FINANCIAL REVIEW

The net assets of the Group as at 30th June, 2001 was approximately US$102.7 million, compared to US$106.6 million as at 31st December, 2000. Total bank borrowings of the Group was approximately US$77.4 million and the gearing ratio (total bank borrowing to total net assets) was accordingly 75%, comparing to 74% as at 31st December, 2000.

As at 30th June, 2001, working capital deficiency was approximately US$8.5 million, compared to US$5.8 million as at 31st December, 2000, representing an increase in deficiency of US$2.7 million. The increase was due to the reclassification of certain amount of bank loan from long-term to short term, the repayment of which commence from 30th June, 2002.

The bank loans and other banking facilities were secured by pledges of certain of the Group's property, plant and equipment, floating charges on certain of the Group's inventory, trade receivables and bank balances, corporate guarantees given by the Company and a personal guarantee given by a director of the Company.

Major functional currencies of the Group are United States Dollars, Malaysia Ringgits and Reminbi. All of them are closely linked in term of exchange rate to United States Dollars, the reporting currency of the Group. Foreign currency exposure to the Group is expected to be minimal.

The Group will continue to consolidate its business and do not expect to incur substantial capital expenditures.

As at 30th June, 2001, the Group's contingent liabilities were approximately US$1.3 million, representing discounted bill with recourse.

As at 30th June, 2001, the Group had 4,590 staff, 2,580 of whom worked at the Manuply manufacturing plant in Bintulu, Sarawak, Malaysia and 1,953 at facilities in Dalian, Changchun and Jilin, the PRC. In-house training programmes were provided for staff to enhance skills and job knowledge. Management will continue to foster close co-operation with the staff.