiliaries 400,000kg and precious metal recovery 2,400kg. I believe this production capacity will rank among one of the highest in Asia.



Model plan of the new factory in Zhuhai

STAINLESS STEEL PRODUCTION

The acquisition of 40% interest in Asia Pacific Holdings (China) Limited ("Asia Pacific") was completed in June 2001. Based upon its encouraging performance in the fiscal year, it was able to contribute HK\$20,270,000 to the Group's profit.

The key to the success of the Panzhihua-based operation (in Sichuan Province, the PRC), which produces mainly hot rolled stainless steel sheets and coils, is its ability to accurately position itself in the market to avoid direct competition with other State-owned giant producers. This successful strategy will be maintained in the near future.

Panzhihua is by any standard the promised land for the stainless steel industry. Although it occupies less than 0.1% of the total land mass of the PRC, the city of Panzhihua possesses 20% of the country's premium-grade underground iron deposits. Furthermore, both labour and energy costs in the city are among the lowest in the PRC. We believe that Asia Pacific is in a good position to further expand its business using Panzhihua as its production base.

The outlook for the PRC's construction sector is promising. With a total annual production capacity of 100,000 tonnes, Asia Pacific will continue to act as a flagship for the Group's participation in the development of the Western Region of the PRC.



Heated stainless steel raw material



Production line of stainless steel



Hot rolled stainless steel coil

LINEFAN TECHNOLOGY HOLDINGS LIMITED

The core business of Linefan Technology Holdings Limited ("Linefan") is the sale of its Knowledge Management products and the purveyance of end-to-end Business Intelligence solutions to its customers through the development of custom-made software and the use of data warehouse, data mining and analysis system, which amounts to approximately 91% of Linefan's turnover. Linefan was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 5th February 2002.

PROSPECTS

Looking into the future, aided by favourable macroeconomic conditions, the Group will use its past experience in the PRC construction industry and strive to open up new business horizons. Efforts have been made to explore the possibility of lining up joint-venture projects with the assistance of provincial and municipal governments in the Western Region, the Group is attempting to be among the first batch of corporations to benefit from the preferential policies (including the use of land, taxation and utilization of existing facilities) designed to attract foreign investors.

We believe that steady growth will sustain for Nanhai Xingye, while more impressive growth will be observed in Kenlap and Asia Pacific next year. With core businesses providing steady income, our diversified investments, enhanced by the application of information technology, will trim costs and maximise return for the Group.

Finally, I would like to express my sincere gratitude to our fellow Directors and staff for their dedication and hard work. I believe next year will be a very promising year for the Group.

Yip Kim Po

Chairman

Hong Kong, 18th April 2002