

REVIEW AND OUTLOOK

Year 2001 is a challenging year for the Group which has experienced strong market pressure and keen competition from other manufacturers. Customers are more cautious in price negotiation and delay in order placements with manufacturers. The global economic downturn is gathering its momentum. The long awaited economic recovery effected by the progressive interest rate cuts of the United States Federal Reserves has yet to be seen. Nevertheless, it is encouraging that the Group is still able to attain a healthy growth of 5% in the United States ("US") market. However, business to the major markets of Asia and Europe was lower than 2000, which was a banner year for the Group, mainly due to the poor economic condition and weak Euro. Business condition will remain sluggish for the rest of the year.

As a long term strategy to expand the business with a world class infrastructure, the Group has engaged external consultants since 2000 to work closely with our sales, merchandising and manufacturing teams to build up measurement systems and improvement plans for the whole operation. Business process improvement programs have been implemented progressively to drive down total cycle time and improve first pass yield and thus achieving better responsiveness to customer needs and satisfaction.

On the manufacturing side, our factories have launched a series of projects to improve cost effectiveness, productivity and resources utilization. Our emphasis on human resources development will continue. High caliber and experienced executives have been recruited to strengthen the management team. Cross-functional teams from different divisions and functions of the Group have been set up to enhance sales, merchandising and fulfillment processes and expedite process barrier removal.

The reduced turnover in the first half year of 2001 was mainly due to some major customers had shifted their order placements from the first half to the second half of the year. We expect to catch up the whole year turnover in the second half year. All different functional teams are working hard towards this and we are confident to meet the challenge under the current tough environment.