

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE _____

As at 30th June 2001, the Group had bank balances and cash of US\$68.0 million (31st December 2000: US\$60.9 million) and working capital of US\$67.7 million (31st December 2000: US\$56.1 million). In addition, the Group had banking facilities amounted to US\$385.0 million (31st December 2000: US\$338.5 million), of which US\$80.2 million (31st December 2000: US\$81.0 million) were utilized. Approximately 92.5 percent of these borrowings was denominated in United States dollar while the balance was in Renminbi. All borrowings were trade finance related and short term in nature.

The Group utilized US\$9.8 million (Year 2000: US\$7.4 million) in cash during the period to improve and equip its production facilities. For the rest of this year, the Group is expected to spend another US\$7.0 million roughly on similar capital expenditures.

The Group's gearing ratio, representing the ratio of total bank borrowings to total assets, remained healthy at 16.2 percent as at 30th June 2001 (31st December 2000: 16.1 percent).

The Group generated US\$27.2 million (Year 2000: minus US\$14.0 million) in net cash flow from operating activities during the period. Management believes that cash flow generated internally, supplementing by available banking facilities, will be sufficient to fund the Group's operations and capital commitments going forward.