

OUTLOOK FOR THE SECOND HALF OF 2001

As fluff pulp prices started to drop from the beginning of 2001, the Group's production cost in the second half of 2001 is expected to decline and thus the overall gross profit margin will be improved.

To improve the sales of sanitary napkins, the Group will continue to adjust its product mix; introduce products with good quality that fit the market need.

To tap the fast growing baby diapers market, the Group will continue increasing its production capacity. Baby diapers are expected to become the Group's new growth driver; both in terms of sales and profit. On the other hand, the Group will try to open up different sales channels for adult diapers so as to capture this developing market.

The Group will continue to develop its sales channels and network and improve efficiency of its sales teams through better management with an aim to further increase its market share.

Facing the extremely competitive market environment, the Group has hired a consulting firm to help the business increase its operational efficiency and effectiveness to enhance the Group's competitiveness in the market.

While sharpening its competitive edge through improvement of operation processes, the Group will accelerate its process in identifying suitable investment opportunities to grow the Group further.