

I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2001.

Results

The Group's consolidated turnover for the year of 2001 was approximately HK\$1,294,747,000, representing a decrease of approximately 20.2% as compared to that of approximately HK\$1,622,796,000 in 2000. During the year, the Group adopted assets rationalization and streamlined the businesses of its member companies, inducing considerable provisions for obsolete inventories and bad and doubtful debts and write-off of bad debts. This resulted in a loss before taxation amounting to approximately HK\$79,438,000, whereas the profit before taxation for the year of 2000 amounted to approximately HK\$28,497,000. The aggregate provisions for obsolete inventories, bad and doubtful debts and write-off of bad debts amounted to approximately HK\$69,260,000, of which the provisions for obsolete inventories were approximately HK\$28,075,000, and write-off of bad debts and the provisions for bad and doubtful debts amounted to approximately HK\$41,185,000. For the year ended 31st December, 2001, loss attributable to the shareholders was approximately HK\$89,128,000.

Dividend

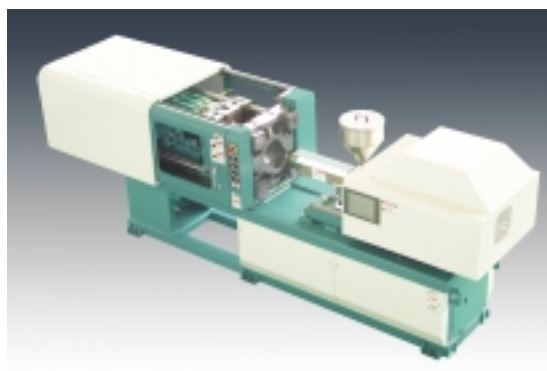
The directors of the Company do not recommend the payment of any dividend for the year ended 31st December, 2001 (2000: Nil).

Review of Operations

Amid global economic downturn in the year of 2001, the Group's results were not quite satisfactory under the unfavourable impacts of slowdown of growth in China's exports, decrease in Hong Kong's exports, causing cooling off of investment sentiments, shrinking production scale, and sluggish consumption. Orders and sales were satisfactory in the first quarter in 2001, but the markets shrank remarkably since the second quarter. The Group implemented contingency measures with a view to minimize the impact, yet the tardiness in reaction was a good lesson for the management for further review and improvement of management standard. By making long-term development strategies and adopting a prudent approach, the Group is prepared for tougher challenges through continuous assets rationalization and effective enrichment of cashflows.



Multi-Materials injection Moulding Machine



Zeus 50 All electric injection Moulding Machine

Chairman's Statement

Amid cooling off of clients' investment sentiments, and still adopting cautious credit policy, the results of the machinery business were not so good as expected. Moreover, to put into effect the policy of assets rationalization, provisions for inventories and doubtful debts were made, amounting in aggregate to approximately HK\$35,454,000. As the Group has long been concerned with products' research and development, a new series of plastic injection moulding machines with features of high efficiency and energy saving was launched to the market in late 2001, the design of all electrically driven plastic injection moulding machine had been rationalized with quite competitive price and would be launched in 2002. Besides, in March 2002, the Group signed a technology transfer agreement with Japan's UBE Machinery Corporation Ltd. ("UBE") for the manufacture of the series of large plastic injection moulding machines presently manufactured in Japan with UBE's technology and sale under its brand in China and other markets during the year. The new challenges from China's accession to the WTO will provide new stimulus of competition for the Group.



Printed Circuit Board

In the adverse market environment, provisions for obsolete inventories of approximately HK\$4,237,000 made for the plastic products and plastic processing business has caused the results being not so satisfactory as expected. However, profits were still sustained. The business will be part of the Group's strategic planning to be expanded in a timely pace. The building of a new plant in Zhuhai will be completed and put into use at the end of the year 2002, and will make new profit contribution to the Group.

As for the business of printed circuit board, in order to develop towards the direction of multi-layer boards, we have moved into the new plant in the middle of the year 2001. Coincidentally, loss was recorded in light of a shrinking market. Nevertheless, the Group is confident to see a turnaround to profit in the near term after prudent analysis.

Due to global sluggish consumption and decline in price of electronic parts, provision had to be made for inventories of the audio and electronic business and price had to be reduced to push sale, which resulted in a loss of approximately HK\$10,282,000. However, with the reorganization well underway, results are expected to improve in the year 2002.

As for industrial consumables, the results were less than satisfactory as the expenses of new office led to an upsurge in costs owing to shrinking production scales of customers and under the strategy of developing the market of Northwestern China. The machinery and trading business, moreover, recorded loss due to the aggregate provisions for doubtful debts and inventories of in aggregate to approximately HK\$26,087,000. However, as the consolidation period was completed, we are confident that profits will be achieved in the year 2002.

The year ahead will be filled with uncertainties. The market environment in early 2002 was better than that of late 2001. By adopting a highly cautious approach to cope with market changes, with the experience of the previous years and recovery of last year, we have confidence in meeting the challenges of the new year.

Liquidity and Financial Resources

As at 31st December 2001, the Group's shareholders' funds were approximately HK\$579,854,000, compared with approximately HK\$671,181,000 as at 31st December 2000.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's gearing ratio as at 31st December, 2001 was approximately 3.57% (2000: 1.29%), and the liquidity ratio was approximately 1.31 (2000: 1.37), both were maintained at a healthy level. As at 31st December 2001, cash, bank balances and time deposits amounted to approximately HK\$54,061,000. All these reflect that the Group is in sound financial position.

Appreciation

On behalf of the Group, I would like to express my gratitude towards our staff for their contribution and hard work, and the suppliers, clients, bankers and shareholders for their utmost support.

TANG To
Chairman

Hong Kong, 23rd April, 2002